

CITY OF WORCESTER

MASSACHUSETTS



Worcester Regional Justice Center

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2007

Prepared by:
The Office of the City Auditor
City of Worcester, Massachusetts

James A. DelSignore
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Table of Contents

Page

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditors' Report	9 - 10
Management's Discussion and Analysis – Required Supplementary Information	11 - 22

Exhibit

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Assets	1	23
Statement of Activities	2	24 - 25

Fund Financial Statements:

Balance Sheet – Governmental Funds	3	26
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to The Statement of Net Assets	4	27
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	5	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	29
Statement of Net Assets – Proprietary Funds	7	30
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	8	31
Statement of Cash Flows – Proprietary Funds	9	32
Statement of Fiduciary Net Assets	10	33
Statement of Changes in Fiduciary Net Assets	11	34

Notes to the Basic Financial Statements	35 - 80
---	---------

Required Supplementary Information:

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis	81 - 89
Notes to Required Supplementary Information	90 - 91

Supplementary Statements and Schedules:

Narrative – Nonmajor Governmental Funds	92 - 93
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CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Table of Contents

	Statement/ Schedule	Page
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	94 - 99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	100 - 105
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Budgetary Basis:		
Airport Enterprise Fund	B-1	106
Golf Course Enterprise Fund (nonmajor)	B-2	107
Sewer Enterprise Fund	B-3	108
Water Enterprise Fund	B-4	109
Capital Assets Used in the Operation of Governmental Activities:		
Comparative Schedule by Type and Source	C-1	110
Schedule by Function and Activity	C-2	111 - 112
Schedule of Changes by Function and Activity	C-3	113
Agency Fund – Statement of Changes in Assets and Liabilities	D-1	114

STATISTICAL SECTION

	Graph/Table	
Narrative and Table of Contents		115
Net Assets by Component – Accrual Basis of Accounting – Last Seven Fiscal Years	1	116
Changes in Net Assets – Accrual Basis of Accounting – Last Seven Fiscal Years	2	117
Governmental Activities Tax Revenues by Source – Accrual Basis of Accounting – Last Seven Fiscal Years	3	119
Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting – Last Seven Fiscal Years	4	120
Changes in Fund Balances of Governmental Funds – Modified Accrual Basis of Accounting – Last Ten Fiscal Years	5	121
Governmental Funds Tax Revenues by Source – Modified Accrual Basis of Accounting – Last Ten Fiscal Years	6	123
General Fund Expenditures – Modified Accrual Basis of Accounting	1	124
General Fund Expenditures – Modified Accrual Basis of Accounting– Last Ten Fiscal Years	7	125
General Fund Revenues – Modified Accrual Basis of Accounting	2	126
General Fund Revenues – Modified Accrual Basis of Accounting – Last Ten Fiscal Years	8	127
Assessed Valuation – Last Ten Fiscal Years	3	128
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	9	129
Principal Taxpayers – Current Year and Nine Years Ago	10	130

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2007

Table of Contents

Graph/Table

Property Tax Levies and Collections – Last Three Fiscal Years	11	131
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	12	132
Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	13	133
Legal Debt Margin – Last Ten Fiscal Years	14	134
Demographic and Economic Statistics	15	135
Full Time Employees – Last Ten Fiscal Years	16	136
Principal Employers – Current Year and Nine Years Ago	17	137
Operating Indicators by Function – Last Ten Fiscal/Calendar Years	18	138
Capital Asset Statistics by Function – Last Ten Fiscal Years	19	139

INTRODUCTORY SECTION



CITY OF WORCESTER, MASSACHUSETTS
OFFICE OF THE CITY AUDITOR
CITY HALL 01608

JAMES A. DeSIGNORE
CITY AUDITOR

THOMAS J. CLAWSON
DEPUTY CITY AUDITOR

October 31, 2007

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, 2007 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, 2007 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, 2007. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

City of Worcester Government

Worcester was incorporated as a town on June 14, 1722 and as a city on February 29, 1848 under Acts of the Commonwealth of Massachusetts (the Commonwealth), which as amended, constitute the City's charter. The City is located in the east central part of Massachusetts. It is 39 miles from Boston, 43 miles from Providence, Rhode Island and 60 miles from Hartford, Connecticut. The Towns of Holden, West Boylston, Shrewsbury, Grafton, Millbury, Auburn, Leicester and Paxton border it. The City occupies 38.44 square miles and is the second largest city in New England with a population of 175,450, according to a 2006 Federal estimate. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City is also empowered to levy an excise tax on motor vehicles whose owner is a resident or business located in the City.

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

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, has exclusive jurisdiction over the City's public school system and appoints a superintendent to administer the system's day-to-day affairs.

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

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

Budget-to-actual comparisons for the general fund are presented on pages 81 through 89 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 nine colleges and universities, most of which have been continually expanding. For example, the University of Massachusetts Medical School is now constructing a \$95 million 258,000 square foot advanced education and clinical practice center and plans to construct a \$235 million life sciences research facility on its campus. The City is also focused on developing polluted former industrial sites called brownfields. A 38-acre area brownfield site on the edge of downtown, called Gateway Park is being cleared and has had a 160-room hotel constructed on part of that site. Additionally, construction has been completed on a \$43 million 124,600 square foot life science and bioengineering center and an \$11 million 500-space garage on this site. When all phases are complete it is expected that Gateway Park will create approximately 2,500 new jobs. The project is being done in conjunction with Worcester Polytechnic Institute, which is now constructing housing and parking for an additional 300 students for \$28 million on its campus. Also, the College of the Holy Cross is now constructing a \$60 million science center. The City has also been working to encourage downtown housing and has had an ongoing neighborhood improvements program that concentrates on improvements to infrastructure, recreational facilities, public safety, housing and outreach.

Factors Affecting Financial Condition

The City, with a large infusion of State and Federal assistance, is in the process of greatly enhancing its transportation access and egress. There are currently ten daily trains to Boston, and based on the demand, this service could be expanded in the future. Additionally, construction has been substantially completed on a \$300 million highway project that links the City's expressway to the Massachusetts Turnpike with a turnpike exit on a widened and improved Route 146.

In January 2000, the Massachusetts Port Authority (Massport) took over the operation of the City's airport. This was a five-year agreement in which Massport also assumed a share of any airport-operating deficit. During fiscal 2004, Massport offset 100% of the budgetary basis operating deficit, exclusive of debt service. This contract has been renewed for a 3-year period. Massport continued to pay 100% of the deficit in fiscal 2005, but this percentage has dropped to 85% in fiscal 2006 and has dropped further to 68% in fiscal 2007. The contract has been extended until December 2007 and negotiations to extend it further are ongoing. The carrying value of the airports' net assets could be impaired without the continuing support of Massport.

The City's 20-acre downtown mall and office complex has been purchased by a developer who plans to demolish the retail part of the complex and replace it with mixed uses including office, retail, entertainment and housing. The new complex is to be called CitySquare. The developer's total investment in the project is estimated to be about \$470 million over a period of 6 to 8 years. The City is to contribute about \$61 million, the state \$25 million and federal government \$3.5 million mainly for the cost of demolition, infrastructure and an underground garage. The City will use District Improvement Financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs. It was originally thought that demolition could start in the winter or spring of 2007 but the developer has yet to secure enough tenants to trigger financial support from the City for this phase of the project. In fiscal 2007, the City expended \$6.9 million, primarily for tenant relocations and for architectural services and has expended \$7.4 to date to prime this project. It is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

The City is currently constructing a \$22 million 500-space garage with a first floor retail component next to the Union Station intermodal transportation center and renovation is progressing at the \$30 million, privately financed 2,300 seat, downtown performing arts center set to open in March 2008. Construction was recently completed on the 427,000 square foot \$180 million state funded, regional justice center and construction has just started on a \$72 million new North High School.

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

Worcester's total assessed property value has increased steadily since fiscal 1996. This has been because of increases in property values and a long-term single family housing boom. However, all indications are that this boom has ceased. It remains to be seen what impact this will have on future assessed valuation totals. In fiscal 2007 Worcester's property values rose to another all-time high of \$12.6 billion. This was an increase of 8.3% from the previous year's value, which had increased by 12.0% from the year before.

Awards and Acknowledgements

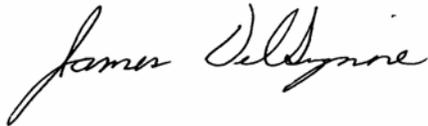
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2006. The Certificate of Achievement is a prestigious national 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 fourteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "James A. DelSignore". The signature is written in black ink and is positioned above the printed name.

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2007

Council – Manager Form of Government

CITY COUNCIL

Konstantina B. Lukes, Mayor

Councilors-at-Large

Dennis L. Irish
Michael C. Perotto
Joseph M. Petty
Gary Rosen
Kathleen M. Toomey

District Councilors

Paul P. Clancy, Jr.
Barbara G. Haller
Philip P. Palmieri
Federick C. Rushton
Joffery A. Smith

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

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

Michael T. Hennessy
Kim Laino
Ruth Sarafinas

Chief Accountant
Systems Accountant
Administrative Assistant

ACTING CHIEF FINANCIAL OFFICER/ASSESSOR

Robert J. Allard

BUDGET OFFICER

Jarrett Conner

PURCHASING AGENT

John C. Orell

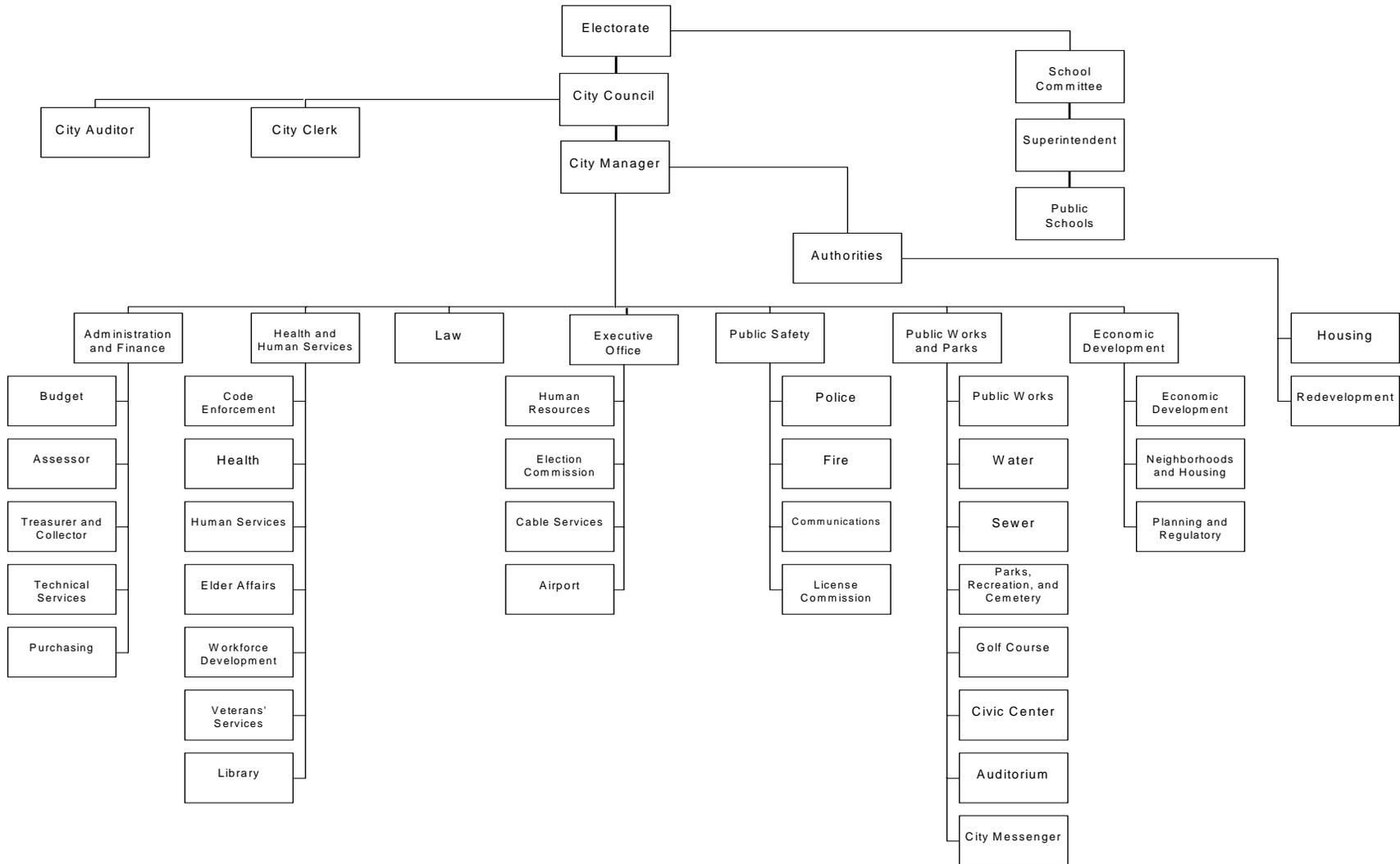
TREASURER & COLLECTOR

Michael D. Conrad

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Worcester
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director

FINANCIAL SECTION



Certified Public Accountants

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Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2007 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2006), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

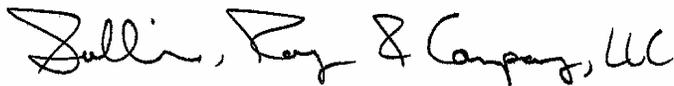
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007 (except for the Worcester Contributory Retirement System, which is as of December 31, 2006) 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, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the general fund schedule of revenues, expenditures and changes in fund balance – budget and actual - budgetary basis (located on pages 11 through 22 and pages 81 through 91, respectively), are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Sullivan, King & Company, LLC".

October 31, 2007

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(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, 2007 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 2007 by \$230,940.
- The City's total net assets increased by \$66,686 during the year.
- "Free Cash", certified by the State's Department of Revenue as of July 1, 2007 was \$530. This amount is unrestricted in the general fund and available for appropriation in fiscal 2008.
- At the end of fiscal 2007, unreserved fund balance for the general fund was \$10,025 or 2.0% of total general fund revenues.
- The City's total debt increased by \$9,768 or 1.6% during fiscal 2007.

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 2007. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

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

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

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

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

The government-wide financial statements can be found on pages 23 through 25 of this report.

Fund Financial Statements

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

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

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

The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and the stabilization fund, both of which are considered major funds. Data from the 29 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

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

The governmental funds financial statements can be found on pages 26 through 29.

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

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

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

The proprietary fund financial statements can be found on pages 30 through 32.

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

The fiduciary fund financial statements can be found on pages 33 and 34.

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 35 through 80.

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.

Other required supplementary information can be found on pages 81 through 91.

Government-Wide Financial Analysis

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 \$230,940 at the close of the most recent fiscal year.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

	Net assets					
	Governmental		Business-type		Total	
	Governmental Activities		Business-type Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 282,953	242,027	29,588	26,947	312,541	268,974
Capital assets	447,952	420,670	229,010	227,007	676,962	647,677
Total assets	730,905	662,697	258,598	253,954	989,503	916,651
Long-term liabilities	530,626	528,777	114,966	106,151	645,592	634,928
Other liabilities	93,269	94,808	19,702	22,661	112,971	117,469
Total liabilities	623,895	623,585	134,668	128,812	758,563	752,397
Net assets:						
Invested in capital assets, net of related debt	289,306	227,174	99,181	104,871	388,487	332,045
Restricted	45,711	29,255	—	—	45,711	29,255
Unrestricted	(228,007)	(217,317)	24,749	20,271	(203,258)	(197,046)
Total net assets	\$ 107,010	39,112	123,930	125,142	230,940	164,254

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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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 (\$203,258). However, this balance includes outstanding pension obligation bonds of \$185,859 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 \$29,625 and \$2,562, respectively, at year's end. Additionally, the City has a note payable of \$5,800 for improvement to neighborhood assets it does not own. This debt is to be paid by the community development block grant. Absent the fore mentioned debt, there is \$20,588 of unrestricted net assets that may be used to meet the City's ongoing obligations to its citizens and creditors.

At the end of fiscal 2007, the City is able to report positive balances in all three categories of net assets for business-type activities and because of the above mentioned debt, for which the City has no offsetting assets, all but unrestricted net assets in the governmental activities. The same situation existed at the end of fiscal 2006.

The City's governmental activities restricted net assets increased by \$16,456 as restricted special revenue funds increased by \$3,902, mainly, because of increased balance of \$2,944 school grants, which rebounded from an \$8,704 decrease the year before. Permanent funds increased by \$1,358 as investment income and donations

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

exceeded expenditures. The amount reserved for renewal and replacement increased from zero to \$11,196 mainly because of an increase in the balance reserved for CitySquare by virtue of receipt of a \$25,000 state grant during the year that went unspent and more than offset expenditures made with temporary debt.

The City's total net assets increased by \$66,686, or 40.6%. This increase was all attributable to governmental activities and is primarily because of significant increases in both operating and capital grants and contributions.

Governmental activities – Governmental activities increased the City's net assets by \$67,898 thereby accounting for 101.8% of the total increase. The key elements of this increase are as follows:

	Governmental activities		Changes in net assets Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 29,710	27,076	52,225	47,203	81,935	74,279
Operating grants and contributions	315,692	295,107	593	1,006	316,285	296,113
Capital grants and contributions	65,551	5,217	2,255	3,114	67,806	8,331
General revenues:						
Property taxes	179,130	171,490	—	—	179,130	171,490
Motor vehicle excise taxes	11,893	12,096	—	—	11,893	12,096
Intergovernmental	53,813	44,146	—	—	53,813	44,146
Other	10,060	9,493	—	—	10,060	9,493
Total revenues	<u>665,849</u>	<u>564,625</u>	<u>55,073</u>	<u>51,323</u>	<u>720,922</u>	<u>615,948</u>
Expenses:						
General government	19,583	18,222	—	—	19,583	18,222
Public safety	115,321	113,545	—	—	115,321	113,545
Health and human services	19,873	20,880	—	—	19,873	20,880
Education	366,311	353,126	—	—	366,311	353,126
Libraries	7,735	7,323	—	—	7,735	7,323
Public works	26,954	27,027	—	—	26,954	27,027
Culture and recreation	10,886	8,471	—	—	10,886	8,471
Community development	3,873	3,565	—	—	3,873	3,565
Redevelopment	—	—	—	—	—	—
Interest on long-term debt	25,283	25,336	—	—	25,283	25,336
Water	—	—	24,727	22,141	24,727	22,141
Sewer	—	—	28,309	24,352	28,309	24,352
Airport	—	—	4,360	4,527	4,360	4,527
Golf course	—	—	1,180	1,164	1,180	1,164
Total expenses	<u>595,819</u>	<u>577,495</u>	<u>58,576</u>	<u>52,184</u>	<u>654,395</u>	<u>629,679</u>
Change in net assets before transfers and contributions	70,030	(12,870)	(3,503)	(861)	66,527	(13,731)
Transfers	(2,291)	(580)	2,291	580	—	—
Contributions	159	107	—	—	159	107
Change in net assets	<u>67,898</u>	<u>(13,343)</u>	<u>(1,212)</u>	<u>(281)</u>	<u>66,686</u>	<u>(13,624)</u>
Net assets – beginning	39,112	52,455	125,142	125,423	164,254	177,878
Net assets – ending	<u>\$ 107,010</u>	<u>39,112</u>	<u>123,930</u>	<u>125,142</u>	<u>230,940</u>	<u>164,254</u>

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

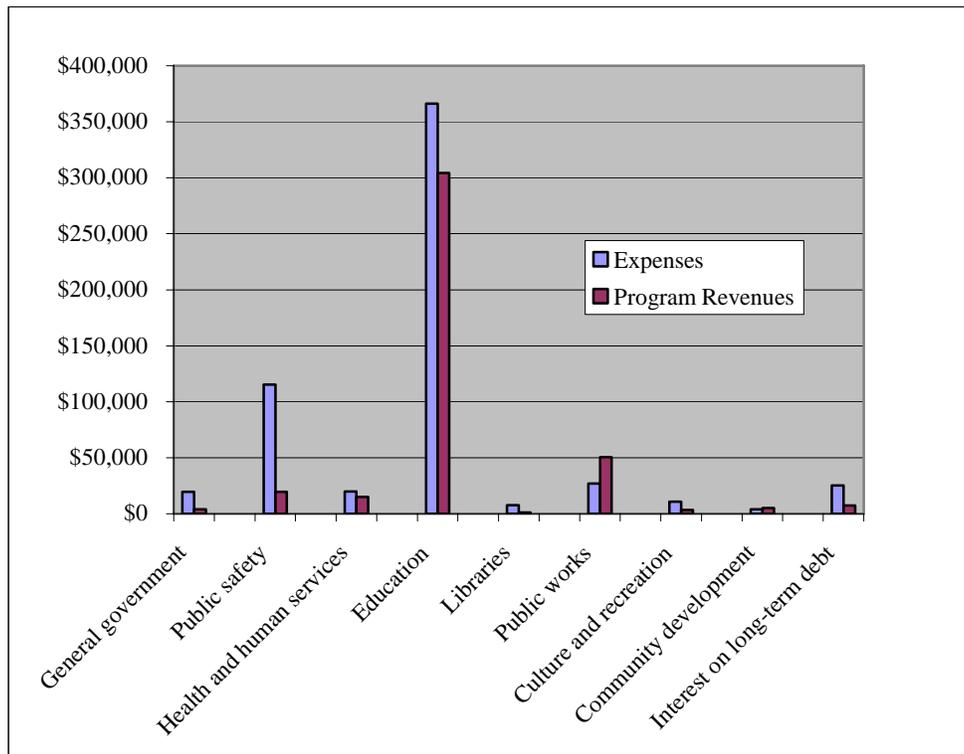
June 30, 2007

(In thousands of dollars)

Total revenues were \$665,849, which was a \$101,224 or 17.9% increase from the previous fiscal year. Property tax revenue increased by \$7,640 or 4.5%, primarily because of an increase in taxes levied and unrestricted state aid increased by \$9,666 or 21.9%. Operating grants and contributions increased by \$20,585 or 7.0% due primarily to an increase of \$17,219 in grants for schools. Of this amount, \$11,221 was from state local aid and on-behalf payments and \$5,998 was due to an increase in direct grants and donations. Health and human services saw an increase of \$984 and public works had an increase of \$755. Capital grants and contributions increased by \$60,334 or 1,156.5%. This increase was due to \$24,006 of retroactive school construction aid, which is being used to pre-fund debt service, a \$25,000 fronting grant from the state for the construction of CitySquare, an increase of \$3,763 or 167.5% in street construction grants and \$8,723 in donated capital from the Worcester Redevelopment Authority in a transaction associated with the City's acquisition of the Major Taylor Boulevard Garage.

Total expenses were \$595,819, which was an \$18,324 or 3.2% increase from the previous fiscal year. Educational expenses increased by \$13,185 or 3.7% because of increased salary and fringe benefit costs and a \$991 increase in the Charter School assessment. General government expenses increased by \$1,361 or 7.5% due to increased wages and benefits as well as increased expenses for summer jobs and marketing. Culture and recreation expenses increased by \$2,415 or 28.5% for wage and benefit increases and increased expenses for parks maintenance.

FY 2007 Expenses and Program Revenues– Governmental Activities



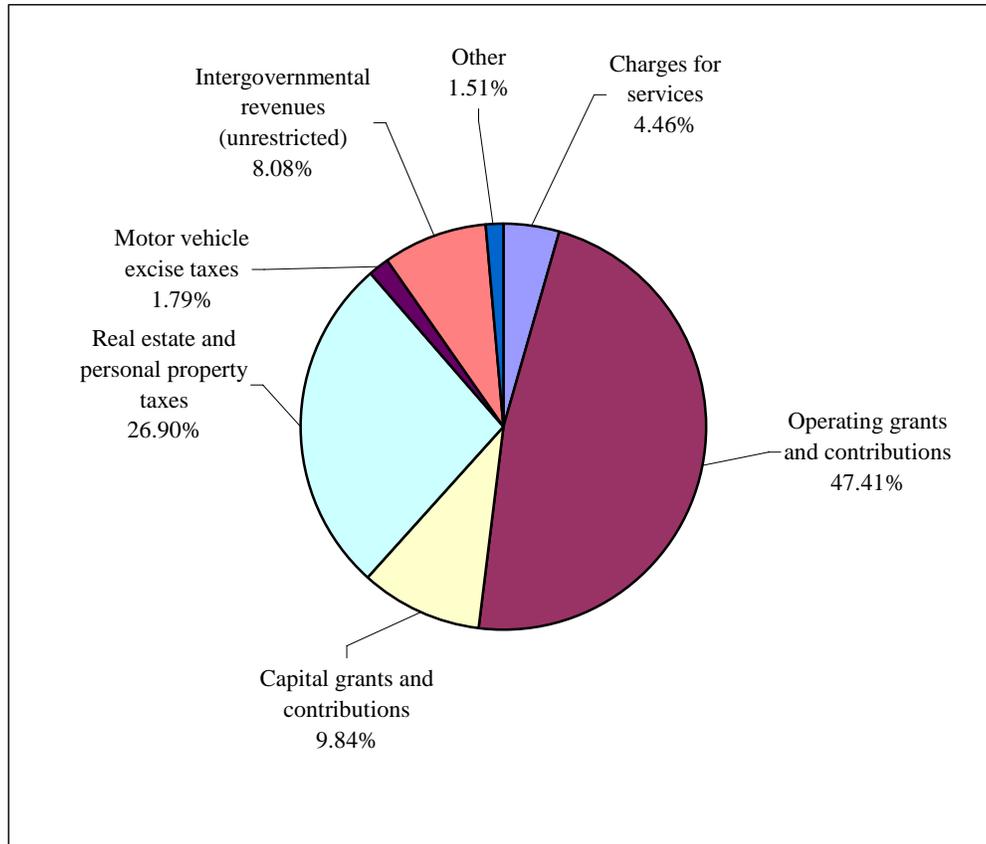
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

FY 2007 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net assets by \$1,212. Factors contributing to these results are as follows:

- The water fund had operating income of \$3,393 but that was offset by interest expenses to produce a decrease in net assets of \$77. This follows the previous year's \$884 increase in net assets with an operating income of 4,008.
- The sewer fund had an operating loss of \$760 compared with a loss of \$462 in the previous year. Net assets decreased by \$211, which follows the previous year's \$1,037 decrease.
- The airport fund had a decrease in net assets of \$919, which follows a decrease of \$259 in net assets the previous year. The net operating loss of \$3,289 was partially offset by subsidies from the City and Massport.
- The golf course fund (nonmajor) had a decrease of net assets of \$4, which followed an increase of \$131 in net assets the previous year.

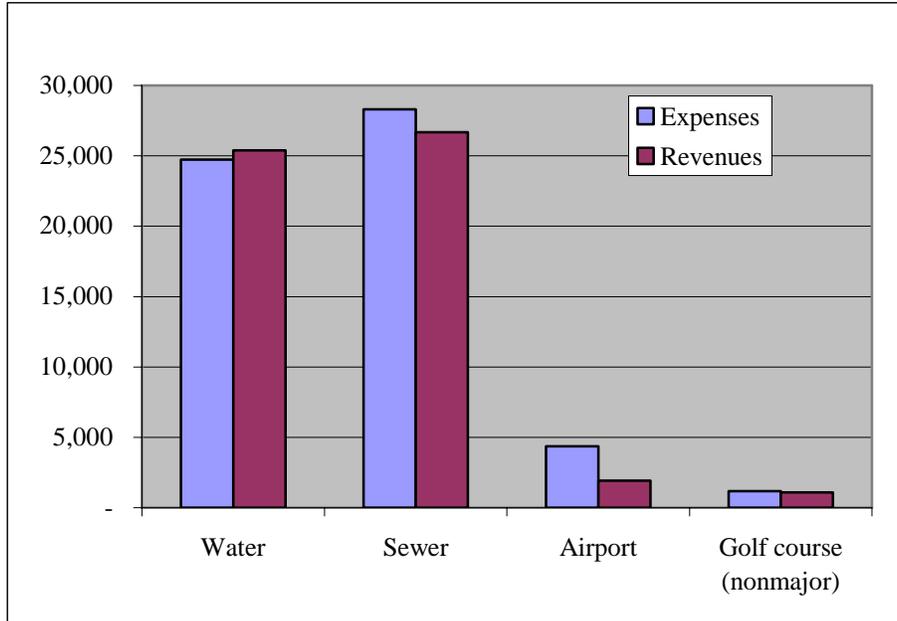
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

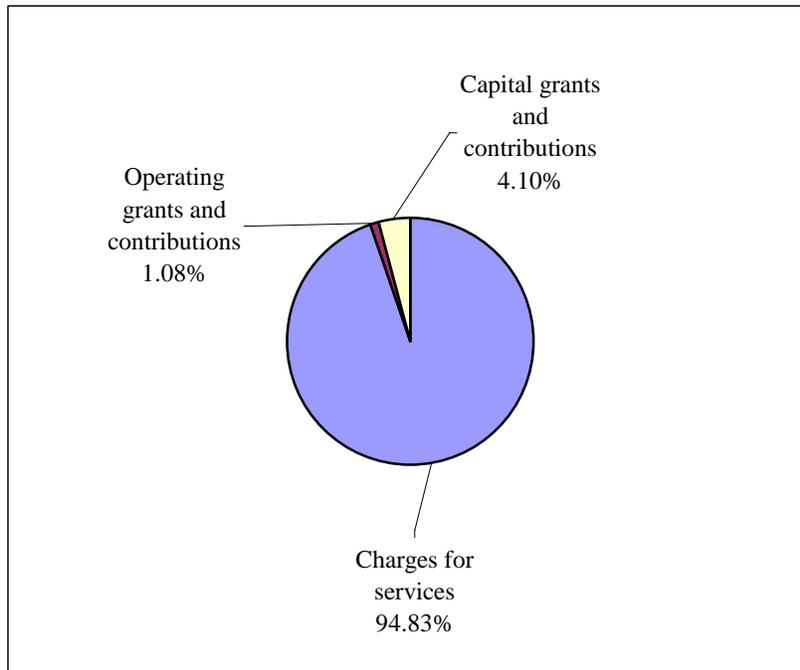
June 30, 2007

(In thousands of dollars)

FY 2007 Expenses and Program Revenues – Business-type Activities



FY 2007 Revenues by Source – Business-type Activities



CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

Financial Analysis of the City's Funds

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

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

At the end of fiscal 2007, the City's governmental funds reported combined ending fund balances of \$66,906 an increase of \$22,344 over fiscal 2006. Of this balance \$32,583 is available for spending at the City's discretion (unreserved fund balance). The remaining \$34,323 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) for nonexpendable permanent funds \$13,489; and 2) for state and federal grants \$20,834.

The general fund is the chief operating fund of the City. At the end of fiscal 2007 unreserved fund balance of the general fund was \$10,025 or 2.0% of total general fund revenues. During fiscal 2007 the City's general fund balance increased by \$734. Total revenues exceeded expenditures by \$1,896, while transfers out exceeded transfers in by \$1,364. The general fund also received a premium on loans of \$202. The City implemented measures such as temporary hiring freezes and other expenditure restraints as well as aggressively collecting taxes owed to assist with the increase in the general fund balance.

The stabilization fund had a fund balance of \$2,642 at the end of fiscal 2007, a \$5,583 decrease from the previous year. During the year, \$6,344 was transferred in from the general fund and then \$2,828 was transferred back to help balance the fiscal 2007 budget. Also, based on a formula required under state law, \$1,562 of \$2,629 in retroactive school construction reimbursements was added to this account, with the rest going to the general fund. Debt service expenditures were \$10,704 and investment earnings were \$42.

Other governmental funds had a fund balance of \$54,240 at the end of fiscal 2007, a \$27,194 increase from the previous year. The capital projects funds fund balance was increased by \$23,235 as a fronting grant of \$25,000 from the state for the CitySquare project was received and not spent during the year offsetting decreases in the fund. The special revenue fund increased by \$2,600 primarily, because the balances of school grants increased by \$2,944. Permanent funds increased by \$1,358 as investment income and donations exceeded expenditures during the year.

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 2007 totaled \$123,930. This was a \$1,212 decrease from the previous year. All of the four enterprise funds contributed to this decrease with decreases of (\$77) in the water fund, (\$211) in the sewer fund, (\$920) in the airport fund and (\$4) the golf course fund (nonmajor). Unrestricted net assets consisted of \$11,011 in the water fund, \$13,400 in the sewer fund, \$45 in the airport fund and \$293 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.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

General Fund Budgetary Highlights

The City's final general fund revenue budget was \$4,684 higher than the original amount. There were six categories that experienced material changes. The property taxes estimate increased by \$926 because new construction growth was higher than originally estimated, which allowed for higher billing. State local aid increased by \$2,800, primarily, because of increase in aid for schools. The investment earnings estimate was increased by \$760 because of rising interest rates. There was also an increase of \$1,060 due to a retroactive state reimbursement for school construction that was not anticipated in the original budget. The categories that decreased were motor vehicle excise, which decreased by \$600 as car sales have decreased from prior levels and the building permit budget was decreased by \$255 because of a slowing housing market.

The final general fund expenditure budget was \$6,358 higher than the original. The public safety budget was increased by \$2,623 from the original, mainly, to pay for retroactive police salaries and to fund fire overtime. The school budget for salaries and ordinary maintenance were increased by \$5,957 and \$1,035 respectively. These increases were partly offset by a \$4,780 decrease in the school health insurance budget as original estimates were revised and as additional monies became available with increased local aid. The public works budget increased by \$1,134, with the largest need being \$605 to supplement the snow budget. These budget increases were possible because of intra-fund transfers particularly from the \$1,845 contingency account and transfers from other funds. The details of these inter-fund transfers are on page 75 of the notes to the basic financial statements.

Revenues were \$571 more than budgeted. The largest positive variance was because of \$1,523 from federal Medicare part D that was not budgeted. Building permit revenue was \$298 higher than anticipated and the miscellaneous category was \$531 more than the budget. After several years of positive variances, property taxes had a negative variance of \$1,182 as foreclosures have been on the increase and prior year accounts receivable had been significantly reduced before the start of fiscal 2007. Motor vehicle excise taxes had a \$586 negative variance as new car sales continued to slow. Additionally, interest on tax titles was \$764 below the budget as collections from this source declined with a reduced tax title account receivable. On the expenditure side, the snow and ice budget was not exceeded as the original budget was increased by \$300 from the prior year, total expenditures were \$894 less than the prior year and \$605 was transferred in from other sources. For all other categories, the final budget equaled expenditures except for intergovernmental charges, which were underestimated by \$268. Budgetary fund balance increased by \$202 to \$8,270.

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, 2007 amounted to \$676,963. 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 \$29,286 or 4.5% (a 6.5% increase for governmental activities and a 0.8% increase for business-type activities).

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

- Streets and sidewalks were improved with costs amounting to \$11,230.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

- The CitySquare project had expenditures of \$6,900 during the year, primarily, for tenant relocation, legal, architectural, engineering and project management fees.
- The City acquired the Major Taylor Boulevard Garage from the Worcester Redevelopment Authority (WRA) and transferred oversight to the Off-Street Parking Board. The transaction consisted of a \$4,750 expenditure (a \$4,643 payment to the WRA and \$107 in bond issue costs) by the City to advance refund the remaining loan balance and an \$8,723 capital donation to the City from the WRA based on the market value of the garage and the net of internal transactions.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing \$11,206. Additionally, business-type entities received \$1,759 in capital donations from owners of subdivisions.

	Capital assets (net of depreciation)					
	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 16,691	13,931	3,642	2,732	20,333	16,663
Buildings	318,441	311,920	41,364	42,461	359,805	354,381
Improvements, other than buildings	13,004	11,358	—	—	13,004	11,358
Equipment and other	3,727	4,085	265	197	3,992	4,282
Rolling equipment	5,959	5,567	2,709	2,554	8,668	8,121
Infrastructure	73,355	66,678	179,711	175,508	253,066	242,186
Construction in progress	16,775	7,131	1,320	3,555	18,095	10,686
Total	\$ 447,952	420,670	229,011	227,007	676,963	647,677

Additional information on the City's capital assets can be found in note 8 on pages 60 through 64 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 \$609,513, an increase of \$9,768 or 1.6% 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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 490,036	489,146	112,728	103,808	602,764	592,954
Notes payable	5,800	5,800	949	991	6,749	6,791
Total	\$ 495,836	494,946	113,677	104,799	609,513	599,745

On November 1, 2006, the City issued \$46,770 of general obligation bonds. The proceeds consisted of \$29,025 for governmental activities and \$17,745 for business-type activities. The City issued an additional \$4,750 of general obligation bonds on May 10, 2007, all of which was for governmental activities.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2007

(In thousands of dollars)

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

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

Additional information on the City's long-term debt can be found in note 10 beginning on page 65 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 6.3% at June 30, 2007, compared with a 5.7% rate that existed a year earlier. This compares with June 30, 2007 unemployment rates of 4.9% in Massachusetts and 4.5% nationally.

Worcester's downtown office space of 5.00 million square feet was 87.3% occupied, according to a recent study done by the Worcester Research Bureau. This was a decrease from the 89.4% that was occupied in the previous year based on 4.65 million square feet. During fiscal 2007, single-family housing starts slowed from their multi-year surge but property values have increased to their highest-ever level increasing for the eleventh consecutive year to \$12,563,051 in fiscal 2007 compared with \$11,595,528 in fiscal 2006.

The City finished fiscal 2007 with "Free Cash" of \$530 as certified by the Commonwealth's Department of Revenue. This amount is available to fund the fiscal 2008 budget.

Requests for Information

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

Basic Financial Statements

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2007

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	\$ 138,656,413	14,789,455	153,445,868	64,164	5,789,388
Investments	12,361,592	—	12,361,592	—	5,158,304
Receivables (net):					
Property taxes	4,156,602	—	4,156,602	—	—
Tax liens	4,638,605	—	4,638,605	—	—
Motor vehicle excise taxes	2,676,170	—	2,676,170	—	—
Charges for services	—	13,619,090	13,619,090	—	394,661
Special assessments	1,066,132	931,753	1,997,885	—	—
Departmental	2,773,297	—	2,773,297	—	—
Intergovernmental	115,565,657	467,195	116,032,852	715,859	19,588,923
Internal balances	219,930	(219,930)	—	—	—
Other	838,978	—	838,978	—	1,190,549
Other assets	—	—	—	6,750	—
Capital assets, not being depreciated	33,466,224	4,961,512	38,427,736	4,460,038	84,638,159
Capital assets, net of accumulated depreciation	414,485,398	224,048,645	638,534,043	32,233,554	27,060,776
Total assets	730,904,998	258,597,720	989,502,718	37,480,365	143,820,760
Liabilities:					
Accounts payable	39,223,421	1,248,701	40,472,122	996,843	6,884,961
Accrued liabilities	14,118,933	2,040,307	16,159,240	297,362	1,724,086
Retainage payable	439,570	260,455	700,025	—	—
Other liabilities	7,041,826	—	7,041,826	—	359,794
Temporary notes payable	32,445,000	16,152,000	48,597,000	—	8,000,000
Noncurrent liabilities:					
Due within one year	43,055,765	9,860,419	52,916,184	—	2,924,955
Due in more than one year	487,570,535	105,105,815	592,676,350	4,464,086	103,104,534
Total liabilities	623,895,050	134,667,697	758,562,747	5,758,291	122,998,330
Net assets:					
Invested in capital assets, net of related debt	289,305,852	99,180,884	388,486,736	36,693,592	14,336,569
Restricted for:					
Nonexpendable permanent funds	13,489,446	—	13,489,446	—	—
Expendable permanent funds	191,376	—	191,376	—	—
Renewal and replacement	11,195,938	—	11,195,938	—	—
State and federal grants	20,834,027	—	20,834,027	—	—
Unrestricted	(228,006,691)	24,749,139	(203,257,552)	(4,971,518)	6,485,861
Total net assets	\$ 107,009,948	123,930,023	230,939,971	31,722,074	20,822,430

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2007

Functions/programs	Expenses	Program revenues			Net (expense)/ revenue
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Primary government:					
Governmental activities:					
General government	\$ 19,583,461	1,821,286	2,269,491	—	(15,492,684)
Public safety	115,320,623	13,924,811	6,220,779	—	(95,175,033)
Health and human services	19,872,619	926,621	14,075,546	—	(4,870,452)
Education	366,310,866	2,565,334	277,635,091	24,006,000	(62,104,441)
Libraries	7,734,645	59,728	981,028	—	(6,693,889)
Public works	26,953,561	8,004,553	1,335,248	41,311,169	23,697,409
Culture and recreation	10,886,466	2,341,944	943,806	233,872	(7,366,844)
Community development	3,873,256	65,839	4,974,361	—	1,166,944
Interest on debt	25,283,347	—	7,257,101	—	(18,026,246)
Total governmental activities	<u>595,818,844</u>	<u>29,710,116</u>	<u>315,692,451</u>	<u>65,551,041</u>	<u>(184,865,236)</u>
Business-type activities:					
Water	24,726,679	24,623,499	—	758,143	654,963
Sewer	28,309,209	25,670,255	—	1,014,614	(1,624,340)
Airport	4,359,332	843,986	592,594	482,754	(2,439,998)
Golf course (nonmajor)	1,180,299	1,087,587	—	—	(92,712)
Total business-type activities	<u>58,575,519</u>	<u>52,225,327</u>	<u>592,594</u>	<u>2,255,511</u>	<u>(3,502,087)</u>
Total primary government	<u>\$ 654,394,363</u>	<u>81,935,443</u>	<u>316,285,045</u>	<u>67,806,552</u>	<u>(188,367,323)</u>
Component units:					
Worcester Redevelopment Authority	\$ 12,249,501	1,457,781	636,522	—	(10,155,198)
Upper Blackstone Water Pollution Abatement District	12,604,912	14,320,602	—	738,617	2,454,307
Total component units	<u>\$ 24,854,413</u>	<u>15,778,383</u>	<u>636,522</u>	<u>738,617</u>	<u>(7,700,891)</u>

(Continued)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2007

	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)	\$ (184,865,236)	(3,502,087)	(188,367,323)	(10,155,198)	2,454,307
General revenues:					
Property taxes	179,130,217	—	179,130,217	—	—
Motor vehicle excise taxes	11,892,647	—	11,892,647	—	—
Other taxes and in-lieu payments	2,291,991	—	2,291,991	—	—
Penalties and interest on taxes	2,187,982	—	2,187,982	—	—
Intergovernmental revenues (unrestricted)	53,812,592	—	53,812,592	—	—
Investment earnings	4,291,808	—	4,291,808	29,353	747,780
Miscellaneous	1,288,231	—	1,288,231	—	—
Transfers (net)	(2,290,550)	2,290,550	—	—	—
Total general revenues and transfers (net)	252,604,918	2,290,550	254,895,468	29,353	747,780
Contributions to permanent funds	158,559	—	158,559	—	—
Change in net assets	67,898,241	(1,211,537)	66,686,704	(10,125,845)	3,202,087
Net assets - beginning	39,111,707	125,141,560	164,253,267	41,847,919	17,620,343
Net assets - ending	\$ 107,009,948	123,930,023	230,939,971	31,722,074	20,822,430

(Concluded)

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2007

Assets	General	Stabilization	Other governmental funds	Total governmental funds
Cash and cash equivalents	\$ 46,337,257	2,642,054	80,164,174	129,143,485
Investments	—	—	12,361,592	12,361,592
Receivables (net of allowance for uncollectibles of \$7,375,623)	15,310,806	—	—	15,310,806
Due from airport fund	219,930	—	—	219,930
Due from other governments	115,315,565	—	250,092	115,565,657
Total assets	\$ 177,183,558	2,642,054	92,775,858	272,601,470
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 36,256,421	—	2,599,483	38,855,904
Retainage payable	—	—	439,570	439,570
Temporary loans	—	—	32,445,000	32,445,000
Deferred revenue	126,912,744	—	—	126,912,744
Other liabilities	3,989,776	—	3,052,050	7,041,826
Total liabilities	167,158,941	—	38,536,103	205,695,044
Fund balances:				
Reserved for:				
Nonexpendable permanent funds	—	—	13,489,446	13,489,446
State and federal grants	—	—	20,834,027	20,834,027
Unreserved, reported in:				
General fund	10,024,617	—	—	10,024,617
Special revenue funds	—	2,642,054	8,528,968	11,171,022
Capital projects funds	—	—	11,195,938	11,195,938
Expendable permanent funds	—	—	191,376	191,376
Total fund balances	10,024,617	2,642,054	54,239,755	66,906,426
Total liabilities and fund balances	\$ 177,183,558	2,642,054	92,775,858	272,601,470

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Reconciliation of the Governmental Funds Balance Sheet
 Total Fund Balances to the Statement of Net Assets
 For the Fiscal Year Ended June 30, 2007

Total governmental fund balances (Exhibit 3)	\$ 66,906,426
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	447,951,622
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	126,912,744
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.	6,733,793
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(10,868,337)
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	(499,298,491)
Judgments and claims	(14,891,680)
Compensated absences	(11,897,750)
Landfill closure costs	(3,217,676)
Public School early retirement costs	(1,320,703)
	(10,868,337)
Net assets of governmental activities (Exhibit 1)	\$ 107,009,948

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

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

For the Fiscal Year ended June 30, 2007

	<u>General fund</u>	<u>Stabilization</u>	<u>Other governmental funds</u>	<u>Total governmental funds</u>
Revenues:				
Property taxes	\$ 177,781,438	—	—	177,781,438
Motor vehicle excise taxes	12,545,126	—	—	12,545,126
Other taxes and in-lieu payments	2,187,982	—	—	2,187,982
Penalties and interest on taxes	2,519,454	—	—	2,519,454
Licenses and permits	4,354,444	—	—	4,354,444
Intergovernmental	295,983,466	1,562,444	110,326,635	407,872,545
Charges for services	5,684,158	—	14,235,998	19,920,156
Fines and forfeitures	3,148,424	—	—	3,148,424
Investment earnings	2,349,189	42,452	1,900,167	4,291,808
Donations	—	—	3,792,846	3,792,846
Contributions to permanent funds	—	—	158,559	158,559
Miscellaneous	1,092,735	—	202,179	1,294,914
Total revenues	<u>507,646,416</u>	<u>1,604,896</u>	<u>130,616,384</u>	<u>639,867,696</u>
Expenditures:				
Current:				
General government	13,315,929	—	2,404,454	15,720,383
Public safety	74,813,547	—	12,502,419	87,315,966
Health and human services	3,831,564	—	12,638,632	16,470,196
Education	191,976,185	—	65,099,647	257,075,832
Libraries	4,518,216	—	955,441	5,473,657
Public works	16,610,033	—	28,001,331	44,611,364
Culture and recreation	3,922,712	—	4,806,676	8,729,388
Fringe benefits	130,745,763	—	—	130,745,763
Community development	—	—	3,873,256	3,873,256
State and regional charges	20,550,455	—	—	20,550,455
Debt service:				
Principal	25,361,316	5,804,567	1,719,555	32,885,438
Interest	20,104,271	4,899,993	1,015,771	26,020,035
Total expenditures	<u>505,749,991</u>	<u>10,704,560</u>	<u>133,017,182</u>	<u>649,471,733</u>
Excess (deficiency) of revenues over expenditures	<u>1,896,425</u>	<u>(9,099,664)</u>	<u>(2,400,798)</u>	<u>(9,604,037)</u>
Other financing sources (uses):				
Transfers in	6,613,196	6,344,263	3,838,959	16,796,418
Transfers out	(7,977,513)	(2,827,863)	(8,281,592)	(19,086,968)
Premium on issuance of bonds and notes	202,063	—	261,752	463,815
Issuance of bonds	—	—	33,775,000	33,775,000
Total other financing sources (uses)	<u>(1,162,254)</u>	<u>3,516,400</u>	<u>29,594,119</u>	<u>31,948,265</u>
Net change in fund balances	<u>734,171</u>	<u>(5,583,264)</u>	<u>27,193,321</u>	<u>22,344,228</u>
Fund balances – beginning	9,290,446	8,225,318	27,046,434	44,562,198
Fund balances – ending	<u>\$ 10,024,617</u>	<u>2,642,054</u>	<u>54,239,755</u>	<u>66,906,426</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit 5) \$ 22,344,228

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	38,889,590
Capital donations	10,302,666
Depreciation	(21,910,965)

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. 15,837,273

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:

Bond proceeds	(33,775,000)
Bond maturities	32,885,438
Amortization of bond premiums	63,355

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 209,518

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. 4,075,483

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:

Judgments and claims	(1,440,133)
Compensating absences	(33,408)
Landfill closure costs	44,124
Public School early retirement costs	406,072

Change in net assets of governmental activities (Exhibit 2) \$ 67,898,241

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

Proprietary Funds

June 30, 2007

	Business-type activities				Totals	Governmental activities Internal Service Fund
	Water	Major Sewer	Airport	Nonmajor Golf Course		
Assets:						
Current assets:						
Cash and cash equivalents	\$ 7,440,208	6,973,022	—	376,225	14,789,455	9,512,928
Receivables (net)	6,368,063	8,112,591	537,384	—	15,018,038	838,978
Total current assets	13,808,271	15,085,613	537,384	376,225	29,807,493	10,351,906
Noncurrent assets:						
Capital assets:						
Land	3,419,000	116,500	106,400	—	3,641,900	—
Buildings	39,924,476	3,268,967	17,376,587	213,737	60,783,767	—
Infrastructure	120,490,577	136,961,564	23,658,576	719,850	281,830,567	—
Construction in progress	149,945	736,336	367,631	65,700	1,319,612	—
Equipment and other	114,084	186,645	432,610	6,340	739,679	—
Rolling equipment	1,986,780	3,626,475	770,377	—	6,383,632	—
Less accumulated depreciation	(51,772,717)	(55,685,105)	(17,793,294)	(437,884)	(125,689,000)	—
Capital assets, net	114,312,145	89,211,382	24,918,887	567,743	229,010,157	—
Total assets	128,120,416	104,296,995	25,456,271	943,968	258,817,650	10,351,906
Liabilities:						
Current liabilities:						
Accounts payable	403,301	622,846	154,541	68,013	1,248,701	367,517
Due to general fund	—	—	219,930	—	219,930	—
Accrued liabilities	1,299,890	670,146	57,503	12,768	2,040,307	3,250,596
Retainage payable	133,322	127,133	—	—	260,455	—
Judgments and claims	92,809	—	—	—	92,809	—
Compensated absences	379,724	178,526	54,263	2,824	615,337	—
Other	—	3,295	—	—	3,295	—
Temporary loans	9,305,000	6,252,000	165,000	430,000	16,152,000	—
Bonds and notes payable	5,849,093	2,821,422	401,229	77,234	9,148,978	—
Total current liabilities	17,463,139	10,675,368	1,052,466	590,839	29,781,812	3,618,113
Noncurrent liabilities:						
Judgments and claims	375,687	—	—	—	375,687	—
Compensated absences	112,613	30,690	5,908	—	149,211	—
Other	—	52,622	—	—	52,622	—
Bonds and notes payable	63,308,562	37,281,389	3,394,224	544,120	104,528,295	—
Total noncurrent liabilities	63,796,862	37,364,701	3,400,132	544,120	105,105,815	—
Total liabilities	81,260,001	48,040,069	4,452,598	1,134,959	134,887,627	3,618,113
Net assets:						
Invested in capital assets, net of related debt	35,849,490	42,856,571	20,958,434	(483,611)	99,180,884	—
Unrestricted	11,010,925	13,400,355	45,239	292,620	24,749,139	6,733,793
Total net assets	\$ 46,860,415	56,256,926	21,003,673	(190,991)	123,930,023	6,733,793

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Business-type activities					Governmental activities
	Water	Major Sewer	Airport	Nonmajor Golf Course	Totals	Internal Service Fund
Operating revenues:						
Charges for services	\$ 23,174,266	25,196,041	—	—	48,370,307	—
Employer contributions	—	—	—	—	—	49,245,227
Employee contributions	—	—	—	—	—	12,503,514
Fees	—	—	600,853	1,077,815	1,678,668	—
Miscellaneous	1,449,233	474,214	243,133	9,772	2,176,352	—
Total operating revenues	24,623,499	25,670,255	843,986	1,087,587	52,225,327	61,748,741
Operating expenses:						
Salaries and benefits	9,127,582	5,076,742	1,259,214	320,786	15,784,324	—
Benefit payments	—	—	—	—	—	58,001,815
Ordinary maintenance	5,379,534	13,990,066	1,146,728	716,305	21,232,633	—
Indirect costs	2,010,822	3,047,767	—	70,949	5,129,538	—
Depreciation	4,712,261	4,315,266	1,727,400	39,694	10,794,621	—
Total operating expenses	21,230,199	26,429,841	4,133,342	1,147,734	52,941,116	58,001,815
Operating income (loss)	3,393,300	(759,586)	(3,289,356)	(60,147)	(715,789)	3,746,926
Nonoperating revenues (expenses):						
Intergovernmental	14,000	—	1,075,348	—	1,089,348	—
Investment income	—	—	—	—	—	328,557
Interest expense	(3,496,480)	(1,879,368)	(225,990)	(32,565)	(5,634,403)	—
Total nonoperating revenues (expenses)	(3,482,480)	(1,879,368)	849,358	(32,565)	(4,545,055)	328,557
Income (loss) before capital donations and transfers	(89,180)	(2,638,954)	(2,439,998)	(92,712)	(5,260,844)	4,075,483
Capital donations	744,143	1,014,614	—	—	1,758,757	—
Transfers in	—	1,992,537	1,608,722	116,546	3,717,805	—
Transfers out	(731,940)	(579,362)	(87,960)	(27,993)	(1,427,255)	—
Change in net assets	(76,977)	(211,165)	(919,236)	(4,159)	(1,211,537)	4,075,483
Total net assets – beginning	46,937,392	56,468,091	21,922,909	(186,832)	125,141,560	2,658,310
Total net assets – ending	\$ 46,860,415	56,256,926	21,003,673	(190,991)	123,930,023	6,733,793

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2007

	Business-type activities					Governmental activities
	Water	Major Sewer	Airport	Nonmajor Golf Course	Totals	Internal Service Fund
Cash flows from operating activities:						
Receipts from customers	\$ 23,762,545	24,150,561	834,089	1,087,587	49,834,782	61,748,741
Payments for interfund service provided	—	—	—	—	—	(57,247,816)
Payments to suppliers	(7,628,786)	(17,850,205)	(1,541,834)	(799,815)	(27,820,640)	—
Payments to employees	(9,079,175)	(5,067,957)	(1,251,176)	(320,399)	(15,718,707)	—
Net cash provided (used) by operating activities	7,054,584	1,232,399	(1,958,921)	(32,627)	6,295,435	4,500,925
Cash flows from noncapital financing activities:						
Payment to general fund	—	—	166,994	—	166,994	—
Transfers in	—	1,992,537	1,608,722	116,546	3,717,805	—
Transfers (out)	(731,940)	(579,362)	(87,960)	(27,993)	(1,427,255)	—
Intergovernmental subsidies	14,000	—	984,687	—	998,687	—
Net cash provided (used) by noncapital financing activities	(717,940)	1,413,175	2,672,443	88,553	3,456,231	—
Cash flows from capital and related financing activities:						
Issuance of capital debt	15,330,000	17,747,000	230,000	590,000	33,897,000	—
Acquisition and construction of capital assets	(4,368,644)	(6,365,482)	(214,504)	(257,184)	(11,205,814)	—
Principal paid on capital debt	(11,927,517)	(13,760,622)	(499,738)	(268,423)	(26,456,300)	—
Interest paid on capital debt	(3,507,858)	(1,892,447)	(229,280)	(30,488)	(5,660,073)	—
Net cash (used) by capital and related financing activities	(4,474,019)	(4,271,551)	(713,522)	33,905	(9,425,187)	—
Cash flows from investing activities:						
Investment income	—	—	—	—	—	328,557
Net increase in cash and cash equivalents	1,862,625	(1,625,977)	—	89,831	326,479	4,829,482
Cash and cash equivalents at beginning of year	5,577,583	8,598,999	—	286,394	14,462,976	4,683,446
Cash and cash equivalents at end of year	\$ 7,440,208	6,973,022	—	376,225	14,789,455	9,512,928
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 3,393,300	(759,586)	(3,289,356)	(60,147)	(715,789)	3,746,926
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	4,712,261	4,315,266	1,727,400	39,694	10,794,621	—
(Increase) decrease in accounts receivable	(860,954)	(1,519,694)	(9,897)	—	(2,390,545)	872,114
(Decrease) in accounts payable	(118,554)	(806,797)	(395,071)	(12,295)	(1,332,717)	(463,684)
Increase in accrued liabilities	—	—	—	—	—	345,569
(Decrease) in judgments and claims payable	(119,034)	(25,948)	—	—	(144,982)	—
Increase in compensated absences payable	47,565	29,158	8,003	121	84,847	—
Total adjustments	3,661,284	1,991,985	1,330,435	27,520	7,011,224	753,999
Net cash provided (used) by operating activities	\$ 7,054,584	1,232,399	(1,958,921)	(32,627)	6,295,435	4,500,925
Noncash investing, capital and financing activities						
Capital donations	\$ 744,143	1,014,614	—	—	1,758,757	—

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2007

	Pension Trust Fund (As of December 31, 2006)	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 3,600,218	422,922
Receivables:		
Intergovernmental	351,972	—
Interest and dividends	1,210,491	—
Settlement for securities sold	614,035	—
Other receivables	53,068	—
Total receivables	<u>2,229,566</u>	<u>—</u>
Investments, at fair value:		
Equities	257,591,082	—
Fixed income	100,989,307	—
Pooled equities	157,157,017	—
Pooled fixed income	38,574,143	—
Real estate	94,113,551	—
Alternative investments	66,449,280	—
Total investments	<u>714,874,380</u>	<u>—</u>
Securities lending collateral	18,178,524	—
Total assets	<u>738,882,688</u>	<u>422,922</u>
Liabilities:		
Accounts payable and accrued expenses	513,737	10,710
Due to student groups	—	412,212
Intergovernmental	2,777,750	—
Payable for securities purchased	615,907	—
Securities lending collateral	18,178,524	—
Total liabilities	<u>22,085,918</u>	<u>422,922</u>
Net assets:		
Held in trust for pension benefits	\$ <u>716,796,770</u>	<u>—</u>

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Table of Contents

	Page
Note 1 Summary of Significant Accounting Policies	36
Note 2 Property Taxes	44
Note 3 Deposits, Investments, and Securities Lending	44
Note 4 City of Worcester Contributory Retirement System	53
Note 5 Massachusetts Teachers' Retirement System, A Noncontributing Employer Plan	56
Note 6 Other Postemployment Benefits	57
Note 7 Accounts Receivable	58
Note 8 Capital Assets	60
Note 9 Operating Leases	65
Note 10 Long-Term Obligations	65
Note 11 Temporary Borrowings	73
Note 12 Interfund Receivables, Payables and Transfers	74
Note 13 Environmental Remediation – The District	76
Note 14 Risk Management	76
Note 15 Fund Deficits	79
Note 16 Contingency	79
Note 17 Implementation of GASB Pronouncements	79
Note 18 Future Implementation of GASB Pronouncements	80

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

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

(a) *Financial Reporting Entity*

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

Primary Government

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

The City provides a variety of public services. All funds of the City are included in the basic financial statements. The financial condition and results of operations of the City's funds are presented as of and for the fiscal year ended June 30, 2007, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2006.

Blended Component Unit

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Discretely Presented Component Units

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

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

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 2007 amounted to \$2,094,

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

which represented approximately 74% of the total of such assessments on all participating cities and towns. Complete financial statements for WRTA can be obtained from WRTA's administrative offices at 287 Grove Street, Worcester, Massachusetts 01605.

Related Organization

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

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

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

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

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

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

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

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

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in a separate fund.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

The City also reports the following major enterprise funds:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

Cash Equivalents

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

Basis of Investment Valuation

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

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

Basis of Investment Transactions

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

Property Taxes

Real and personal property taxes are based on values levied (assessed) and liened as of each January 1 in accordance with Massachusetts General Laws. By law, all taxable property in the Commonwealth must be assessed at 100% of fair cash value. Once levied, these taxes are recorded as receivables, net of estimated uncollectibles. In the governmental fund 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 abatements and exemptions.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Inventory

The cost of supplies and other inventoriable items is recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2007, and therefore are not reported.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$50 (\$5 in previous years) and an estimated useful life in excess of two years. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, are capitalized during the construction period if material. Such costs were not considered material during fiscal 2007. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City and the WRA on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. The District provides depreciation on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and 20 to 40 years for facilities.

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

Compensated Absences

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

Net Assets Restrictions/Fund Balance Reservations

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

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

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

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

Securities Lending Transactions

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

Landfill Closure and Postclosure Care Costs

State and Federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2007, 100% of the City’s expected MSWLF capacity had been used and none of the sites had accepted solid waste for several years. The City has covered, is in the process of covering, or plans to cover each of its MSWLFs in accordance with applicable laws and regulations.

The liability for closure and postclosure care is estimated based on current cost, which is the amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. This estimate is subject to changes due to inflation, deflation, technology or applicable laws, and regulations. Such costs are recognized as expenditures to the extent that they have been paid or are expected to be paid with expendable available financial resources; the remaining liability is reported in the governmental activities statement of net assets. Expenditures related to MSWLF closure and postclosure care in fiscal 2007 was \$44.

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 fund 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 government-wide financial statements the estimated liability for all judgments and claims is recorded as a liability and as an expense.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Long-Term Liabilities

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

Investment Income

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

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

Use of Estimates

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

(2) Property Taxes

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

(3) Deposits, Investments, and Securities Lending

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$100 of deposits held at each financial institution and to collateralize certain bank accounts. As of June 30, 2007, \$19,481 of the City's bank balance of \$131,435 was insured and collateralized with securities held by pledging financial institutions, and \$111,954 was uninsured and uncollateralized.

Investments Summary

The City's investments at June 30, 2007, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 2,200	361	1,014	746	79
U.S. Agencies.....	175	50	20	100	5
Corporate bonds.....	811	151	357	245	58
Money market mutual funds.....	1,113	1,113	-	-	-
Mutual bond funds.....	32	-	12	-	20
Total debt securities.....	<u>4,331</u>	<u>1,675</u>	<u>1,403</u>	<u>1,091</u>	<u>162</u>
<u>Other Investments:</u>					
External investment pools.....	10,594				
Equity securities.....	8,146				
Equity mutual funds.....	<u>489</u>				
Total other investments.....	<u>19,229</u>				
Total investments.....	<u>\$ 23,560</u>				

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Investments - Interest Rate Risk of Debt Securities

Interest rate risk for debt securities is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. 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, 2007, 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, 2007, the credit quality ratings of the City's investment in debt securities are as follows:

<u>Quality Ratings*</u>	<u>U.S. Agencies **</u>	<u>Corporate Bonds</u>	<u>Money Market Mutual Funds</u>	<u>Mutual Bond Funds</u>	<u>External Investment Pools</u>	<u>Total</u>
AAA.....	\$ 168	17	-	-	-	185
AA.....	-	101	-	-	-	101
AA-.....	-	339	-	-	-	339
A+.....	-	144	-	-	-	144
A.....	-	35	-	-	-	35
A-.....	-	32	-	24	-	56
BBB+.....	-	54	-	8	-	62
BBB.....	-	44	-	-	-	44
BBB-.....	-	35	-	-	-	35
B.....	-	10	-	-	-	10
Unrated.....	-	-	1,113	-	10,594	11,707
Total.....	\$ 168	811	1,113	32	10,594	12,718

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

(b) Deposits and Investments of the WRS

Deposits and investments made by the WRS are governed by the MGL c.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 \$100 of deposits held at each financial institution. As of December 31, 2006, \$613 of the WRS's bank balance of \$691 was uninsured and uncollateralized.

Investments Summary

The WRS's investments at December 31, 2006 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
<u>Debt Securities:</u>					
U.S. Treasuries.....	\$ 37,186	-	10,880	15,293	11,013
U.S. Agencies.....	24,791	2,368	1,419	3,373	17,630
Corporate bonds.....	34,614	207	11,377	7,154	15,877
Money market mutual funds.....	21,151	21,151	-	-	-
Debt security mutual funds.....	42,972	42,972	-	-	-
Total debt securities.....	<u>160,714</u>	<u>66,698</u>	<u>23,676</u>	<u>25,820</u>	<u>44,520</u>
<u>Other Investments:</u>					
Equity securities.....	101,654				
Equity mutual funds.....	313,094				
Real estate investments.....	94,114				
Alternative investments.....	<u>66,449</u>				
Total other investments	<u>575,311</u>				
Total investments.....	\$ <u>736,025</u>				

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The WRS's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the WRS. As of December 31, 2006, none of the WRS'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. The WRS's policies for credit risk of debt securities sets minimum average quality requirements for investment strategies employed, among other limitations. In monitoring credit risk, the WRS relies on credit ratings assigned by Moody's and Standard & Poor's. As of December 31, 2006, the credit quality ratings the WRS's investments in debt securities are as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Quality Ratings *	Investment Type				Fair Value
	Coporate Bonds	Money Market Mutual Funds	Debt Security Mutual Funds		
AAA.....	\$ 3,138	-	2,404	5,542	
AA.....	305	-	-	305	
AA-.....	1,365	-	-	1,365	
A.....	602	-	-	602	
A-.....	414	-	-	414	
BBB+.....	2,157	-	-	2,157	
BBB.....	1,995	-	-	1,995	
BBB-.....	1,814	-	-	1,814	
BB+.....	2,309	-	-	2,309	
BB.....	1,723	-	-	1,723	
BB-.....	1,499	-	-	1,499	
B+.....	3,547	-	-	3,547	
B.....	4,094	-	-	4,094	
B-.....	1,401	-	-	1,401	
CCC+.....	1,727	-	-	1,727	
CCC.....	643	-	-	643	
CCC-.....	418	-	-	418	
Unrated.....	5,463	21,151	40,568	67,182	
Total.....	\$ <u>34,614</u>	<u>21,151</u>	<u>42,972</u>	<u>98,737</u>	

* 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, 2006, the WRS's exposure to foreign currency risk is as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

<u>Deposit/Investment Type</u>	<u>U.S. Dollar Balances</u>	<u>Currency</u>
U.S. Agencies.....	\$ 1,954	Mexican peso
U.S. Agencies.....	700	Singapore dollar
Coporate bonds.....	636	Singapore dollar
Coporate bonds.....	541	Thailand baht
Coporate bonds.....	430	Brazilian real
Coporate bonds.....	419	Indonesian rupiah
Coporate bonds.....	386	British pound sterling
U.S. Agencies.....	351	Argentine peso
U.S. Agencies.....	268	Columbian peso
Coporate bonds.....	4	New Zealand dollar
Total.....	\$ <u>5,689</u>	

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the WRS’s investment in a single issuer. The WRS’s policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. U.S. Treasury, U.S. government agency, mutual fund and pooled fund investments are exempted from this restriction. As of December 31, 2006, the WRS was not exposed to concentration of credit risk.

(c) Deposits and Investments of the District

State and local statutes place certain limitations on the nature of deposits and investments available to the District.

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District’s deposits may not be recovered. The District’s policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first \$100 of deposits held at each financial institution and collateralize the remaining amounts. At June 30, 2007, the District’s deposits were fully insured and collateralized.

Investments Summary

The District’s investments at June 30, 2007, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less Than 1	1 - 5	6 - 10
<u>Debt Securities:</u>				
U.S. Treasuries.....	\$ 361	-	-	361
U.S. Agencies.....	3,166	1,738	1,426	2
Money market mutual funds.....	93	93	-	-
External investment pools.....	5,499	5,499	-	-
Total debt securities.....	9,119	7,330	1,426	363
<u>Other Investments:</u>				
Equity securities.....	1,538			
Total investments.....	\$ 10,657			

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is required to custody securities in depository accounts (at a depository trust company or Federal Reserve Bank), which are not subject to the bank's creditor claims. As of June 30, 2007, none of the District's investments were subject to custodial credit risk.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District's policies for credit risk of debt securities restricts investment to debt obligations maintaining a AAA rating by Standard & Poors or Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2007, the credit quality ratings of the District's U.S. Treasury, U.S. Agency and money market mutual funds were AAA rated or backed by full faith of the U.S. Treasury. The external investment pools were unrated.

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, 2007, 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, 2007, WRA's bank balance of \$84 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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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, 2006. 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, 2006, 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, 2006 and 2005 was \$18,179 and \$8,555 and \$18,090 and \$18,860, respectively. Borrower rebates and fees paid to the broker were \$682 for the year ended December 31, 2006.

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

(a) Plan Description and Membership

The City provides pension benefits to certain employees through WRS, a cost-sharing, multiple-employer public employee retirement system regulated by PERAC. WRS is a defined benefit pension plan that covers eligible employees of the City (which includes the Worcester Redevelopment Authority) and the Worcester Housing Authority. For the year ended June 30, 2007, the City's payroll for employees covered by WRS was approximately \$146,000; the City's total payroll was approximately \$318,000.

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, 2006:

Active employees	3,397
Pensioners and beneficiaries	2,864
Inactive employees with vested rights	1,072
Total members	<u>7,333</u>
Number of participating employers	<u>2</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(b) Significant Plan Provisions and Requirements

Benefit provisions and contribution requirements of WRS are established by state law.

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

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

(c) Funding Policy

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30. These deductions earn interest at a rate determined by PERAC that vests based upon years of service.

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled \$2,630 for the fiscal year ended June 30, 2007 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

The current and two preceding years' apportionment of the annual required contributions between the employers required the City to contribute approximately 91%, 91%, and 90% respectively of the total.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(d) Annual Pension Cost

For the year ended June 30, 2007 the required and actual contribution was \$21,241. For the year ended June 30, 2006 the required contribution was \$20,175 and the actual contribution was \$21,526 and for the year ended June 30, 2005 the City's required and actual contribution was \$18,110. At June 30, 2007, the City did not have a net pension obligation. The required contribution was determined as part of the January 1, 2007, actuarial valuation using the entry age normal cost method. The actuarial assumptions and other relative information is as follows:

Amortization method	Level payments on the 2002 and 2003 ERI liability and the Section 90 ACD liability and 3.50% increasing payments on remaining unfunded liability
Remaining amortization period	The remaining effective amortization period is 11 years and the period was closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.25% (inflation of 4.0%)
Projected salary increases	5.00%
Cost-of-living adjustments	3.00% for the first \$12 of retirement income

The following schedules present the WRS's funding progress and employer contributions:

Schedule of funding progress						
Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Annual Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
1/1/2007	\$ 716,797	837,608	120,811	85.58%	\$ 152,838	79.05%
1/1/2006	644,017	806,957	162,940	79.81%	145,831	111.73%
1/1/2005	606,100	771,948	165,848	78.52%	147,127	112.72%
1/1/2004	577,123	743,570	166,447	77.62%	138,797	119.92%
1/1/2003	554,190	715,856	161,666	77.42%	142,803	113.21%
1/1/2002	620,814	671,877	51,063	92.40%	148,765	34.32%

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Schedule of contributions from employers		
Year Ended December 31,	Annual required contributions	Percentage contributed
2006	\$ 23,355	100%
2005	22,229	106%
2004	20,150	100%
2003	18,928	100%
2002	12,957	100%
2001	9,480	100%

(e) Legally Required Reserve Accounts

The balances in WRS's legally required reserves as of December 31, 2006 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	\$ 138,457	Active members' contribution balance
Annuity Reserve Fund	48,226	Retired members' contribution account
Military Service Fund	17	Members' contribution account while on military leave
Pension Reserve Fund	451,962	Amounts appropriated to fund future retirement benefits
Pension Fund	78,135	Remaining net assets
Total	\$ 716,797	

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 2007 was approximately \$141,000. Eligibility requirements for participation are as follows:

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

Benefit provisions and contribution requirements are established by state law.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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 \$43,054 for the fiscal year ended June 30, 2007 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

(b) Special Termination Benefits

In prior years, the City elected to make certain employees who participate in the Massachusetts Teachers' Retirement System eligible for an early retirement incentive program. The remaining additional accrued liability incurred as of June 30, 2007 was \$1,321. This liability has been recorded in the applicable governmental activities statement of net assets. Scheduled payments are as follows:

	<u>Amount</u>
Year ending June 30:	
2008	\$ 423
2009	440
2010	<u>458</u>
	<u>\$ 1,321</u>

(6) Other Postemployment Benefits

In addition to the pension benefits described in notes 4 and 5, the City provides health and life insurance benefits to retirees, their dependents and beneficiaries 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. Currently, approximately 4,400 retirees are eligible to receive such benefits. 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. Depending on the plan involved, between 10%

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

and 40% of the calculated contribution is paid by the retirees through pension benefit deductions. The remainder of such cost is funded by the City. During fiscal 2007, expenditures for other postemployment benefits, net of participant contributions, were \$20,492.

(7) Accounts Receivable

At June 30, 2007, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Property taxes	\$ 6,002	(1,845)	4,157
Tax liens	5,154	(515)	4,639
Motor vehicle excise taxes	5,607	(2,931)	2,676
Special assessments	1,066	-	1,066
Departmental and other	7,573	(2,084)	5,489
Intergovernmental	<u>115,918</u>	<u>-</u>	<u>115,918</u>
	<u>\$ 141,320</u>	<u>(7,375)</u>	<u>133,945</u>

At June, 30, 2007, receivables for the enterprise funds are as follows:

	<u>Gross Amount</u>	<u>Allowance for Uncollectibles</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Charges for services	\$ 12,680	-	12,680
Utility liens	1,555	-	1,555
Special assessments	316	-	316
Intergovernmental	<u>467</u>	<u>-</u>	<u>467</u>
	<u>\$ 15,018</u>	<u>-</u>	<u>15,018</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

	<u>General Fund</u>
<u>Receivable type:</u>	
Property taxes	\$ 2,730
Tax liens	4,639
Motor vehicle excise taxes	1,594
Special assessments	1,066
Departmental and other	2,773
Intergovernmental (school construction)	113,344
Intergovernmental (other state and federal)	<u>767</u>
Total	<u>\$ 126,913</u>

The Commonwealth has approved school construction assistance to the City. The assistance program, which is administered by the MSBA, provides resources for future debt service of general obligation school bonds outstanding. During fiscal year 2007, \$15,766 of such assistance was received. Approximately \$186,812 will be received in future fiscal years. Of this amount, approximately \$73,468 represents reimbursement of long-term interest costs, and approximately \$113,344 represents reimbursement of approved construction costs. Accordingly, a \$113,344 intergovernmental receivable and corresponding deferred revenue have been reported in the governmental funds financial statements. The deferred revenue has been recognized as revenue in the conversion to the government-wide financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

Primary Government

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,931	2,760	—	16,691
Construction in progress	7,131	12,540	2,896	16,775
Total capital assets, not being depreciated	<u>21,062</u>	<u>15,300</u>	<u>2,896</u>	<u>33,466</u>
Capital assets, being depreciated:				
Buildings	434,827	19,775	—	454,602
Improvements other than buildings	13,453	2,275	—	15,728
Rolling equipment	21,799	1,579	9	23,369
Equipment and other	12,844	565	—	13,409
Infrastructure	125,058	12,603	—	137,661
	<u>607,981</u>	<u>36,797</u>	<u>9</u>	<u>644,769</u>
Less accumulated depreciation for:				
Buildings	122,907	13,253	—	136,160
Improvements other than buildings	2,096	629	—	2,725
Rolling equipment	16,231	1,179	—	17,410
Equipment and other	8,759	923	—	9,682
Infrastructure	58,380	5,926	—	64,306
	<u>208,373</u>	<u>21,910</u>	<u>—</u>	<u>230,283</u>
Total capital assets, being depreciated, net	<u>399,608</u>	<u>14,887</u>	<u>9</u>	<u>414,486</u>
Governmental capital assets, net	\$ <u>420,670</u>	<u>30,187</u>	<u>2,905</u>	<u>447,952</u>

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

Governmental activities:	
General government	\$ 67
Public safety	1,389
Public works	6,789
Education	9,261
Library	736
Health and human services	255
Culture and recreation	3,413
Total depreciation expense – governmental activities	\$ <u>21,910</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Water:				
Capital assets, not being depreciated:				
Land	\$ 2,509	910	—	3,419
Construction in progress	114	133	97	150
Total capital assets, not being depreciated	<u>2,623</u>	<u>1,043</u>	<u>97</u>	<u>3,569</u>
Capital assets, being depreciated:				
Buildings	39,764	185	24	39,925
Rolling equipment	1,927	102	42	1,987
Infrastructure	116,571	3,919	—	120,490
Equipment and other	147	—	33	114
Total capital assets, being depreciated	<u>158,409</u>	<u>4,206</u>	<u>99</u>	<u>162,516</u>
Less accumulated depreciation for:				
Buildings	11,918	1,018	24	12,912
Rolling equipment	1,017	252	39	1,230
Infrastructure	34,092	3,433	—	37,525
Equipment and other	129	10	33	106
Total accumulated depreciation	<u>47,156</u>	<u>4,713</u>	<u>96</u>	<u>51,773</u>
Total capital assets, being depreciated, net	<u>111,253</u>	<u>(507)</u>	<u>3</u>	<u>110,743</u>
Water capital assets, net	<u>113,876</u>	<u>536</u>	<u>100</u>	<u>114,312</u>
Sewer:				
Capital assets, not being depreciated:				
Land	117	—	—	117
Construction in progress	3,017	477	2,758	736
Total capital assets, not being depreciated	<u>3,134</u>	<u>477</u>	<u>2,758</u>	<u>853</u>
Capital assets, being depreciated:				
Buildings	3,269	—	—	3,269
Rolling equipment	3,205	753	332	3,626
Infrastructure	129,250	8,658	947	136,961
Equipment and other	100	133	45	188
Total capital assets, being depreciated	<u>135,824</u>	<u>9,544</u>	<u>1,324</u>	<u>144,044</u>
Less accumulated depreciation for:				
Buildings	893	110	—	1,003
Rolling equipment	1,754	368	332	1,790
Infrastructure	49,970	3,824	947	52,847
Equipment and other	77	13	45	45
Total accumulated depreciation	<u>52,694</u>	<u>4,315</u>	<u>1,324</u>	<u>55,685</u>
Total capital assets, being depreciated, net	<u>83,130</u>	<u>5,229</u>	<u>—</u>	<u>88,359</u>
Sewer capital assets, net	<u>86,264</u>	<u>5,706</u>	<u>2,758</u>	<u>89,212</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Airport:				
Capital assets, not being depreciated:				
Land	\$ 106	—	—	106
Construction in progress	<u>424</u>	<u>29</u>	<u>85</u>	<u>368</u>
Total capital assets, not being depreciated	<u>530</u>	<u>29</u>	<u>85</u>	<u>474</u>
Capital assets, being depreciated:				
Buildings	17,191	185	—	17,376
Rolling equipment	770	—	—	770
Infrastructure	23,671	—	13	23,658
Equipment and other	<u>433</u>	<u>—</u>	<u>—</u>	<u>433</u>
Total capital assets, being depreciated	<u>42,065</u>	<u>185</u>	<u>13</u>	<u>42,237</u>
Less accumulated depreciation for:				
Buildings	4,970	438	—	5,408
Rolling equipment	577	77	—	654
Infrastructure	10,254	1,170	13	11,411
Equipment and other	<u>277</u>	<u>42</u>	<u>—</u>	<u>319</u>
Total accumulated depreciation	<u>16,078</u>	<u>1,727</u>	<u>13</u>	<u>17,792</u>
Total capital assets, being depreciated, net	<u>25,987</u>	<u>(1,542)</u>	<u>—</u>	<u>24,445</u>
Airport capital assets, net	<u>26,517</u>	<u>(1,513)</u>	<u>85</u>	<u>24,919</u>
Golf course (nonmajor):				
Capital assets, not being depreciated:				
Construction in progress	<u>—</u>	<u>66</u>	<u>—</u>	<u>66</u>
Capital assets, being depreciated:				
Buildings	109	105	—	214
Infrastructure	633	86	—	719
Equipment and other	<u>6</u>	<u>—</u>	<u>—</u>	<u>6</u>
Total capital assets, being depreciated	<u>748</u>	<u>191</u>	<u>—</u>	<u>939</u>
Less accumulated depreciation for:				
Buildings	91	6	—	97
Infrastructure	301	33	—	334
Equipment and other	<u>6</u>	<u>—</u>	<u>—</u>	<u>6</u>
Total accumulated depreciation	<u>398</u>	<u>39</u>	<u>—</u>	<u>437</u>
Total capital assets, being depreciated, net	<u>350</u>	<u>152</u>	<u>—</u>	<u>502</u>
Golf course capital assets, net	<u>350</u>	<u>218</u>	<u>—</u>	<u>568</u>
Business-type activities capital assets, net	<u>\$ 227,007</u>	<u>4,947</u>	<u>2,943</u>	<u>229,011</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Discretely presented component units – The District:				
Capital assets, not being depreciated:				
Land	\$ 702	—	—	702
Construction in progress	61,726	22,210	—	83,936
Total capital assets, not being depreciated	62,428	22,210	—	84,638
Capital assets, being depreciated:				
Treatment facilities	54,525	—	—	54,525
Equipment and other	6,990	42	3,626	3,406
Total capital assets, being depreciated	61,515	42	3,626	57,931
Less accumulated depreciation for:				
Treatment facilities	25,823	2,467	—	28,290
Equipment and other	5,965	241	3,626	2,580
Total accumulated depreciation	31,788	2,708	3,626	30,870
Total capital assets, being depreciated, net	29,727	(2,666)	—	27,061
The District's capital assets, net	\$ 92,155	19,544	—	111,699
Discretely presented component units – WRA:				
Capital assets, not being depreciated:				
Land	\$ 2,870	—	1,600	1,270
Construction in progress	6,320	2,059	5,188	3,191
Total capital assets, not being depreciated	9,190	2,059	6,788	4,461
Capital assets, being depreciated:				
Buildings	49,166	5,195	16,360	38,001
Equipment and other	176	28	28	176
Total capital assets, being depreciated	49,342	5,223	16,388	38,177
Less accumulated depreciation for:				
Buildings	7,195	1,289	2,623	5,861
Equipment and other	77	7	1	83
Total accumulated depreciation	7,272	1,296	2,624	5,944
Total capital assets, being depreciated, net	42,070	3,927	13,764	32,233
WRA capital assets, net	\$ 51,260	5,986	20,552	36,694

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Major Taylor Garage Transfer

In May 2007, the WRA entered into an agreement with the primary government to transfer ownership of the Major Taylor Boulevard parking garage, formerly known as the Worcester Center Boulevard parking garage, to the City of Worcester. This transfer was made in consideration of the current and previous financial support provided by the City, the forgiveness of certain advances made by the City to the WRA, and the payment of \$4,643 made by the City to the WRA.

The payment of \$4,643, together with the balance of debt service reserve accounts on hand at the WRA at the time of the transfer, was used to refund bonds payable in advance of their maturity from June 1, 2008 through June 1, 2019. The funds, totaling \$5,233, were used to establish an irrevocable escrow account. Funds in the escrow account were invested in special direct obligations of the United States Treasury or other obligations of the United States government or its agencies. The escrow securities and their earnings are structured to pay the principal and interest on the refunded bonds as such payments become due, until the call dates of the respective refunded bonds, at which time the escrow payment will pay the principal of the bonds at a price of 101% of par plus accrued interest. Since these assets have been placed in an irrevocable trust, the bonds (previously reported on the WRA's financial statements) are considered defeased. The advance refunding resulted in a difference (loss) between the deposits to the escrow account and the net carrying amount of the old debt of \$133.

As a result of this transfer, the WRA recognized a loss of \$8,860 (which includes the loss related to the refunding of debt) and the City recognized a gain (capital contribution) of \$8,723.

Construction Commitments

The City has active construction projects as of June 30, 2007. The projects include new school construction, fire station construction, land, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows.

Project	Spent through June 30, 2007	Remaining commitment
Infrastructure improvements	\$ 9,551	99,126
Building improvements	744	372
New school construction	741	776
Fire station	692	112
Land improvements	401	2,005
Total	\$ 12,129	102,391

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(9) Operating Leases

The City occasionally leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were \$230 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

	<u>Amount</u>
Year ending June 30:	
2008	\$ 230
2009	116
2010	<u>116</u>
	<u>\$ 462</u>

(10) Long-Term Obligations

(a) Primary Government

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

	<u>Interest percentage range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-8.00%) \$	89,510	23,650	10,493	102,667	11,713
Outside debt limit	(2.00%-8.50%)	399,636	10,125	22,392	387,369	21,061
Notes payable – Section 108	(2.31%-6.01%)	5,800	—	—	5,800	—
Accrued early retirement costs, net		1,727	—	406	1,321	423
Judgments and claims		13,452	3,189	1,749	14,892	1,321
Compensated absences		11,864	8,500	8,467	11,897	8,011
Landfill closure and postclosure care costs		3,262	—	44	3,218	—
Deferred amounts on bond premium		<u>3,526</u>	<u>462</u>	<u>526</u>	<u>3,462</u>	<u>526</u>
		<u>\$ 528,777</u>	<u>45,926</u>	<u>44,077</u>	<u>530,626</u>	<u>43,055</u>

During fiscal year 2007, the City issued \$33,775 of general obligation bonds for building construction, infrastructure, equipment, land improvements, purchase of a garage and other capital purposes. Of the bonds issued, \$4,750 (for the garage purchase) is federally taxable.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

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

	<u>Interest Percentage Range</u>	<u>Outstanding beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding end of year</u>	<u>Due within one year</u>
General obligation bonds:						
Inside debt limit	(2.00%-7.00%)	\$ 8,742	685	1,406	8,021	1,343
Outside debt limit	(2.00%-7.00%)	95,066	17,060	7,419	104,707	7,763
MWPAT note payable	(2.00%-5.50%)	991	—	42	949	43
Judgments and claims		613	38	183	468	93
Compensated absences		680	624	539	765	615
Deferred amounts on bond premium		59	—	3	56	3
		<u>\$ 106,151</u>	<u>18,407</u>	<u>9,592</u>	<u>114,966</u>	<u>9,860</u>

During fiscal year 2007, the City issued \$17,745 of general obligation bonds for various water, sewer, airport and golf capital improvements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(b) Maturity of Bond Indebtedness

Bond indebtedness outstanding at June 30, 2007 matures as follows:

	Governmental activities		Business-type activities			
	Governmental Funds		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2008	\$ 32,774	24,238	5,849	3,180	2,779	1,660
2009	31,268	22,805	5,370	2,865	2,466	1,511
2010	31,124	21,354	5,554	2,610	2,291	1,410
2011	30,773	19,917	5,731	2,349	2,156	1,317
2012	26,418	22,371	5,811	2,079	2,068	1,229
2013-2017	132,889	83,977	28,026	6,037	10,977	4,707
2018-2022	108,230	43,940	9,402	1,611	9,973	2,369
2023-2027	80,900	18,589	3,415	267	6,444	571
2028	15,660	979	—	—	—	—
	<u>\$ 490,036</u>	<u>258,170</u>	<u>69,158</u>	<u>20,998</u>	<u>39,154</u>	<u>14,774</u>
			Business-type activities		Business-type activities totals	
			Airport	Golf (nonmajor)	Principal	Interest
			Principal	Interest	Principal	Interest
Year ending June 30:						
2008	\$ 401	205	77	27	9,106	5,072
2009	386	182	70	23	8,292	4,581
2010	405	161	70	20	8,320	4,201
2011	420	138	70	17	8,377	3,821
2012	395	116	67	14	8,341	3,438
2013-2017	1,784	216	137	41	40,924	11,001
2018-2022	4	—	85	18	19,464	3,998
2023-2027	—	—	45	4	9,904	842
2028	—	—	—	—	—	—
	<u>\$ 3,795</u>	<u>1,018</u>	<u>621</u>	<u>164</u>	<u>112,728</u>	<u>36,954</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of \$5,800. The City also has a loan agreement with the Massachusetts Water Pollution Abatement Trust (MWPAT) to fund the Southbridge Street sewer separation project in the amount of \$949. Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MWPAT loans as of June 30, 2007 are as follows:

	Governmental activities		Business-type activities			
	General fund		Water		Airport	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2008	\$ —	310	—	—	—	—
2009	1,094	288	—	—	—	—
2010	98	264	—	—	—	—
2011	103	259	—	—	—	—
2012	109	254	—	—	—	—
2013-2017	692	1,287	—	—	—	—
2018-2022	2,263	550	—	—	—	—
2023-2025	1,441	198	—	—	—	—
	<u>\$ 5,800</u>	<u>3,410</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	Business-type activities		Sewer		Business-type activities totals	
	Principal	Interest	Anticipated subsidy		Principal	Interest
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2008	\$ 43	44	—	25	43	19
2009	43	43	—	24	43	19
2010	44	41	—	24	44	17
2011	45	39	—	22	45	17
2012	46	38	—	21	46	17
2013-2017	264	146	—	74	264	72
2018-2022	317	60	3	19	314	41
2023-2024	147	11	9	1	138	10
	<u>\$ 949</u>	<u>422</u>	<u>12</u>	<u>210</u>	<u>937</u>	<u>212</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(c) ***Authorized and Unissued Debt***

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

Authorized and unissued debt at June 30, 2007 is as follows:

Inside debt limit:		
School construction	\$	73,210
Building rehabilitation		24,564
Union Station garage		21,460
Street construction		10,714
Departmental equipment		8,145
Worcester Center Boulevard Garage		7,000
Parks improvements		2,770
Foley Stadium		2,000
Blackstone Valley Visitors' Center		2,000
Worcester Center Boulevard Garage walkway		1,850
Franklin Square fire station construction		1,050
South Worcester industrial park		1,000
Worcester Common rehabilitation		605
Bridge construction		364
Dam improvements		325
Watershed land		300
Building demolition		269
Land acquisition		125
Traffic signals		125
Library design		60
Surface drain construction		50
Urban Systems Gateway		2
		<hr/>
Total inside debt limit		157,988
		<hr/>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Outside debt limit:		
CitySquare	\$	88,585
DCU building rehabilitation		30,000
Vocational School construction		6,375
Sewer construction		10,147
Water mains		4,834
Water filtration		2,735
Reservoir rehabilitation		3,715
Water land acquisition		140
Airport improvements		1,150
Greenhill Park improvements		895
Water meters		2,000
Sewer drainage		495
Surface drain construction		450
Water accountability analysis		60
Water equipment		8
Landfill closure		150
Water reservoir tank		170
Dam improvements		105
Water pump station rehabilitation		100
Greenhill Golf Course improvements		130
		<hr/>
Total outside debt limit		152,244
		<hr/>
Total inside and outside debt limit	\$	<u>310,232</u>

At June 30, 2007, in addition to debt authorized but unissued, the City may issue \$364,053 of additional general obligation debt under the normal debt limit. The City had \$493,025 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, 2007 was \$136,920.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(e) Discretely Presented Component Units – The District

Long-term obligations consisted of the following at June 30, 2007:

1997 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.	\$	8,120
1999 General Obligation Bonds payable in varying annual installments at an average coupon rate of 5.32% with a final payment due August 1, 2019. The bond was advanced refunded during fiscal 2007		1,495
1999 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.		762
2001 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.		382
2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.14% with a final payment due March 15, 2023.		9,500
2004 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034. The bonds were advanced refunded by the Trust during 2007.		44,552
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.35% with a final payment due July 15, 2034.		6,212
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.30% with a final payment due July 15, 2036.		25,000
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.93%.		7,480
Unamortized bond premium		2,099
Less: unamortized deferred financing costs		(1,164)
Accrued sick leave		427
		<hr/>
Total long-term obligations		104,865
Less portion due within one year		(2,925)
		<hr/>
Amount due in more than one year	\$	<u>101,940</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

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

	<u>Gross payments</u>			<u>Anticipated subsidy</u>	<u>Net payments</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
Year ending June 30:					
2008	\$ 2,797	4,050	6,847	1,399	5,448
2009	2,909	3,967	6,876	1,364	5,512
2010	3,711	3,835	7,546	1,330	6,216
2011	3,824	3,696	7,520	1,292	6,228
2012	3,956	3,549	7,505	1,256	6,249
2013-2017	21,764	15,208	36,972	5,693	31,279
2018-2022	18,722	10,793	29,515	3,308	26,207
2023-2027	15,222	7,345	22,567	2,670	19,897
2028-2032	16,826	4,266	21,092	2,049	19,043
2033-2037	13,772	911	14,683	836	13,847
	<u>\$ 103,503</u>	<u>57,620</u>	<u>161,123</u>	<u>21,197</u>	<u>139,926</u>

(f) Discretely Presented Component Units – WRA

As disclosed in Note 8 to the financial statements, bonds were advanced refunded in May of 2007 and are considered defeased.

Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (3.93%) through 2007, then non-interest bearing.	\$ 1,612
Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.00%) through 2007, then non-interest bearing.	695
Note payable, City of Worcester, unsecured, with interest calculated at the rate paid by the City on the sale of its general obligation bonds (5.15%) through 2007, then non-interest bearing.	79
Note payable, City of Worcester, unsecured, non-interest bearing.	<u>2,078</u>
Total	<u>\$ 4,464</u>

Repayment of these notes is not anticipated before June 30, 2008.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(11) Temporary Borrowings

(a) Primary Government

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

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

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures on temporary borrowings for the year ended June 30, 2007 in the general fund, stabilization fund, nonmajor governmental funds, and enterprise funds were \$535, \$333, \$16, and \$506 respectively. At June 30, 2007, the following 4.00% to 4.50% BANs (maturing through November 8, 2007 and January 30, 2008) were outstanding:

	Outstanding as of June 30, 2006	Additions	Reductions	Outstanding as of June 30, 2007
Bond anticipation notes payable:				
School	\$ 9,625	4,750	9,625	4,750
General	19,555	27,695	19,555	27,695
Water	6,025	9,305	6,025	9,305
Sewer	11,345	6,252	11,345	6,252
Airport	65	165	65	165
Golf course	155	430	155	430
Total	\$ 46,770	48,597	46,770	48,597

(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, 2007 was as follows:

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

	Outstanding as of <u>June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	Outstanding as of <u>June 30, 2007</u>
Short-term notes	\$ 8,000	8,000	8,000	8,000

(12) Interfund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2007 are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Airport Fund	\$ <u>220</u> (1)

(1) Represents temporary transfer to cover cash deficit.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Transfers and their purposes during the year ended June 30, 2007 were as follows:

	Governmental funds			Enterprise funds			
	General Fund	Stabilization Fund	Other Governmental Funds	Major			Nonmajor
				Water Fund	Sewer Fund	Airport Fund	Golf Fund
Damage settlements – reimbursement for damage to city property	\$ 165	–	(169)	–	4	–	–
Damage settlements – to fund operating costs	11	–	(11)	–	–	–	–
Public Law 874 - to fund school operations	625	–	(625)	–	–	–	–
Premium on loans – to fund bond issuance costs	262	–	(262)	–	–	–	–
Federal reimbursement – to fund indirect services related to federal grants	552	–	(552)	–	–	–	–
Federal reimbursement – to fund golf operations	–	–	(75)	–	–	–	75
Real estate sales - to fund land acquisition	30	–	(30)	–	–	–	–
Reserve funds - to fund fund golf operations	–	–	(5)	–	–	–	5
Cemetery lot sales – reimbursement of parks operational costs	44	–	(44)	–	–	–	–
Parking – to cover parking operations	268	–	(268)	–	–	–	–
Sewer connection fees to fund public works engineering operations	118	–	(118)	–	–	–	–
Sewer connection fees to fund sewer operations	–	–	(1,989)	–	1,989	–	–
Construction permits – to fund public works engineering operations	54	–	(54)	–	–	–	–
FEMA reimbursement - to fund golf operations	–	–	(13)	–	–	–	13
Conservation fee - to fund general fund operations	18	–	(18)	–	–	–	–
Passenger facility charges – to fund airport operations	–	–	(15)	–	–	15	–
UDAG reserve - to fund golf operations	–	–	(23)	–	–	–	23
Loan fees - to fund golf operations	–	–	(1)	–	–	–	1
General fund – to fund debt payments	(6,344)	6,344	–	–	–	–	–
Stabilization fund - to fund general fund operations	1,441	(1,441)	–	–	–	–	–
Stabilization fund - to fund police salaries and benefits	1,137	(1,137)	–	–	–	–	–
Stabilization fund - to fund legal settlement	250	(250)	–	–	–	–	–
General fund - to fund City Square	(40)	–	40	–	–	–	–
General fund – to fund airport operating costs	(1,594)	–	–	–	–	1,594	–
General fund - to fund police detail costs	(29)	–	29	–	–	–	–
Cemetery reserve - to fund parks and cemetery operations	25	–	(25)	–	–	–	–
Capital projects - to fund general fund operations	215	–	(215)	–	–	–	–
Enterprises – to fund debt payments	1,428	–	–	(732)	(580)	(88)	(28)
Total	\$ (1,364)	3,516	(4,443)	(732)	1,413	1,521	89

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(13) Environmental Remediation – The District

Plant Improvements

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

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

Phase I	Peak flow management, headworks, primary treatment, disinfection, odor control, and miscellaneous other support systems. (approx. \$61,700)
Phase II	Advanced treatment facilities required for projected 2010 flows. (approx. \$85,400)
Phase III	Solids management facilities. (approx. \$25,000)
Phase IV	Facilities required for future flows (beyond 2010). (approx. \$15,000)

The above referenced costs are planning level estimates escalated to the mid-point of construction of each phase, with the total cost estimated to be \$187,100. In accordance with the District's agreement with EPA, Phase I is to be completed in 2007, and Phase II by August 2009. Phases III and IV are not required within the EPA agreement. The solids management improvement slated for Phase III can be completed as needed, or as finances permit. Phase IV facilities would only be completed if sufficient regional growth occurs to warrant their construction.

The District intends to finance the above costs through long-term borrowing. As of June 30, 2007, the District has spent and capitalized approximately \$82,700, including capitalized interest of \$3,841.

(14) Risk Management

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice, Medex, Master Medical and Managed Blue as well as Fallon Direct, Select and Senior plans. The partially self-insured Blue Choice, Medex and Master Medical plans are paid through an established internal service fund based on total claims, while the Managed Blue and Fallon plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed \$110 for each participating member of the self-insured health plans. Between 10% and 25% of employee contributions are made depending on the calculated contribution rate of the plan involved. The remainder of such costs is funded by the City. The City provides 50% of the cost of life insurance benefits to employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

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

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

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

Changes in the self-insurance liability for health claims for the years ended June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Health claims, beginning of year	\$ 2,905	3,356
Incurred claims	55,383	55,610
Payments of claims attributable to events of the current and prior fiscal years:		
Health	<u>(55,037)</u>	<u>(56,061)</u>
Health claims, end of year	<u>\$ 3,251</u>	<u>2,905</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

Changes in judgments and claims liability for the years ended June 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Judgments and claims, beginning of year	\$ 14,065	15,603
Additions to estimated claims liability	3,227	616
Payments of claims attributable to events of the current and prior fiscal years:		
Court judgments and legal settlements	(275)	(400)
Workers' compensation	<u>(1,657)</u>	<u>(1,754)</u>
Judgments and claims, end of year	<u>\$ 15,360</u>	<u>14,065</u>

Judgments and claims consisted of the following at June 30:

	<u>2007</u>	<u>2006</u>
Workers' compensation	\$ 14,835	13,465
Court judgments and legal settlements	<u>525</u>	<u>600</u>
	<u>\$ 15,360</u>	<u>14,065</u>

The fiscal 2007 liability for judgments and claims consist of governmental and business-type activities in the amount of \$14,892 and \$468, respectively.

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

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

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(15) Fund and Appropriation Deficits

Fund Deficits

The following funds had deficits at June 30, 2007:

Capital Projects Funds:		
School construction	\$	3,299
Capital equipment		1,982
Street and sidewalk		1,628
Union Station Garage		1,247
Rehabilitation of public buildings		799
Special Revenue Funds:		
DCU Center		1,003

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

Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2007, expenditures exceeded appropriations for other state and regional charges. These over-expenditures will be funded by available funds during fiscal year 2008.

(16) Contingency

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

(17) Implementation of GASB Pronouncements

During fiscal year 2007, the City implemented GASB Statement # 43 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement had no impact on the basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2007

(In thousands of dollars)

(18) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented during fiscal year 2008. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement #48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which is required to be implemented during fiscal year 2008. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

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

Statement #50, *Pension Disclosures*, which is required to be implemented during fiscal year 2008. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

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

These pronouncements will be implemented by their respective due dates.

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CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 177,737,565	178,663,512	177,480,950	(1,182,562)
Motor vehicle excise taxes	13,500,000	12,900,000	12,313,675	(586,325)
Penalties and interest on taxes:				
Property taxes	730,000	755,000	881,838	126,838
Tax titles	1,061,500	1,046,000	281,644	(764,356)
Motor vehicle excise	893,500	769,000	1,000,570	231,570
Special assessments	30,000	30,000	23,930	(6,070)
	<u>2,715,000</u>	<u>2,600,000</u>	<u>2,187,982</u>	<u>(412,018)</u>
Other taxes and in-lieu payments:				
In lieu of taxes	1,150,000	1,400,000	1,446,745	46,745
Special assessments	225,000	150,000	227,463	77,463
Hotel/motel tax	735,000	735,000	845,246	110,246
	<u>2,110,000</u>	<u>2,285,000</u>	<u>2,519,454</u>	<u>234,454</u>
Licenses and permits:				
Clerk	133,000	133,000	163,035	30,035
Code Inspection	2,568,600	2,313,600	2,611,729	298,129
Fire	183,350	183,350	222,163	38,813
Health	455,550	455,550	444,447	(11,103)
License Commission:				
Liquor licenses	620,000	620,000	588,314	(31,686)
Other	73,100	73,100	68,569	(4,531)
Police	78,200	78,200	76,086	(2,114)
Public Works	231,800	231,800	180,101	(51,699)
	<u>4,343,600</u>	<u>4,088,600</u>	<u>4,354,444</u>	<u>265,844</u>
Intergovernmental:				
State local aid	225,317,924	228,117,595	228,503,477	385,882
State school construction aid	14,203,657	14,203,657	14,203,657	-
School related Federal Medicare	4,975,000	4,975,000	5,002,244	27,244
Federal Medicare Part D	-	-	1,523,578	1,523,578
Retroactive State school construction aid	-	1,060,249	1,066,798	6,549
WRA reimbursement	-	100,000	-	(100,000)
	<u>244,496,581</u>	<u>248,456,501</u>	<u>250,299,754</u>	<u>1,843,253</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Fines and forfeitures:				
Parking fines	\$ 1,884,200	2,000,000	1,915,971	(84,029)
Court fines	1,225,800	1,315,000	1,232,453	(82,547)
	<u>3,110,000</u>	<u>3,315,000</u>	<u>3,148,424</u>	<u>(166,576)</u>
Investment earnings	1,655,000	2,415,000	2,349,189	(65,811)
Charges for services:				
Assessor	21,300	21,300	11,481	(9,819)
Auditorium	80,000	90,000	208,378	118,378
Clerk	535,200	541,200	586,074	44,874
Cable TV	25,000	25,000	24,201	(799)
Communications	1,200	1,200	275	(925)
Elder Affairs	26,500	30,500	35,216	4,716
Election Commission	-	-	363	363
Fire	342,800	301,800	265,820	(35,980)
Health	85,200	92,400	91,869	(531)
Hope Cemetery	230,000	210,000	248,927	38,927
Human Resources	5,000	10,000	100	(9,900)
Law	-	-	7	7
Library	53,500	63,500	59,728	(3,772)
Messenger	7,000	7,000	8,179	1,179
Parks	20,000	20,000	38,371	18,371
Planning	109,500	170,500	160,277	(10,223)
Police	510,500	502,300	515,868	13,568
Public Works	29,000	-	52,065	52,065
Purchasing	175,000	175,000	177,740	2,740
Schools	-	-	15,458	15,458
Treasurer	115,400	115,400	25,702	(89,698)
Trash bags	3,200,000	3,200,000	3,160,596	(39,404)
Trailer coach park	4,300	4,300	4,146	(154)
	<u>5,576,400</u>	<u>5,581,400</u>	<u>5,690,841</u>	<u>109,441</u>
Miscellaneous	931,775	555,000	1,086,052	531,052
Total revenues	<u>456,175,921</u>	<u>460,860,013</u>	<u>461,430,765</u>	<u>570,752</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government:				
Council:				
Salaries	\$ 223,862	280,207	280,207	-
Ordinary maintenance	26,800	26,769	26,769	-
	<u>250,662</u>	<u>306,976</u>	<u>306,976</u>	<u>-</u>
Mayor:				
Salaries	94,647	90,919	90,919	-
Ordinary maintenance	5,205	5,904	5,904	-
	<u>99,852</u>	<u>96,823</u>	<u>96,823</u>	<u>-</u>
Manager:				
Salaries:				
Executive office	654,376	647,409	647,409	-
Planning & Development	739,002	684,232	684,232	-
Ordinary maintenance:				
Executive office	199,200	200,496	200,496	-
Planning & Development	85,400	123,711	123,711	-
Tourism promotion	400,000	297,343	297,343	-
	<u>2,077,978</u>	<u>1,953,191</u>	<u>1,953,191</u>	<u>-</u>
Auditor:				
Salaries	428,969	590,347	590,347	-
Ordinary maintenance	82,152	82,140	82,140	-
	<u>511,121</u>	<u>672,487</u>	<u>672,487</u>	<u>-</u>
Administration & Finance:				
Salaries	451,885	466,207	466,207	-
Ordinary maintenance	86,680	60,568	60,568	-
	<u>538,565</u>	<u>526,775</u>	<u>526,775</u>	<u>-</u>
Treasurer and Collector:				
Salaries	1,179,168	1,239,211	1,239,211	-
Ordinary maintenance	645,645	971,567	971,567	-
	<u>1,824,813</u>	<u>2,210,778</u>	<u>2,210,778</u>	<u>-</u>
Assessor:				
Salaries	638,076	632,611	632,611	-
Ordinary maintenance	25,373	23,536	23,536	-
	<u>663,449</u>	<u>656,147</u>	<u>656,147</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
License Commission:				
Salaries	\$ 11,398	9,816	9,816	-
Ordinary maintenance	1,200	941	941	-
	<u>12,598</u>	<u>10,757</u>	<u>10,757</u>	<u>-</u>
Law:				
Salaries	794,792	761,505	761,505	-
Ordinary maintenance	117,842	136,296	136,296	-
Casualty insurance	99,131	103,853	103,853	-
Court judgments	352,750	602,572	602,572	-
	<u>1,364,515</u>	<u>1,604,226</u>	<u>1,604,226</u>	<u>-</u>
Clerk:				
Salaries	565,586	601,668	601,668	-
Ordinary maintenance	21,000	20,921	20,921	-
	<u>586,586</u>	<u>622,589</u>	<u>622,589</u>	<u>-</u>
Messenger:				
Salaries	120,766	125,468	125,468	-
Ordinary maintenance	356,900	350,757	350,757	-
	<u>477,666</u>	<u>476,225</u>	<u>476,225</u>	<u>-</u>
Election Commission:				
Salaries	277,778	332,244	332,244	-
Ordinary maintenance	65,500	55,895	55,895	-
	<u>343,278</u>	<u>388,139</u>	<u>388,139</u>	<u>-</u>
Purchasing:				
Salaries	169,109	266,327	266,327	-
Ordinary maintenance	14,532	14,004	14,004	-
	<u>183,641</u>	<u>280,331</u>	<u>280,331</u>	<u>-</u>
Technical services:				
Salaries	1,608,038	1,705,282	1,705,282	-
Ordinary maintenance	785,969	809,391	809,391	-
	<u>2,394,007</u>	<u>2,514,673</u>	<u>2,514,673</u>	<u>-</u>
Human Resources:				
Salaries	801,580	764,685	764,685	-
Ordinary maintenance	221,305	228,692	228,692	-
Capital	-	2,435	2,435	-
	<u>1,022,885</u>	<u>995,812</u>	<u>995,812</u>	<u>-</u>
Total general government	<u>12,351,616</u>	<u>13,315,929</u>	<u>13,315,929</u>	<u>-</u>

(Continued)

Public safety:

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Police:				
Salaries	\$ 35,124,524	36,873,239	36,873,239	-
Ordinary maintenance	1,796,340	2,030,060	2,030,060	-
	<u>36,920,864</u>	<u>38,903,299</u>	<u>38,903,299</u>	<u>-</u>
Fire:				
Salaries	30,046,208	30,536,682	30,536,682	-
Ordinary maintenance	1,209,292	1,289,183	1,289,183	-
Capital	25,000	17,606	17,606	-
	<u>31,280,500</u>	<u>31,843,471</u>	<u>31,843,471</u>	<u>-</u>
Code Inspection:				
Salaries	1,416,063	1,481,018	1,481,018	-
Ordinary maintenance	52,100	43,559	43,559	-
	<u>1,468,163</u>	<u>1,524,577</u>	<u>1,524,577</u>	<u>-</u>
Communications:				
Salaries	2,134,965	2,166,061	2,166,061	-
Ordinary maintenance	385,633	376,139	376,139	-
	<u>2,520,598</u>	<u>2,542,200</u>	<u>2,542,200</u>	<u>-</u>
 Total public safety	 <u>72,190,125</u>	 <u>74,813,547</u>	 <u>74,813,547</u>	 <u>-</u>
Health and human services:				
Health				
Salaries	2,171,511	2,217,674	2,217,674	-
Ordinary maintenance	885,520	925,580	925,580	-
	<u>3,057,031</u>	<u>3,143,254</u>	<u>3,143,254</u>	<u>-</u>
Elder Affairs				
Salaries	340,144	335,701	335,701	-
Ordinary maintenance	352,481	352,609	352,609	-
	<u>692,625</u>	<u>688,310</u>	<u>688,310</u>	<u>-</u>
 Total health and human services	 <u>3,749,656</u>	 <u>3,831,564</u>	 <u>3,831,564</u>	 <u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Education:				
Public Schools:				
Salaries	\$ 149,192,744	155,150,241	155,150,241	-
Ordinary maintenance	35,547,220	36,581,969	36,581,969	-
Capital	200,000	243,975	243,975	-
Total education	184,939,964	191,976,185	191,976,185	-
Libraries:				
Public Library:				
Salaries	3,080,374	3,162,955	3,162,955	-
Ordinary maintenance	1,222,311	1,222,311	1,222,311	-
	4,302,685	4,385,266	4,385,266	-
Regional Library:				
Salaries and fringe	62,619	62,619	62,619	-
Ordinary maintenance	70,331	70,331	70,331	-
	132,950	132,950	132,950	-
Total libraries	4,435,635	4,518,216	4,518,216	-
Public works:				
Department of Public Works:				
Salaries	5,182,067	5,561,636	5,561,636	-
Ordinary maintenance	5,459,371	5,465,920	5,465,920	-
Capital	-	16,613	16,613	-
Snow and ice removal	1,600,000	2,205,438	2,205,438	-
Street lighting	2,557,700	2,641,626	2,641,626	-
	14,799,138	15,891,233	15,891,233	-
Union Station:				
Ordinary maintenance	676,500	718,800	718,800	-
Total public works	15,475,638	16,610,033	16,610,033	-

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and recreation:				
Parks and Cemetery				
Salaries	\$ 2,893,628	3,096,241	3,096,241	-
Ordinary maintenance	701,625	716,813	716,813	-
	<u>3,595,253</u>	<u>3,813,054</u>	<u>3,813,054</u>	<u>-</u>
Auditorium:				
Ordinary maintenance	113,300	109,658	109,658	-
	<u>3,708,553</u>	<u>3,922,712</u>	<u>3,922,712</u>	<u>-</u>
Intergovernmental:				
County assessment	147,071	147,071	147,071	-
Health insurance - retirees	17,041	17,041	17,041	-
Regional planning	38,627	38,627	38,627	-
Regional Transit Authority	2,059,600	2,045,091	2,094,181	(49,090)
Air pollution control	34,421	34,421	34,421	-
Charter Schools and school choice	16,759,296	17,385,621	17,594,463	(208,842)
Special education - Chapter 766	140,408	140,408	172,571	(32,163)
Registry parking ticket surcharge	474,100	474,100	452,080	22,020
	<u>19,670,564</u>	<u>20,282,380</u>	<u>20,550,455</u>	<u>(268,075)</u>
Debt service:				
Principal	20,059,551	20,021,316	20,021,316	-
Interest	8,977,000	8,852,779	8,852,779	-
Pension obligation bond:				
Municipal departments:				
Principal	5,340,000	5,340,000	5,340,000	-
Interest	5,296,419	5,296,419	5,296,419	-
Enterprise funds (interest)	1,427,255	1,427,255	1,427,255	-
Public schools (interest)	4,527,818	4,527,818	4,527,818	-
	<u>45,628,043</u>	<u>45,465,587</u>	<u>45,465,587</u>	<u>-</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	\$ 13,264,919	13,313,459	13,313,459	-
Public Schools	5,353,898	5,361,337	5,361,337	-
Noncontributory pensions:				
Municipal departments	203,402	193,047	193,047	-
Public Schools	410,653	379,322	379,322	-
	<u>19,232,872</u>	<u>19,247,165</u>	<u>19,247,165</u>	<u>-</u>
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	1,029,355	944,307	944,307	-
Public Schools	335,650	529,310	529,310	-
Public safety injured on duty	304,820	389,730	389,730	-
Unemployment compensation:				
Municipal departments	65,000	111,602	111,602	-
Public Schools	373,674	667,540	667,540	-
	<u>2,108,499</u>	<u>2,642,489</u>	<u>2,642,489</u>	<u>-</u>
Group insurance:				
Municipal departments	24,997,829	24,846,063	24,846,063	-
Public Schools	43,106,170	38,326,334	38,326,334	-
	<u>68,103,999</u>	<u>63,172,397</u>	<u>63,172,397</u>	<u>-</u>
Total fringe benefits	<u>89,445,370</u>	<u>85,062,051</u>	<u>85,062,051</u>	<u>-</u>
Contingency	<u>1,845,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>453,440,164</u>	<u>459,798,204</u>	<u>460,066,279</u>	<u>(268,075)</u>
Excess of revenues over expenditures	<u>2,735,757</u>	<u>1,061,809</u>	<u>1,364,486</u>	<u>302,677</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information
For the Fiscal Year Ended June 30, 2007

General Fund

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

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,427,255	6,613,196	6,613,196	-
Transfers out	(7,938,012)	(7,977,513)	(7,977,513)	-
Premium on loans	-	-	202,063	202,063
Total other financing sources (uses)	<u>(6,510,757)</u>	<u>(1,364,317)</u>	<u>(1,162,254)</u>	<u>202,063</u>
Net changes in fund balance	(3,775,000)	(302,508)	202,232	504,740
Budgetary fund balance - beginning	8,067,475	8,067,475	8,067,475	-
Budgetary fund balance - ending	<u>\$ 4,292,475</u>	<u>7,764,967</u>	<u>8,269,707</u>	<u>504,740</u>

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2007

(In thousands of dollars)

Budgetary Basis of Accounting

Pursuant to Chapter 44, Section 32 of the Massachusetts General Laws, the City adopts an annual budget for all general fund functions as well as for those enterprise funds for which the provisions of Chapter 44, Section 53F 1/2 have been adopted.

All portions of the annual budget, except for that of public schools, are prepared under the direction of the City Manager. The School Department budget is prepared under the direction of the Superintendent. The budget must be approved by the City Council, which may reduce or reject any item in the budget but may not increase or add items without the recommendation of the City Manager. The level of expenditure may not legally exceed appropriations for each department or undertaking in the following categories:

- Salaries and wages
- Ordinary maintenance
- Capital outlays

Once adopted, budgets within the above categories may not be amended by management without seeking City Council approval.

In fiscal 2007, the original general fund expenditure budget was increased by \$6,358.

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, 2007:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other financing uses</u>	<u>Excess revenue and other sources (expenditures and uses)</u>
General fund:				
As reported on a budgetary basis	\$ 461,430	460,066	(1,162)	202
MTRS on-behalf payments	43,054	43,054	—	—
COLA on-behalf payments	2,630	2,630	—	—
Adjustment of revenues to a modified basis	<u>532</u>	<u>—</u>	<u>—</u>	<u>532</u>
As reported on a GAAP basis	<u>\$ 507,646</u>	<u>505,750</u>	<u>(1,162)</u>	<u>734</u>

CITY OF WORCESTER, MASSACHUSETTS

Notes to Required Supplementary Information

June 30, 2007

(In thousands of dollars)

The major differences between the budgetary basis and the GAAP basis are:

- Revenues are recorded when cash is received (budgetary), as opposed to when susceptible to accrual (GAAP).
- Claims are recorded as expenditures when paid (budgetary), as opposed to a liability when incurred (GAAP).
- MTRS and COLA on-behalf payments are recorded on a GAAP basis only.

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CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2007

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

Special Revenue

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

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

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

Police Auxiliary – accounts for police off-duty details.

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

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

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

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

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

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

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

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

Capital Projects

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

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

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

CITY OF WORCESTER, MASSACHUSETTS

Supplementary Statements and Schedules

June 30, 2007

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.

CitySquare – accounts for the City’s share of the financial resources used for the construction of the CitySquare project.

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

Other – accounts for various trusts.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Assets:					
Cash and cash equivalents	\$ 2,049,072	677,265	1,198	440,504	436,783
Investments	—	—	—	—	—
Due from other governments	—	—	—	—	—
Total assets	<u>\$ 2,049,072</u>	<u>677,265</u>	<u>1,198</u>	<u>440,504</u>	<u>436,783</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	76,295	—	—	38,586
Temporary loans	—	—	—	—	—
Retainage payable	—	—	—	—	—
Other liabilities	3,052,050	—	—	—	—
Total liabilities	<u>3,052,050</u>	<u>76,295</u>	<u>—</u>	<u>—</u>	<u>38,586</u>
Fund balances:					
Reserved for:					
Nonexpendable permanent funds	—	—	—	—	—
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	(1,002,978)	600,970	1,198	440,504	398,197
Capital projects funds	—	—	—	—	—
Expendable permanent funds	—	—	—	—	—
Total fund balances	<u>(1,002,978)</u>	<u>600,970</u>	<u>1,198</u>	<u>440,504</u>	<u>398,197</u>
Total liabilities and fund balances	<u>\$ 2,049,072</u>	<u>677,265</u>	<u>1,198</u>	<u>440,504</u>	<u>436,783</u>

Special Revenue Funds

<u>School Revolving</u>	<u>Receipts Reserved</u>	<u>Community Development</u>	<u>Workforce Central</u>	<u>School Grants</u>	<u>City Grants</u>	<u>Subtotal</u>
1,003,330	7,011,019	156,555	1,689,074	12,884,776	6,814,147	33,163,723
—	—	—	—	—	—	—
—	98,136	—	—	—	136,298	234,434
<u>1,003,330</u>	<u>7,109,155</u>	<u>156,555</u>	<u>1,689,074</u>	<u>12,884,776</u>	<u>6,950,445</u>	<u>33,398,157</u>
21,408	—	109,564	94,396	410,354	232,509	983,112
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	3,052,050
<u>21,408</u>	<u>—</u>	<u>109,564</u>	<u>94,396</u>	<u>410,354</u>	<u>232,509</u>	<u>4,035,162</u>
—	—	—	—	—	—	—
—	—	46,991	1,594,678	12,474,422	6,717,936	20,834,027
981,922	7,109,155	—	—	—	—	8,528,968
—	—	—	—	—	—	—
—	—	—	—	—	—	—
<u>981,922</u>	<u>7,109,155</u>	<u>46,991</u>	<u>1,594,678</u>	<u>12,474,422</u>	<u>6,717,936</u>	<u>29,362,995</u>
<u>1,003,330</u>	<u>7,109,155</u>	<u>156,555</u>	<u>1,689,074</u>	<u>12,884,776</u>	<u>6,950,445</u>	<u>33,398,157</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Capital Projects Funds				
	DCU Center Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Assets:					
Cash and cash equivalents	\$ 1,046,968	5,920,944	3,898,751	1,755,023	1,459,134
Investments	—	—	—	—	—
Due from other governments	—	15,658	—	—	—
Total assets	\$ 1,046,968	5,936,602	3,898,751	1,755,023	1,459,134
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	628,844	90,669	262,005	7,903
Temporary loans	625,000	6,600,000	4,550,000	3,475,000	4,750,000
Retainage payable	—	335,455	57,461	—	—
Other liabilities	—	—	—	—	—
Total liabilities	625,000	7,564,299	4,698,130	3,737,005	4,757,903
Fund balances:					
Reserved for:					
Nonexpendable permanent funds	—	—	—	—	—
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Capital projects funds	421,968	(1,627,697)	(799,379)	(1,981,982)	(3,298,769)
Expendable permanent funds	—	—	—	—	—
Total fund balances	421,968	(1,627,697)	(799,379)	(1,981,982)	(3,298,769)
Total liabilities and fund balances	\$ 1,046,968	5,936,602	3,898,751	1,755,023	1,459,134

Capital Projects Funds

Parks Improvements	Union Station Garage	CitySquare	Other	Subtotal
1,294,221	1,945,206	26,509,145	1,847,445	45,676,837
—	—	—	—	—
—	—	—	—	15,658
<u>1,294,221</u>	<u>1,945,206</u>	<u>26,509,145</u>	<u>1,847,445</u>	<u>45,692,495</u>
9,660	526,571	83,500	2,835	1,611,987
1,070,000	2,650,000	7,500,000	1,225,000	32,445,000
31,231	15,423	—	—	439,570
—	—	—	—	—
<u>1,110,891</u>	<u>3,191,994</u>	<u>7,583,500</u>	<u>1,227,835</u>	<u>34,496,557</u>
—	—	—	—	—
—	—	—	—	—
183,330	(1,246,788)	18,925,645	619,610	11,195,938
—	—	—	—	—
<u>183,330</u>	<u>(1,246,788)</u>	<u>18,925,645</u>	<u>619,610</u>	<u>11,195,938</u>
<u>1,294,221</u>	<u>1,945,206</u>	<u>26,509,145</u>	<u>1,847,445</u>	<u>45,692,495</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2007

	Permanent Funds				
	Hope Cemetery	Health Department	Libraries	Schools	Parks
Assets:					
Cash and cash equivalents	\$ 218,059	204,587	667,125	149,693	28,755
Investments	2,446,273	1,956,569	6,480,014	548,550	324,759
Due from other governments	—	—	—	—	—
Total assets	<u>\$ 2,664,332</u>	<u>2,161,156</u>	<u>7,147,139</u>	<u>698,243</u>	<u>353,514</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ —	—	4,384	—	—
Temporary loans	—	—	—	—	—
Retainage payable	—	—	—	—	—
Other liabilities	—	—	—	—	—
Total liabilities	<u>—</u>	<u>—</u>	<u>4,384</u>	<u>—</u>	<u>—</u>
Fund balances:					
Reserved for:					
Nonexpendable					
permanent funds	2,655,797	2,111,216	7,127,593	591,740	350,302
State and federal grants	—	—	—	—	—
Unreserved, reported in:					
Special revenue funds	—	—	—	—	—
Capital projects funds	—	—	—	—	—
Expendable permanent funds	8,535	49,940	15,162	106,503	3,212
Total fund balances	<u>2,664,332</u>	<u>2,161,156</u>	<u>7,142,755</u>	<u>698,243</u>	<u>353,514</u>
Total liabilities and fund balances	<u>\$ 2,664,332</u>	<u>2,161,156</u>	<u>7,147,139</u>	<u>698,243</u>	<u>353,514</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
532	29,936	24,183	744	1,323,614	80,164,174
6,797	373,516	215,607	9,507	12,361,592	12,361,592
—	—	—	—	—	250,092
<u>7,329</u>	<u>403,452</u>	<u>239,790</u>	<u>10,251</u>	<u>13,685,206</u>	<u>92,775,858</u>
—	—	—	—	4,384	2,599,483
—	—	—	—	—	32,445,000
—	—	—	—	—	439,570
—	—	—	—	—	3,052,050
—	—	—	—	4,384	38,536,103
7,329	402,741	232,477	10,251	13,489,446	13,489,446
—	—	—	—	—	20,834,027
—	—	—	—	—	8,528,968
—	711	7,313	—	191,376	11,195,938
<u>7,329</u>	<u>403,452</u>	<u>239,790</u>	<u>10,251</u>	<u>13,680,822</u>	<u>54,239,755</u>
<u>7,329</u>	<u>403,452</u>	<u>239,790</u>	<u>10,251</u>	<u>13,685,206</u>	<u>92,775,858</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

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

For the fiscal year ended June 30, 2007

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	\$ —	8,682,652	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	1,624,514	918,085	5,205,062	—	266,637
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	1,624,514	9,600,737	5,205,062	—	266,637
Expenditures:					
Current:					
General government	—	—	—	—	272,553
Public safety	—	—	5,256,675	—	—
Health and human services	—	—	—	—	—
Education	—	9,784,600	—	—	—
Libraries	—	—	—	—	—
Public works	—	—	—	850,972	116,347
Culture and recreation	614,573	—	—	—	—
Community development	—	—	—	—	—
Debt service:	—	—	—	—	—
Principal	440,302	—	—	548,545	164,600
Interest	259,463	—	—	166,759	94,025
Total expenditures	1,314,338	9,784,600	5,256,675	1,566,276	647,525
Excess (deficiency) of revenues over expenditures	310,176	(183,863)	(51,613)	(1,566,276)	(380,888)
Other financing sources (uses):					
Transfers in	257,728	—	28,513	1,665,589	—
Transfers (out)	—	—	—	—	(25,023)
Premium on issuance of bonds and notes	—	—	—	—	—
Issuance of bonds	—	—	—	—	—
Total other financing sources (uses)	257,728	—	28,513	1,665,589	(25,023)
Net change in fund balances	567,904	(183,863)	(23,100)	99,313	(405,911)
Fund balances – beginning	(1,570,882)	784,833	24,298	341,191	804,108
Fund balances – ending	\$ (1,002,978)	600,970	1,198	440,504	398,197

Special Revenue Funds

School Revolving	Receipts Reserved	Community Development	Workforce Central	School Grants	City Grants	Subtotal
—	26,836	4,974,361	5,997,802	46,228,093	13,174,516	79,084,260
—	—	—	—	—	—	—
1,192,785	4,652,664	16,076	—	—	—	13,875,823
—	—	—	—	1,568,301	2,224,545	3,792,846
—	202,179	—	—	—	—	202,179
<u>1,192,785</u>	<u>4,881,679</u>	<u>4,990,437</u>	<u>5,997,802</u>	<u>47,796,394</u>	<u>15,399,061</u>	<u>96,955,108</u>
—	—	—	—	—	1,623,855	1,896,408
—	—	—	—	—	3,744,120	9,000,795
—	—	—	5,302,272	—	7,248,714	12,550,986
1,282,193	—	—	—	45,067,516	—	56,134,309
—	—	—	—	—	777,636	777,636
—	—	—	—	—	1,259,119	2,226,438
—	—	—	—	—	1,632,609	2,247,182
—	—	3,868,274	—	—	—	3,868,274
—	—	—	—	—	—	—
—	—	536,108	—	—	—	1,689,555
—	—	165,322	—	—	309,639	995,208
<u>1,282,193</u>	<u>—</u>	<u>4,569,704</u>	<u>5,302,272</u>	<u>45,067,516</u>	<u>16,595,692</u>	<u>91,386,791</u>
(89,408)	4,881,679	420,733	695,530	2,728,878	(1,196,631)	5,568,317
—	—	—	25,023	215,457	1,479,405	3,671,715
—	(6,410,572)	(466,582)	—	—	—	(6,902,177)
—	261,752	—	—	—	—	261,752
—	—	—	—	—	—	—
<u>—</u>	<u>(6,148,820)</u>	<u>(466,582)</u>	<u>25,023</u>	<u>215,457</u>	<u>1,479,405</u>	<u>(2,968,710)</u>
(89,408)	(1,267,141)	(45,849)	720,553	2,944,335	282,774	2,599,607
1,071,330	8,376,296	92,840	874,125	9,530,087	6,435,162	26,763,388
<u>981,922</u>	<u>7,109,155</u>	<u>46,991</u>	<u>1,594,678</u>	<u>12,474,422</u>	<u>6,717,936</u>	<u>29,362,995</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

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

For the fiscal year ended June 30, 2007

	Capital Projects Funds				
	DCU Construction	Street and Sidewalk	Rehabilitation of Public Buildings	Capital Equipment	School Construction
Revenues:					
Intergovernmental	\$ —	6,008,503	—	—	—
Investment earnings	—	—	—	—	—
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Total revenues	<u>—</u>	<u>6,008,503</u>	<u>—</u>	<u>—</u>	<u>—</u>
Expenditures:					
Current:					
General government	—	—	301,884	206,162	—
Public safety	—	—	699,841	2,046,130	—
Health and human services	—	—	11,122	36,464	—
Education	—	—	2,086,768	275,329	6,534,726
Libraries	—	—	15,834	3,217	—
Public works	—	11,230,312	97,686	587,449	—
Culture and recreation	1,036,878	—	—	271,092	—
Community development	—	—	—	—	—
Debt service:					
Principal	—	—	—	—	—
Interest	—	—	—	—	—
Total expenditures	<u>1,036,878</u>	<u>11,230,312</u>	<u>3,213,135</u>	<u>3,425,843</u>	<u>6,534,726</u>
Excess (deficiency) of revenues over expenditures	<u>(1,036,878)</u>	<u>(5,221,809)</u>	<u>(3,213,135)</u>	<u>(3,425,843)</u>	<u>(6,534,726)</u>
Other financing sources (uses):					
Transfers in	—	26,634	94,562	—	1,727
Transfers (out)	(472,279)	—	(187)	(100,765)	(282)
Premium on issuance of bonds and notes	—	—	—	—	—
Issuance of bonds	250,000	4,970,000	4,855,000	4,175,000	9,625,000
Total other financing sources (uses)	<u>(222,279)</u>	<u>4,996,634</u>	<u>4,949,375</u>	<u>4,074,235</u>	<u>9,626,445</u>
Net change in fund balances	<u>(1,259,157)</u>	<u>(225,175)</u>	<u>1,736,240</u>	<u>648,392</u>	<u>3,091,719</u>
Fund balances – beginning	<u>1,681,125</u>	<u>(1,402,521)</u>	<u>(2,535,620)</u>	<u>(2,630,374)</u>	<u>(6,390,488)</u>
Fund balances – ending	<u>\$ 421,968</u>	<u>(1,627,696)</u>	<u>(799,380)</u>	<u>(1,981,982)</u>	<u>(3,298,769)</u>

Capital Projects Funds

Parks Improvements	Union Station Garage	CitySquare	Other	Subtotal
233,872	—	25,000,000	—	31,242,375
—	—	327,642	1,080	328,722
—	—	360,175	—	360,175
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
<u>233,872</u>	<u>—</u>	<u>25,687,817</u>	<u>1,080</u>	<u>31,931,272</u>
—	—	—	—	508,046
—	—	—	755,653	3,501,624
—	—	—	—	47,586
—	—	—	—	8,896,823
—	—	—	—	19,051
—	1,615,768	6,899,752	5,315,893	25,746,860
1,250,836	—	—	—	2,558,806
—	—	—	4,982	4,982
—	—	—	—	—
—	—	—	—	—
<u>1,250,836</u>	<u>1,615,768</u>	<u>6,899,752</u>	<u>6,076,528</u>	<u>41,283,778</u>
<u>(1,016,964)</u>	<u>(1,615,768)</u>	<u>18,788,065</u>	<u>(6,075,448)</u>	<u>(9,352,506)</u>
—	—	39,500	—	162,423
(753,585)	—	—	(22,496)	(1,349,594)
—	—	—	—	—
<u>1,950,000</u>	<u>—</u>	<u>500,000</u>	<u>7,450,000</u>	<u>33,775,000</u>
<u>1,196,415</u>	<u>—</u>	<u>539,500</u>	<u>7,427,504</u>	<u>32,587,829</u>
179,451	(1,615,768)	19,327,565	1,352,056	23,235,323
3,879	368,980	(401,920)	(732,446)	(12,039,385)
<u>183,330</u>	<u>(1,246,788)</u>	<u>18,925,645</u>	<u>619,610</u>	<u>11,195,938</u>

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

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

For the fiscal year ended June 30, 2007

	Permanent Funds				
	Hope Cemetery	Health Department	Libraries	Schools	Parks
Revenues:					
Intergovernmental	\$ —	—	—	—	—
Investment earnings	336,812	270,749	766,963	69,438	44,552
Charges for services	—	—	—	—	—
Donations	—	—	—	—	—
Contributions to permanent funds	30,286	—	75,930	2,403	—
Miscellaneous	—	—	—	—	—
Total revenues	367,098	270,749	842,893	71,841	44,552
Expenditures:					
Current:					
General government	—	—	—	—	—
Public safety	—	—	—	—	—
Health and human services	—	40,060	—	—	—
Education	—	—	—	68,515	—
Libraries	—	—	158,754	—	—
Public works	—	—	—	—	—
Culture and recreation	688	—	—	—	—
Community development	—	—	—	—	—
Debt service:					
Principal	30,000	—	—	—	—
Interest	20,563	—	—	—	—
Total expenditures	51,251	40,060	158,754	68,515	—
Excess (deficiency) of revenues over expenditures	315,847	230,689	684,139	3,326	44,552
Other financing sources (uses):					
Transfers in	—	—	—	4,821	—
Transfers (out)	(25,000)	—	—	—	—
Premium on issuance of bonds and notes	—	—	—	—	—
Issuance of bonds	—	—	—	—	—
Total other financing sources (uses)	(25,000)	—	—	4,821	—
Net change in fund balances	290,847	230,689	684,139	8,147	44,552
Fund balances – beginning	2,373,485	1,930,467	6,458,616	690,096	308,962
Fund balances – ending	<u>\$ 2,664,332</u>	<u>2,161,156</u>	<u>7,142,755</u>	<u>698,243</u>	<u>353,514</u>

Permanent Funds					Total Nonmajor Governmental Funds
Police	Public Works	Memorial	Other	Subtotal	
—	—	—	—	—	110,326,635
932	51,166	29,530	1,303	1,571,445	1,900,167
—	—	—	—	—	14,235,998
—	—	—	—	—	3,792,846
—	49,940	—	—	158,559	158,559
—	—	—	—	—	202,179
<u>932</u>	<u>101,106</u>	<u>29,530</u>	<u>1,303</u>	<u>1,730,004</u>	<u>130,616,384</u>
—	—	—	—	—	2,404,454
—	—	—	—	—	12,502,419
—	—	—	—	40,060	12,638,632
—	—	—	—	68,515	65,099,647
—	—	—	—	158,754	955,441
—	28,033	—	—	28,033	28,001,331
—	—	—	—	688	4,806,676
—	—	—	—	—	3,873,256
—	—	—	—	30,000	1,719,555
—	—	—	—	20,563	1,015,771
<u>—</u>	<u>28,033</u>	<u>—</u>	<u>—</u>	<u>346,613</u>	<u>133,017,182</u>
<u>932</u>	<u>73,073</u>	<u>29,530</u>	<u>1,303</u>	<u>1,383,391</u>	<u>(2,400,798)</u>
—	—	—	—	4,821	3,838,959
—	—	(4,821)	—	(29,821)	(8,281,592)
—	—	—	—	—	261,752
—	—	—	—	—	33,775,000
<u>—</u>	<u>—</u>	<u>(4,821)</u>	<u>—</u>	<u>(25,000)</u>	<u>29,594,119</u>
932	73,073	24,709	1,303	1,358,391	27,193,321
<u>6,397</u>	<u>330,379</u>	<u>215,081</u>	<u>8,948</u>	<u>12,322,431</u>	<u>27,046,434</u>
<u>7,329</u>	<u>403,452</u>	<u>239,790</u>	<u>10,251</u>	<u>13,680,822</u>	<u>54,239,755</u>

(Concluded)

CITY OF WORCESTER, MASSACHUSETTS

Airport Enterprise Fund

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

For the fiscal year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 739,300	739,300	590,956	(148,344)
Intergovernmental	1,478,016	1,478,016	592,594	(885,422)
Miscellaneous	208,915	208,915	243,133	34,218
Total revenues	<u>2,426,231</u>	<u>2,426,231</u>	<u>1,426,683</u>	<u>(999,548)</u>
Expenditures:				
Salaries and benefits	1,868,274	1,868,274	1,251,211	617,063
Ordinary maintenance	1,495,250	1,495,250	1,032,216	463,034
Debt service	664,497	664,497	664,018	479
Total expenditures	<u>4,028,021</u>	<u>4,028,021</u>	<u>2,947,445</u>	<u>1,080,576</u>
(Deficiency) of revenues over expenditures	<u>(1,601,790)</u>	<u>(1,601,790)</u>	<u>(1,520,762)</u>	<u>81,028</u>
Other financing sources (uses):				
Transfers in	1,689,750	1,608,722	1,608,722	—
Transfers (out)	(87,960)	(87,960)	(87,960)	—
Total other financing sources	<u>1,601,790</u>	<u>1,520,762</u>	<u>1,520,762</u>	<u>—</u>
Net changes in fund balance	—	(81,028)	—	81,028
Budgetary fund balance – beginning	<u>12,360</u>	<u>12,360</u>	<u>12,360</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 12,360</u>	<u>(68,668)</u>	<u>12,360</u>	<u>81,028</u>

CITY OF WORCESTER, MASSACHUSETTS

Golf Course Enterprise Fund (nonmajor)

Schedule of Revenues, Expenditures and
Changes in Fund Balance –

Budget and Actual – Budgetary Basis

For the fiscal year ended June 30, 2007

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
Revenues:				
Fees	\$ 1,215,901	1,215,901	1,077,815	(138,086)
Miscellaneous	33,486	33,486	9,772	(23,714)
Total revenues	<u>1,249,387</u>	<u>1,249,387</u>	<u>1,087,587</u>	<u>(161,800)</u>
Expenditures:				
Salaries and benefits	330,941	330,941	320,665	10,276
Ordinary maintenance	674,256	674,256	640,615	33,641
Debt service	145,248	145,248	143,911	1,337
Indirect costs	70,949	70,949	70,949	—
Total expenditures	<u>1,221,394</u>	<u>1,221,394</u>	<u>1,176,140</u>	<u>45,254</u>
Excess (deficiency) of revenues over expenditures	<u>27,993</u>	<u>27,993</u>	<u>(88,553)</u>	<u>(116,546)</u>
Other financing sources (uses):				
Transfers in	—	116,546	116,546	—
Transfers (out)	(27,993)	(27,993)	(27,993)	—
Total other financing sources (uses)	<u>(27,993)</u>	<u>88,553</u>	<u>88,553</u>	<u>—</u>
Net changes in fund balance	—	116,546	—	(116,546)
Budgetary fund balance – beginning	—	—	—	—
Budgetary fund balance – ending	<u>\$ —</u>	<u>116,546</u>	<u>—</u>	<u>(116,546)</u>

CITY OF WORCESTER, MASSACHUSETTS

Sewer Enterprise Fund

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

For the fiscal year ended June 30, 2007

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 25,579,460	25,579,760	23,676,347	(1,903,413)
Miscellaneous	370,000	370,000	474,214	104,214
Total revenues	<u>25,949,460</u>	<u>25,949,760</u>	<u>24,150,561</u>	<u>(1,799,199)</u>
Expenditures:				
Salaries and benefits	5,406,358	5,307,698	5,047,584	260,114
Ordinary maintenance	12,658,781	13,287,471	13,139,214	148,257
Capital	24,500	24,500	12,705	11,795
Debt service	4,347,643	4,347,643	4,308,069	39,574
Indirect costs	2,932,816	3,055,742	3,047,767	7,975
Total expenditures	<u>25,370,098</u>	<u>26,023,054</u>	<u>25,555,339</u>	<u>467,715</u>
Excess (deficiency) of revenues over expenditures	<u>579,362</u>	<u>(73,294)</u>	<u>(1,404,778)</u>	<u>(1,331,484)</u>
Other financing sources (uses):				
Transfers in	—	1,992,537	1,992,537	—
Transfers (out)	(579,362)	(579,362)	(579,362)	—
Total other financing sources (uses)	<u>(579,362)</u>	<u>1,413,175</u>	<u>1,413,175</u>	<u>—</u>
Net changes in fund balance	—	1,339,881	8,397	(1,331,484)
Budgetary fund balance – beginning	—	—	—	—
Budgetary fund balance – ending	<u>\$ —</u>	<u>1,339,881</u>	<u>8,397</u>	<u>(1,331,484)</u>

CITY OF WORCESTER, MASSACHUSETTS

Water Enterprise Fund

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

For the fiscal year ended June 30, 2007

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	\$ 23,518,135	23,518,135	22,313,312	(1,204,823)
Miscellaneous	1,434,600	1,434,600	1,449,233	14,633
Total revenues	<u>24,952,735</u>	<u>24,952,735</u>	<u>23,762,545</u>	<u>(1,190,190)</u>
Expenditures:				
Salaries and benefits	9,803,128	9,838,184	9,080,017	758,167
Ordinary maintenance	2,886,888	2,796,523	2,615,385	181,138
Capital	25,000	25,000	17,848	7,152
Debt service	9,533,966	9,533,966	9,410,375	123,591
Indirect costs	1,971,813	2,027,122	2,010,822	16,300
Total expenditures	<u>24,220,795</u>	<u>24,220,795</u>	<u>23,134,447</u>	<u>1,086,348</u>
Excess of revenues over expenditures	<u>731,940</u>	<u>731,940</u>	<u>628,098</u>	<u>(103,842)</u>
Other financing (uses):				
Transfers (out)	<u>(731,940)</u>	<u>(731,940)</u>	<u>(731,940)</u>	<u>—</u>
Net changes in fund balance	—	—	(103,842)	(103,842)
Budgetary fund balance – beginning	<u>563,529</u>	<u>563,529</u>	<u>563,529</u>	<u>—</u>
Budgetary fund balance – ending	<u>\$ 563,529</u>	<u>563,529</u>	<u>459,687</u>	<u>(103,842)</u>

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CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Governmental activities capital assets, by type:		
Land	\$ 16,691,412	13,931,412
Buildings	318,441,149	311,919,539
Improvements other than buildings	13,004,441	11,358,118
Rolling equipment	5,958,558	5,567,403
Equipment and other	3,726,812	4,085,341
Infrastructure	73,354,438	66,677,706
Construction in progress	<u>16,774,812</u>	<u>7,130,812</u>
Total governmental activities capital assets	\$ <u>447,951,622</u>	<u>420,670,331</u>
Investments in governmental activities capital assets by source:		
General fund	\$ 969,096	1,109,342
Special revenue fund	45,501,823	29,067,530
Capital projects fund	400,293,672	389,208,699
Donations	<u>1,187,031</u>	<u>1,284,760</u>
Total governmental activities capital assets	\$ <u>447,951,622</u>	<u>420,670,331</u>

CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2007

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	\$ 3,525,231	—	—
Assessor	—	—	—
Information Services	—	—	—
Election Commission	—	—	—
Law	—	—	—
Purchasing	—	—	—
Treasurer	—	—	—
Total general government	<u>3,525,231</u>	<u>—</u>	<u>—</u>
Public safety:			
Police	514,500	2,934,810	—
Fire	1,074,600	7,203,065	—
Code Inspection	209,905	556,971	—
Communications	—	—	—
Total public safety	<u>1,799,005</u>	<u>10,694,846</u>	<u>—</u>
Health and human services:			
Workforce Central	—	—	—
Health	—	—	—
Elder Affairs	—	2,651,525	47,506
Total health and human services	<u>—</u>	<u>2,651,525</u>	<u>47,506</u>
Public works	<u>3,489,339</u>	<u>18,348,002</u>	<u>416,521</u>
Education	<u>3,453,537</u>	<u>215,838,833</u>	<u>305,271</u>
Library	<u>305,000</u>	<u>18,010,595</u>	<u>—</u>
Culture and recreation:			
Auditorium	150,000	1,692,624	—
DCU Center	263,000	44,984,144	—
Hope Cemetery	290,000	973,096	—
Parks	3,416,300	5,247,484	12,235,143
Total culture and recreation	<u>4,119,300</u>	<u>52,897,348</u>	<u>12,235,143</u>
Total governmental activities capital assets	<u>\$ 16,691,412</u>	<u>318,441,149</u>	<u>13,004,441</u>

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
—	—	—	—	3,525,231
—	333	—	—	333
—	117,487	—	138,533	256,020
—	—	—	—	—
—	21,746	—	—	21,746
—	1,752	—	—	1,752
—	3,313	—	—	3,313
—	144,631	—	138,533	3,808,395
214,580	255,665	—	480,337	4,399,892
3,396,425	309,792	67,940	46,774	12,098,596
1,420	14,077	—	—	782,373
—	290,092	—	—	290,092
3,612,425	869,626	67,940	527,111	17,570,953
—	13,393	—	—	13,393
1,421	44,785	—	1,311	47,517
—	15,352	—	—	2,714,383
1,421	73,530	—	1,311	2,775,293
1,916,790	91,300	73,227,873	12,927,276	110,417,101
15,007	1,285,234	—	2,108,544	223,006,426
—	929,234	—	—	19,244,829
—	—	—	—	1,842,624
—	28,947	—	288,309	45,564,400
34,742	12,346	—	—	1,310,184
378,173	291,964	58,625	783,728	22,411,417
412,915	333,257	58,625	1,072,037	71,128,625
5,958,558	3,726,812	73,354,438	16,774,812	447,951,622

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, 2007

<u>Function and activity</u>	<u>Governmental activities capital assets July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental activities capital assets June 30, 2007</u>
General government:				
Manager	\$ 3,927,151	—	401,920	3,525,231
Assessor	1,000	—	667	333
Information Services	88,961	218,833	51,774	256,020
Election Commission	538	—	538	—
Law	30,434	—	8,688	21,746
Purchasing	5,256	—	3,504	1,752
Treasurer	5,220	—	1,907	3,313
Total general government	<u>4,058,560</u>	<u>218,833</u>	<u>468,998</u>	<u>3,808,395</u>
Public safety:				
Police	4,446,278	480,337	526,723	4,399,892
Fire	11,594,884	1,250,882	747,170	12,098,596
Code Inspection	840,932	—	58,559	782,373
Communications	346,141	—	56,049	290,092
Total public safety	<u>17,228,235</u>	<u>1,731,219</u>	<u>1,388,501</u>	<u>17,570,953</u>
Health and human services:				
Workforce Central	18,476	—	5,083	13,393
Health	75,767	1,311	29,561	47,517
Elder Affairs	2,938,160	—	223,777	2,714,383
Total health and human services	<u>3,032,403</u>	<u>1,311</u>	<u>258,421</u>	<u>2,775,293</u>
Public works	<u>77,319,513</u>	<u>40,108,703</u>	<u>7,011,115</u>	<u>110,417,101</u>
Education	<u>228,058,125</u>	<u>5,673,020</u>	<u>10,724,719</u>	<u>223,006,426</u>
Libraries	<u>19,981,200</u>	<u>—</u>	<u>736,371</u>	<u>19,244,829</u>
Culture and recreation:				
Auditorium	1,985,207	—	142,583	1,842,624
DCU Center	47,045,458	788,253	2,269,311	45,564,400
Hope Cemetery	1,358,383	—	48,199	1,310,184
Parks	20,603,247	2,944,065	1,135,895	22,411,417
Total culture and recreation	<u>70,992,295</u>	<u>3,732,318</u>	<u>3,595,988</u>	<u>71,128,625</u>
Total governmental activities capital assets	<u>\$ 420,670,331</u>	<u>51,465,404</u>	<u>24,184,113</u>	<u>447,951,622</u>

CITY OF WORCESTER, MASSACHUSETTS

Agency Fund

Statement of Changes in Assets and Liabilities

For the Fiscal Year Ended June 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
ASSETS				
Cash and cash equivalents	\$ 400,397	479,741	(457,216)	422,922
LIABILITIES				
Accounts payable and accrued expenses	\$ 11,957	10,710	(11,957)	10,710
Due to student groups	388,440	470,278	(446,506)	412,212
Total liabilities	\$ 400,397	480,988	(458,463)	422,922

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STATISTICAL SECTION

STATISTICAL SECTION

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

Table of Contents

	Page
Financial Trends	116
These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	
Revenue Capacity	128
These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	
Debt Capacity	132
These schedules contain information to help the reader assess the affordability of the City’s current level of outstanding debt and the City’s ability to issue additional debt in the future.	
Demographic and Economic Information	135
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	
Operating Information	138
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

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

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CITY OF WORCESTER, MASSACHUSETTS

Net Assets by Component

Last Seven Fiscal Years*

(accrual basis of accounting)

(amounts expressed in thousands)

Table 1

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

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

CITY OF WORCESTER, MASSACHUSETTS

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

Table 2

	2001	2002	2003	2004	2005	2006	2007
Expenses							
Governmental activities:							
General government	\$ 18,882	20,689	14,195	14,458	16,316	18,222	19,583
Public safety	78,344	85,686	93,949	98,633	105,119	113,545	115,321
Health and human services	21,498	20,933	19,164	17,431	21,524	20,880	19,873
Education (1)	243,393	278,295	303,760	314,670	329,699	353,126	366,311
Libraries	5,278	6,193	6,837	6,719	6,941	7,323	7,735
Public works	26,223	22,126	26,567	34,274	31,077	27,027	26,954
Culture and recreation	6,928	7,104	7,676	9,354	7,684	8,471	10,886
Community development	5,117	4,518	4,002	4,429	4,189	3,565	3,873
Redevelopment	6,543	2,719	4,238	30	5,770	-	-
Interest on debt	24,792	24,624	24,913	24,626	25,734	25,336	25,283
Total governmental activities expenses	<u>436,998</u>	<u>472,887</u>	<u>505,301</u>	<u>524,624</u>	<u>554,053</u>	<u>577,495</u>	<u>595,819</u>
Business-type activities:							
Water	19,466	20,352	20,753	20,804	21,535	22,141	24,727
Sewer	14,767	16,731	16,310	17,238	22,719	24,352	28,309
Airport	3,857	4,906	4,389	3,958	4,158	4,527	4,360
Golf course (non major)	984	1,215	1,082	1,030	1,026	1,164	1,180
Total business-type expenses	<u>39,074</u>	<u>43,204</u>	<u>42,534</u>	<u>43,030</u>	<u>49,438</u>	<u>52,184</u>	<u>58,576</u>
Total primary government expenses	<u>\$ 476,072</u>	<u>516,091</u>	<u>547,835</u>	<u>567,654</u>	<u>603,491</u>	<u>629,679</u>	<u>654,395</u>
Program Revenues							
Governmental activities:							
Charges for services	\$ 22,203	21,052	24,946	25,203	26,560	27,076	29,710
Operating grants and contributions (1)	222,313	251,539	277,029	284,486	303,411	295,107	315,692
Capital grants and contributions	2,781	2,315	2,338	4,539	5,160	5,217	65,551
Total governmental activities program revenues	<u>247,297</u>	<u>274,906</u>	<u>304,313</u>	<u>314,228</u>	<u>335,131</u>	<u>327,400</u>	<u>410,953</u>
Business-type activities:							
Charges for services:							
Water	19,249	21,686	22,534	23,154	24,132	22,735	24,623
Sewer	13,408	14,190	14,548	15,627	19,775	22,449	25,670
Airport	1,412	1,651	1,002	687	915	978	844
Golf course	1,022	1,114	1,050	1,068	1,029	1,041	1,088
Operating grants and contributions	1,449	733	1,329	1,202	1,241	1,006	593
Capital grants and contributions	8,785	2,247	1,470	3,362	3,081	3,114	2,255
Total business-type activities program revenues	<u>45,325</u>	<u>41,621</u>	<u>41,933</u>	<u>45,100</u>	<u>50,173</u>	<u>51,323</u>	<u>55,073</u>
Total primary government program revenues	<u>\$ 292,622</u>	<u>316,527</u>	<u>346,246</u>	<u>359,328</u>	<u>385,304</u>	<u>378,723</u>	<u>466,026</u>

(continued)

CITY OF WORCESTER, MASSACHUSETTS

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

Table 2

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

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

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

(concluded)

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

Table 3

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Total
2001	\$ 134,677	12,733	766	148,176
2002	139,027	12,941	782	152,750
2003	144,316	13,438	713	158,467
2004	156,461	12,581	684	169,726
2005	161,648	13,503	753	175,904
2006	171,490	12,096	709	184,295
2007	179,130	11,893	845	191,868

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

CITY OF WORCESTER, MASSACHUSETTS

Fund Balances of Governmental Funds

Last Seven Fiscal Years*

(modified accrual basis of accounting)

(amounts expressed in thousands)

Table 4

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General fund:							
Reserved	\$ 922	1,618	1,618	1,618	1,618	-	-
Unreserved	13,861	8,890	9,437	10,385	14,857	9,290	10,025
Total general fund	<u>\$ 14,783</u>	<u>10,508</u>	<u>11,055</u>	<u>12,003</u>	<u>16,475</u>	<u>9,290</u>	<u>10,025</u>
All other governmental funds							
Reserved	\$ 20,505	24,515	28,180	32,861	37,387	29,102	34,323
Unreserved, reported in:							
Stabilization fund	1,792	3,492	8,161	9,753	10,187	8,225	2,642
Special revenue funds	13,371	10,256	10,365	10,350	10,459	9,831	8,529
Capital projects funds (1)	(11,024)	(17,383)	(13,988)	20,372	16,923	(12,039)	11,196
Permanent funds	604	742	127	88	60	153	191
Total all other governmental funds	<u>\$ 25,248</u>	<u>21,622</u>	<u>32,845</u>	<u>73,424</u>	<u>75,016</u>	<u>35,272</u>	<u>56,881</u>

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

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

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
REVENUES										
Property taxes	\$121,189	126,888	131,351	133,885	140,712	148,322	156,945	163,706	171,484	177,781
Motor vehicle excise taxes	10,521	9,961	11,324	12,460	13,091	14,085	13,205	13,101	12,189	12,545
Other taxes taxes and in-lieu payments	1,661	2,300	1,867	2,338	2,411	2,215	2,123	1,971	2,252	2,188
Penalties and interest on taxes	1,848	1,845	2,115	1,938	1,977	2,702	2,669	2,867	2,564	2,520
Licenses and permits	4,048	4,329	4,444	4,826	4,468	5,266	5,486	5,692	5,571	4,354
Intergovernmental (2) (3)	237,615	231,925	253,679	274,278	302,715	315,660	327,833	356,548	350,840	407,873
Charges for services	12,199	14,369	15,197	14,718	14,595	17,644	16,758	17,645	17,913	19,920
Fines and forfeitures	2,401	2,378	2,195	2,024	2,122	2,636	2,554	2,925	3,234	3,148
Investment earnings	3,921	4,098	2,464	2,779	755	1,085	1,811	2,056	3,100	4,292
Donations	2,468	1,079	1,792	2,317	4,731	2,683	3,022	2,908	2,640	3,793
Contributions to permanent funds	101	60	46	442	62	65	48	145	107	159
Miscellaneous	1,155	1,835	2,225	2,541	1,713	1,215	1,224	3,063	1,725	1,295
Total revenues	399,127	401,067	428,699	454,546	489,352	513,578	533,678	572,627	573,619	639,868
EXPENDITURES										
General government	12,431	12,669	14,018	15,733	17,652	12,006	12,023	13,861	14,314	15,720
Public safety	54,881	66,457	67,346	65,427	74,806	75,079	72,876	79,286	82,119	87,316
Health and human services	16,955	16,963	19,599	18,646	17,967	17,001	14,055	18,545	17,045	16,470
Education	201,656	224,907	231,680	222,361	241,600	239,150	256,223	271,977	261,385	257,076
Libraries	4,643	4,864	9,822	16,210	10,392	6,745	4,651	4,686	5,087	5,474
Public works	23,192	19,537	19,933	22,845	21,069	24,026	24,833	29,652	29,629	44,611
Culture and recreation	7,763	8,589	4,916	8,212	9,083	6,046	6,663	9,609	6,236	8,729
Fringe benefits (1) (2)	51,696	275,042	41,754	43,094	71,052	85,622	103,213	118,377	126,381	130,746
Community development	4,553	4,772	4,872	5,101	4,518	4,001	4,429	4,189	3,565	3,873
Redevelopment	43	2,279	2,266	6,543	2,719	4,238	30	5,769	-	-
State & regional charges (3)	2,043	1,971	3,041	2,132	2,276	2,424	14,909	16,514	19,445	20,551
Debt service:										
Principal (1)	14,398	16,231	17,755	23,147	25,997	26,715	27,216	28,124	30,430	32,886
Interest (1)	10,334	11,188	26,450	25,512	24,223	25,464	24,515	24,674	25,034	26,020
Total expenditures	404,588	665,469	463,452	474,963	523,354	528,517	565,636	625,263	620,670	649,472
Excess of revenues (under) expenditures	(5,461)	(264,402)	(34,753)	(20,417)	(34,002)	(14,939)	(31,958)	(52,636)	(47,051)	(9,604)

(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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
OTHER FINANCING SOURCES (USES)										
Transfers in	\$7,595	6,109	6,136	9,819	12,576	17,947	14,248	17,608	14,048	13,968
Transfers out	(9,897)	(8,650)	(8,625)	(10,473)	(13,433)	(17,505)	(13,722)	(17,520)	(14,628)	(16,259)
Premium on issuance of bonds and notes	135	196	725	827	1,262	633	487	3,697	702	464
Issuance of refunding bonds	15,035	—	—	—	11,135	9,345	—	18,241	55,960	—
Issuance of bonds and notes	38,019	248,953	50,130	48,414	25,695	25,665	72,440	54,915	—	33,775
Payments to refunded bond escrow agent	(15,035)	—	—	—	(11,135)	(9,345)	—	(18,241)	(55,960)	—
Total other financing sources	<u>35,852</u>	<u>246,608</u>	<u>48,366</u>	<u>48,587</u>	<u>26,100</u>	<u>26,740</u>	<u>73,453</u>	<u>58,700</u>	<u>122</u>	<u>31,948</u>
Net change in fund balances	<u>\$30,391</u>	<u>(17,794)</u>	<u>13,613</u>	<u>28,170</u>	<u>(7,902)</u>	<u>11,801</u>	<u>41,495</u>	<u>6,064</u>	<u>(46,929)</u>	<u>22,344</u>
Debt service as a percentage of noncapital expenditures	n/a	n/a	n/a	11.0%	10.4%	10.3%	9.9%	9.3%	9.4%	9.6%

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

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

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

(concluded)

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

Table 6

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Total
1998	\$121,189	10,521	558	132,268
1999	126,888	9,961	614	137,463
2000	130,798	11,134	684	142,616
2001	133,885	12,460	766	147,111
2002	140,712	13,091	782	154,585
2003	148,322	14,085	713	163,120
2004	156,942	13,205	684	170,831
2005	163,706	13,101	753	177,560
2006	171,484	12,189	709	184,382
2007	177,781	12,545	845	191,171

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CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of Accounting
Year ended June 30, 2007

Graph
1

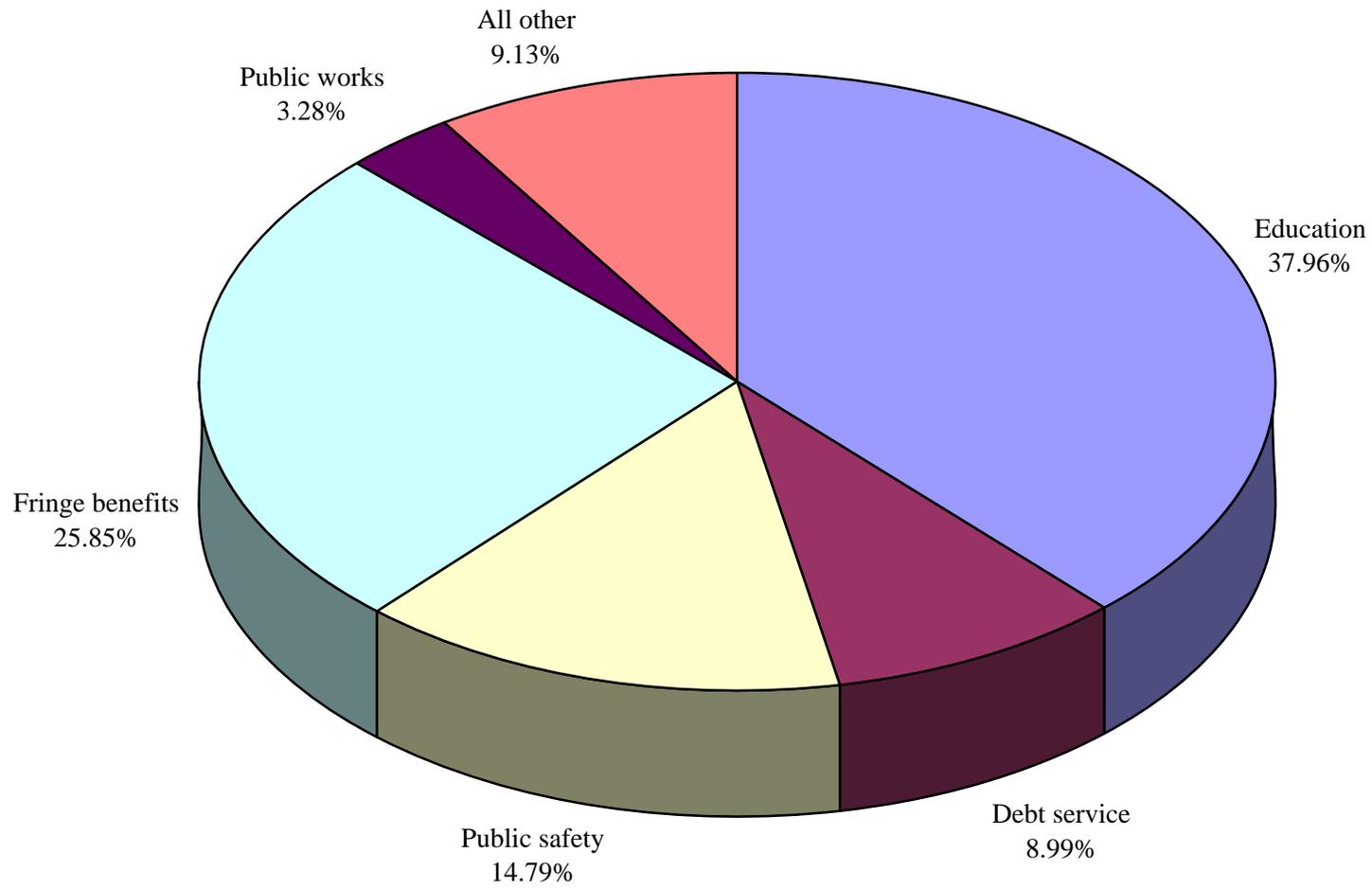


Table 7

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	\$ 10,504	11,015	12,760	12,990	14,726	10,326	10,391	11,216	12,574	13,316
Public safety	47,440	58,069	56,609	58,025	62,954	64,045	63,359	64,776	71,360	74,813
Health and human services	4,573	4,886	5,267	5,426	5,595	3,658	2,841	2,805	3,629	3,832
Education	149,893	156,265	165,579	172,357	179,401	181,006	189,472	190,912	199,411	191,976
Libraries	4,030	3,755	3,661	3,717	4,183	4,093	3,771	3,816	4,195	4,518
Public works	12,887	13,639	13,183	17,165	14,848	17,598	15,086	19,000	17,537	16,610
Culture and recreation	3,514	3,397	3,694	4,111	4,238	3,880	3,068	3,305	3,484	3,923
Fringe benefits (1) (2)	51,696	55,004	41,754	43,157	71,052	85,622	103,212	118,377	126,381	130,746
State and regional charges	2,043	1,971	3,041	2,132	2,276	2,424	2,457	2,697	2,841	20,550
Debt service (1)	21,223	22,273	41,474	44,488	44,501	44,971	44,299	44,478	44,114	45,466
Totals	\$ <u>307,803</u>	<u>330,274</u>	<u>347,022</u>	<u>363,568</u>	<u>403,774</u>	<u>417,623</u>	<u>437,956</u>	<u>461,382</u>	<u>485,526</u>	<u>505,750</u>

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

CITY OF WORCESTER, MASSACHUSETTS
General Fund Revenues – Modified Accrual Basis of Accounting
Year ended June 30, 2007

Graph
2

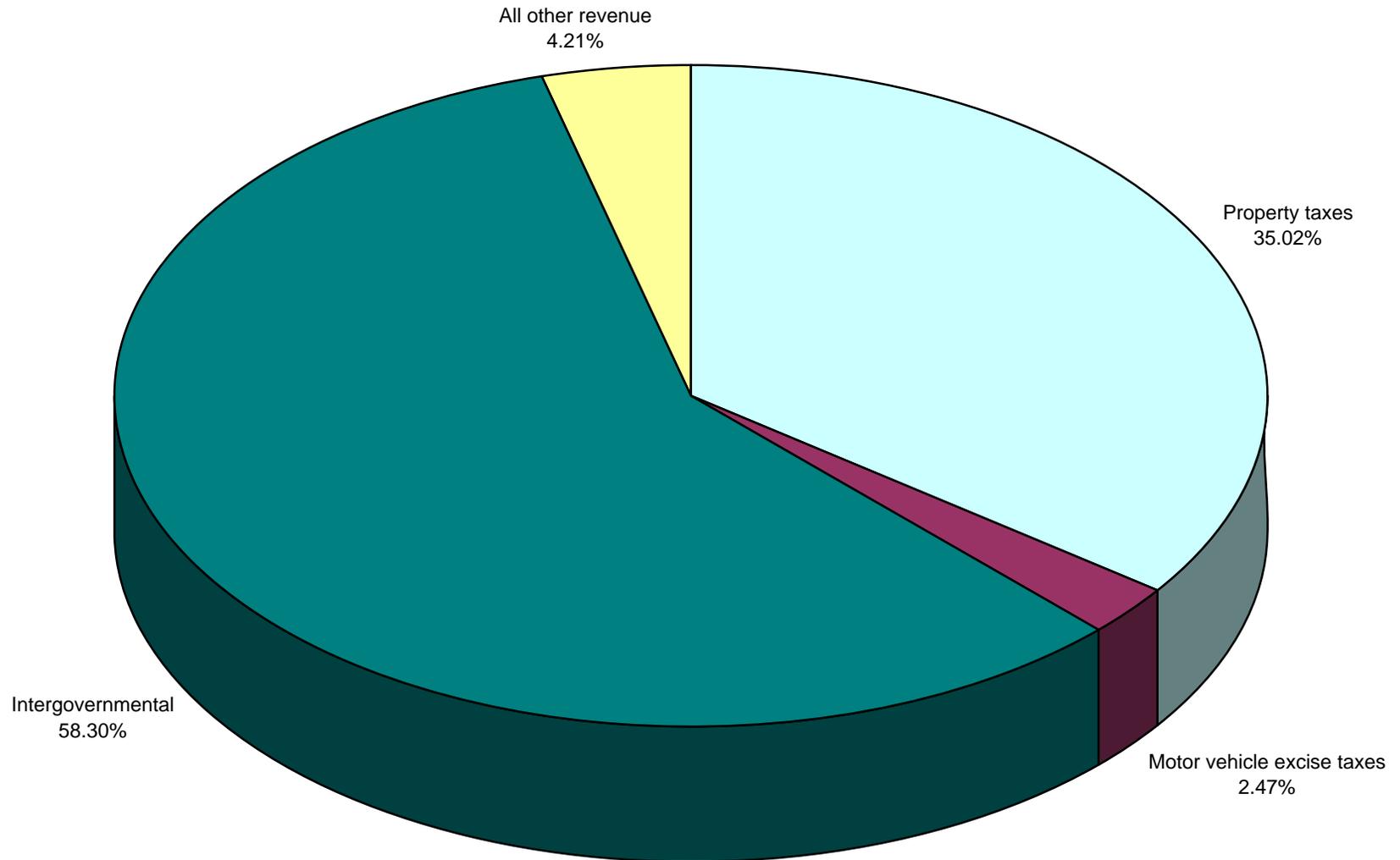


Table 8

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Property taxes	\$ 121,189	126,888	130,798	133,885	140,712	148,322	156,942	163,706	171,484	177,781
Motor vehicle excise taxes	10,521	9,961	11,134	12,460	13,091	14,085	13,205	13,101	12,189	12,545
Other taxes and in-lieu payments	1,661	2,300	1,867	2,338	2,411	2,215	2,123	1,971	2,252	2,188
Penalties and interest on taxes	1,848	1,845	2,114	1,938	1,977	2,702	2,670	2,867	2,564	2,520
Licenses and permits	4,048	4,329	4,401	4,577	4,468	5,266	5,486	5,692	5,571	4,355
Intergovernmental (1)	164,802	178,378	192,139	206,423	232,834	241,946	255,549	266,484	276,758	295,983
Charges for services	2,276	2,273	2,373	2,355	2,477	3,613	3,864	4,052	3,760	5,684
Fines and forfeitures	2,401	2,378	2,195	2,024	2,122	2,636	2,554	2,925	3,234	3,148
Investment earnings	2,515	3,056	2,263	2,921	1,321	664	476	1,170	2,140	2,349
Miscellaneous	799	945	1,159	2,218	1,257	895	733	1,079	852	1,093
Totals	\$ <u>312,060</u>	<u>332,353</u>	<u>350,443</u>	<u>371,139</u>	<u>402,670</u>	<u>422,344</u>	<u>443,602</u>	<u>463,047</u>	<u>480,804</u>	<u>507,646</u>

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

CITY OF WORCESTER, MASSACHUSETTS

Graph 3

Assessed Valuation
Last Ten Fiscal Years
(Amounts expressed in millions)

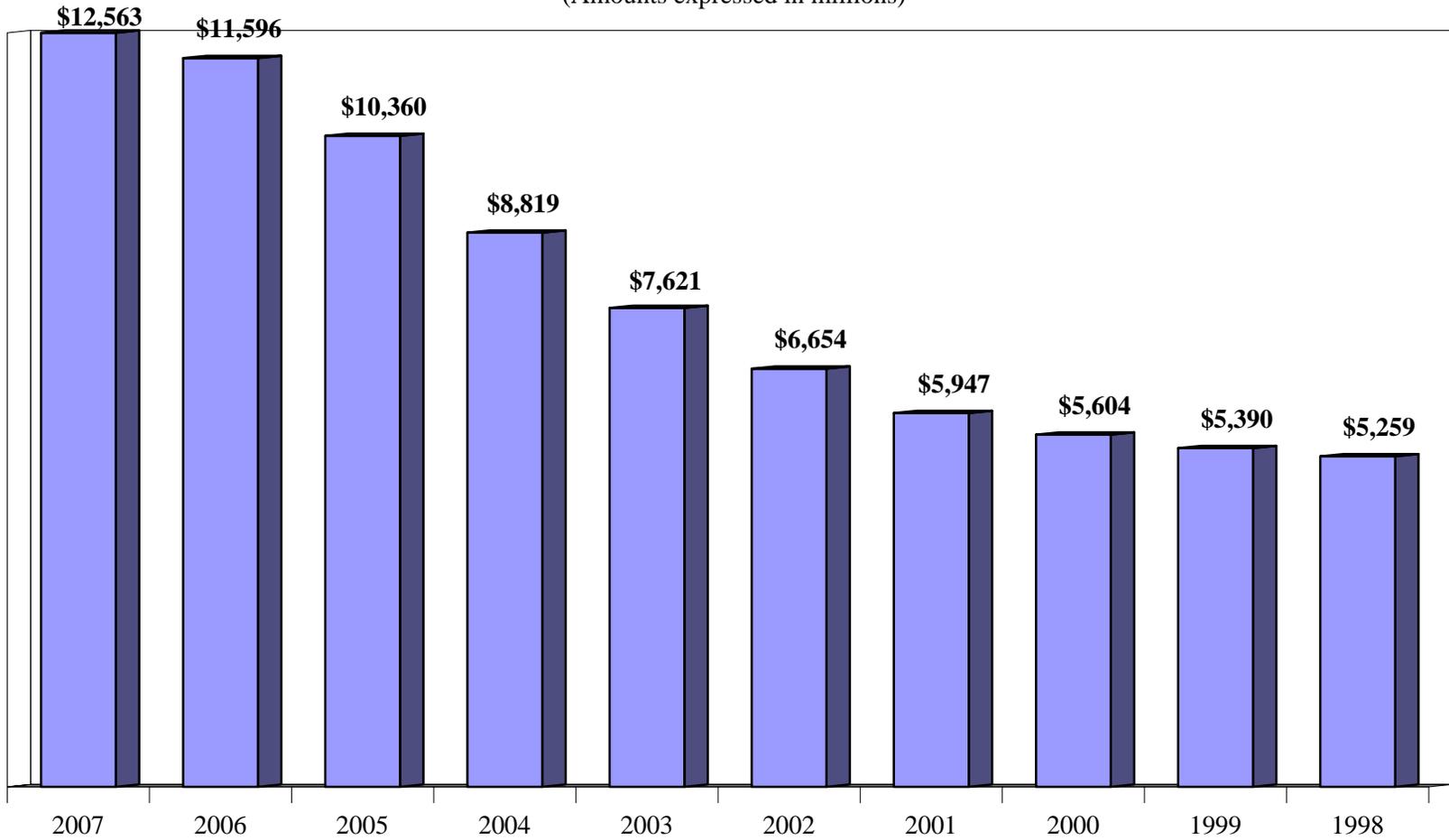


Table 9

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

Fiscal Year	Assessed value			Total taxable Assessed Value	Total Direct tax Rate	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
	Residential Property	Commercial and Industrial Property	Personal Property							
1998	\$ 3,738,099	1,238,040	282,798	5,258,937	23.72	5,409,542	97.22%	\$ 1,653,646	6,912,583	23.92%
1999	3,822,618	1,283,978	282,950	5,389,546	24.05	5,536,578	97.34	1,661,179	7,050,725	23.56
2000	4,021,970	1,300,352	281,778	5,604,100	23.52	5,536,578	101.22	1,694,931	7,299,031	23.22
2001	4,335,259	1,308,185	303,520	5,946,964	22.74	6,010,162	98.95	1,689,279	7,636,243	22.12
2002	4,984,353	1,355,745	314,115	6,654,213	21.27	6,010,162	110.72	1,830,384	8,484,597	21.57
2003	5,912,081	1,382,048	326,949	7,621,078	19.59	7,248,688	105.14	2,110,469	9,731,547	21.69
2004	7,036,273	1,446,202	336,277	8,818,752	17.75	7,248,688	121.66	2,449,698	11,268,450	21.74
2005	8,498,913	1,549,889	311,287	10,360,089	15.77	9,694,618	106.86	2,445,616	12,805,705	19.10
2006	9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	2,494,021	14,089,549	17.70
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06

Table 10

CITY OF WORCESTER, MASSACHUSETTS
Principal Taxpayers - Current Year and Nine Years Ago
June 30, 2007
(Amounts expressed in thousands)

Taxpayer	Type of business	2007				1998			
		Assessed valuation	Rank	Fiscal 2007 tax bill	Percentage of tax levy	Assessed valuation	Rank	Fiscal 1998 tax bill	Percentage of tax levy
Massachusetts Electric Co.	Electric utility	\$ 127,138	1	\$ 3,219	1.77%	\$ 124,248	1	\$ 4,674	3.75%
V3B SA LLC (Lincoln Plaza)	Shopping mall	64,441	2	1,632	0.90	—	—	—	—
NStar	Gas utility	53,407	3	1,352	0.74	36,429	6	1,371	1.10
Alexandria Real Estate Equities	Biotechnology park	50,567	4	1,280	0.70	—	—	—	—
Hanover Insurance Group (Allmerica)	Insurance	50,406	5	1,276	0.70	47,059	3	1,765	1.41
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	45,053	6	1,141	0.63	33,899	7	1,276	1.02
Verizon	Telephone utility	42,952	7	1,087	0.60	56,209	2	2,115	1.70
Worcester TC LLC (Abbott Research)	Biotechnology research	42,479	8	1,076	0.59	37,436	5	1,409	1.13
VHS Acquisition (St. Vincent Hospital)	Health care facilities	37,833	9	1,018	0.56	20,848	10	778	0.32
Worcester Renaissance LLC (CitySquare)	Office/Shopping mall	34,965	10	875	0.45	45,061	4	1,696	1.36
Norton Company	Abrasives manufacturer	—	—	—	—	29,458	8	1,108	0.89
Worcester Business Development Corp.	Biotechnology park developer	—	—	—	—	28,650	9	1,078	0.86
	Totals	\$ 549,241		\$ 13,956	7.64%	\$ 459,297		\$ 17,270	13.54%

Source: Assessor's and Treasurer/Collector's departments

Table 11**CITY OF WORCESTER, MASSACHUSETTS**

Property Tax Levies and Collections

Last Three 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%	\$ 3,181	161,596	99.72%
2006	170,626	166,275	97.45	3,354	169,629	99.42
2007	179,295	173,398	96.71	—	173,398	96.71

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

Table 12

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal Year	Governmental activities		Business-type activities		Total Primary Government	Percentage of Personal Income	Per Capita (1)
	General Obligation Bonds	Section 108 Note	General Obligation Bonds	Sewer Note			
1998	\$ 164,988	—	95,395	—	260,383	7.03%	\$ 1,534
1999	399,462	—	95,917	—	495,379	14.72	2,918
2000	427,968	—	99,488	—	527,456	15.00	3,107
2001	450,765	—	103,858	—	554,623	15.21	3,212
2002	452,683	—	101,336	—	554,019	14.55	3,209
2003	451,740	—	101,169	—	552,909	14.51	3,203
2004	491,164	5,800	109,380	1,168	607,512	15.46	3,519
2005	518,420	5,800	111,910	1,123	637,253	16.03	3,691
2006	489,146	5,800	103,808	991	599,745	15.03	3,474
2007	490,036	5,800	112,729	949	609,514	15.28	3,530

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

(1) Source: Massachusetts Department of Workforce Development

Table 13

CITY OF WORCESTER, MASSACHUSETTS

Ratio of General Bonded Debt Outstanding

Last Ten Fiscal Years

(Amounts expressed in thousands, except per capita)

Fiscal year		General Obligation Bonds	Percentage of Assessed Value (1)		Total Per capita (2)
1998	\$	260,383	4.81%	\$	1,534
1999		495,379	8.95		2,918
2000		527,456	9.53		3,107
2001		554,623	9.23		3,212
2002		554,019	9.22		3,209
2003		552,909	7.63		3,203
2004		600,544	8.38		3,519
2005		630,329	6.50		3,651
2006		592,954	6.12		3,434
2007		602,764	4.76		3,491

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

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

(2) Population data based on 1990 and 2000 Census

Table 14

CITY OF WORCESTER, MASSACHUSETTS

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

	1998	1999	2000	2001 (2)	2002	2003	2004	2005	2006	2007
Debt Limit (1)	\$ 135,239	138,414	138,414	283,599	150,254	181,217	362,434	484,731	484,731	632,729
Total net debt applicable to limit	131,860	125,481	128,856	250,307	125,014	170,375	180,376	199,169	208,140	268,676
Legal debt limit	\$ <u>3,379</u>	<u>12,933</u>	<u>9,558</u>	<u>33,292</u>	<u>25,240</u>	<u>10,842</u>	<u>182,058</u>	<u>285,562</u>	<u>276,591</u>	<u>364,053</u>
Total net debt applicable to the limit as a percentage of debt limit	97.50%	90.66%	93.09%	88.26%	83.20%	94.02%	49.77%	41.09%	42.94%	42.46%

Legal Debt Margin Calculation for Fiscal Year 2007

Equalized valuation - real estate and personal property (January 1, 2006)	\$	12,654,572
Debt limit - 5% of equalized valuation		632,729
Total bonded debt (including authorized and unissued of \$310,232)		913,945
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes		(493,025)
Less bonded debt authorized but not yet issued which is outside the debt limit		<u>(152,244)</u>
Legal debt margin	\$	<u>364,053</u>

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

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

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

Table 15

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Inome (amounts expressed in thousands) (3)</u>	<u>Per Capita Personal Income (4)</u>	<u>Median Age (4)</u>	<u>Public School Enrollment (5)</u>	<u>Unemployment Rate (6)</u>
1998	169,759 (1)				23,121	4.3%
1999	169,759 (1)				24,357	3.5
2000	172,648 (2)	\$ 3,213,670	18,614	33.4	24,629	2.9
2001	173,025 (3)				24,931	3.9
2002	174,078 (3)				25,037	5.4
2003	175,071 (3)				24,885	7.0
2004	175,495 (3)				24,363	7.0
2005	175,770 (3)	3,909,828	22,244	33.4	24,227	6.0
2006	175,898 (3)	3,989,327			23,404	5.7
2007	175,454 (3)	4,216,455			23,682	6.3

(1) 1990 Census

(2) 2000 Census

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

(4) Source: U.S. Department of Commerce, Census for fiscal year 2000. Fiscal year 2005-2007 is based on an estimate from the U.S. Department of Commerce.

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

(6) Source: Massachusetts Department of Workforce Development

Table 16

CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees
Last Ten Fiscal Years

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General government	334	248	238	236	241	201	189	188	197	200
Public safety										
Police										
Officers	470	464	450	472	459	424	468	456	468	465
Civilians	68	57	60	33	56	39	45	47	53	54
Fire										
Officers	458	458	447	456	445	398	429	421	410	402
Civilians	24	17	35	22	11	12	16	10	10	11
Other public safety (1)	61	56	56	58	56	105	95	98	86	89
Health and human services (1)	191	188	205	206	206	89	89	92	102	96
Education	3,966	3,762	4,046	4,060	4,111	3,905	3,821	3,698	3,658	3,506
Libraries	105	101	94	94	97	87	80	82	84	81
Public works	233	221	221	224	217	196	182	183	189	185
Culture and recreation	141	64	63	85	65	56	52	51	49	48
Water	122	126	127	126	120	117	114	112	111	106
Sewer	55	61	57	55	56	52	58	54	54	55
Airport	24	22	22	21	23	21	16	16	18	17
Golf course	13	4	3	3	3	3	2	3	3	3
Totals	<u>6,265</u>	<u>5,849</u>	<u>6,124</u>	<u>6,151</u>	<u>6,166</u>	<u>5,705</u>	<u>5,656</u>	<u>5,511</u>	<u>5,492</u>	<u>5,318</u>

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

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

Table 17

CITY OF WORCESTER, MASSACHUSETTS

Principal Employers

Current year and nine years ago

Employer	Type of business	2007			1998		
		Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Umass Memorial Health Care	Health care	12,261	1	15.62%	10,100	1	13.14%
City of Worcester	Government and education	5,318	2	6.78	6,265	2	8.15
Saint Vincent's Hospital	Health care	2,000	3	2.55	2,576	4	3.35
Saint Gobain (formerly Norton Co.)	Abrasives manufacturer	1,907	4	2.43	2,200	5	2.86
Hanover Insurance Group	Insurance	1,872	5	2.38	3,000	3	3.90
Fallon Clinic	Health care	1,734	6	2.21	1,800	6	2.34
College of the Holy Cross	Education	1,110	7	1.41	945	9	1.23
Clark University	Education	944	8	1.20	—	—	—
Polar Beverages	Bottling company	898	9	1.14	779	10	1.01
Worcester Polytechnic Institute	Education	823	10	1.05	—	—	—
Neles-Jamesbury	Valve manufacturer	—	—	—	1,000	7	1.30
Allegro MicroSystem	Semiconductor manufacturer	—	—	—	1,000	7	1.30

Source: Worcester Regional Chamber of Commerce

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police (1), (2)										
Total arrests	10,266	9,619	9,047	8,108	7,759	8,033	6,482	7,014	7,853	8,581
Different individuals arrested	7,329	6,938	6,578	6,081	5,938	6,041	5,154	5,366	5,916	6,671
Arrests for selected charges										
Drug-related	2,197	2,077	2,118	2,122	2,403	2,792	1,611	1,638	2,829	2,668
Aggravated assault	743	737	806	629	579	667	633	540	679	571
Disorderly conduct, disturbing peace	2,130	2,082	1,834	1,563	1,654	1,679	1,357	1,351	1,071	1,201
Prostitution and related	163	246	138	152	204	230	195	234	232	178
Sexual assault, including rape	42	51	31	34	43	59	23	22	33	29
Armed robbery	48	37	55	48	54	52	73	73	57	66
Murder /manslaughter, attempted murder	27	26	40	26	33	46	24	46	7	14
Fire (1)										
Total Incidents	25,871	27,717	27,427	32,681	33,054	29,350	22,839	21,778	22,076	22,498
Selected incidents										
EMS	12,216	13,023	12,356	13,516	13,377	14,624	16,038	15,383	14,558	15,654
Structure fires	874	896	799	799	797	716	454	417	749	681
Arson fires	n/a	n/a	68	25	30	43	42	31	29	28
Vehicle fires	289	308	240	320	284	269	206	184	184	139
Good intent	1,799	1,742	1,983	2,092	2,201	3,658	1,019	1,149	1,322	1,514
False alarm	1,423	1,539	1,701	1,708	1,632	1,591	1,542	1,705	3,102	2,971
Highways and streets										
Streets and resurfacing (1), (3)	9	15	9	8	8	9	16	14	14	15
Potholes repaired	n/a	n/a	n/a	11,481	9,105	13,268	15,596	7,895	13,403	11,489
Sanitation										
Refuse collected (tons/day)	96.34	99.73	104.68	109.39	112.70	106.62	107.05	104.15	102.78	100.30
Recyclable collected (tons/day)	38.13	38.50	41.23	43.04	36.70	36.99	38.71	37.70	37.20	34.77
Water										
New connections	203	277	321	312	377	389	463	454	373	271
Water main breaks	181	280	349	288	199	61	65	76	50	56
Average daily consumption (thousands of gallons)	21,688	23,430	22,844	22,589	23,578	24,091	23,932	23,595	22,681	22,187
Wastewater										
Average daily sewage treatment (thousands of gallons)	35,219	37,683	34,172	30,541	33,195	31,944	27,743	31,364	30,156	33,200

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
1998 - 1.39, 1999 - 4.15, 2001 - 1.18, 2002 - .93, 2003 - .14, 2004 - 1.56

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	12	12	12	12	12	11	11	11	11
Education:										
Schools	51	52	51	52	52	52	49	49	49	45
Libraries	3	3	3	3	3	3	3	3	3	3
Public works										
Streets:										
Streets (miles)	406	408	406	423	411	411	414	414	416	418
Sidewalks (miles)	612	613	596	606	606	606	473	473	478	480
Streetlights	12,545	12,640	12,693	12,716	12,752	12,772	12,972	12,994	13,238	13,275
Water:										
Main pipes (miles) (1)	588	592	654	655	659	614	592	592	592	582
Fire hydrants (2)	6,077	6,088	5,277	5,095	5,490	5,481	5,940	5,940	5,951	5,658
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)	376	377	380	381	381	387	389	390	392	392
Combined sewers (miles)	61	61	61	61	65	65	66	65	65	65
Surface sewers (miles)	347	349	351	353	353	358	361	362	364	364
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard										981
Culture and recreation										
Parks	51	51	52	52	52	53	54	54	56	60
Parks and playground acreage	1,207	1,207	1,280	1,280	1,285	1,316	1,316	1,316	1,316	1,316
Civic Center										
Seating capacities										
Center stage	15,011	15,011	15,011	15,011	14,639	14,639	14,639	14,639	14,639	14,639
End stage	14,500	14,500	14,500	14,500	14,751	14,751	14,751	14,751	14,751	14,751
Basketball	13,800	13,800	13,800	13,800	13,500	13,500	13,500	13,500	13,500	13,500
Hockey with open curtain	12,405	12,405	12,405	12,405	12,239	12,239	12,239	12,239	12,239	12,800
Hockey with closed curtain										6,880
Arena football										12,330
Ice show	13,033	13,033	13,033	13,033	11,888	11,888	11,888	11,888	11,888	11,888
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

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