CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011

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

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Table of Contents

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Table of Contents

STATISTICAL SECTION

CITY OF WORCESTER, MASSACHUSETTS

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

Table of Contents

INTRODUCTORY SECTION

CITY OF WORCESTER, MASSACHUSETTS

OFFICE OF THE CITY AUDITOR

CITY HALL 01608

JAMES A. DelSIGNORE, CPA

CITY AUDITOR

October 31, 2011

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, 2011 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, 2011 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, 2011. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

City of Worcester Government

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

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

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

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

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

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

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

Budget-to-actual comparisons for the general fund are presented on pages 94 through 101 as part of required supplementary information.

Local economy

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

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

Construction has continued on a new $302 million Worcester State Hospital.

Factors Affecting Financial Condition

There were three major events during the year that will affect the City's financial condition for many years to come. First CSX is currently constructing their New England distribution headquarters in Worcester at a cost of $120 million with completion targeted for the end of 2012. This will not only boost the local economy with additional jobs but it will help clear the way for additional commuter trains between Worcester and Boston adding 20 – 25 to the existing 12 daily round trips.

Also, on July 1, 2010 the Worcester Regional Airport was sold to the Massachusetts Port Authority (Massport) for $12.58 million in cash. This agreement has not only relieved the City from owning and servicing the airport but it will also be relieved from providing an approximate $1.2 million annual operating subsidy. Massport had been operating and subsidizing part of the airport deficit since 2000. Also as part of the sale the City will retain ownership of lots in the Airport Industrial Park valued at $2.6 million and will now be able to market those lots for sale.

Finally, after several years of delays, construction has started on the CitySquare project. About half of the 20 acre site was purchased by a new developer and demolition is currently taking place on all of that area except for part of an existing garage that will remain as a smaller facility with 860 spaces. The other half of the site, which houses two office buildings a garage and some retail space, is to be retained and renovated by the current owner. Currently under construction is an 8-story 214,000 square foot $110 million office building to house the Unum Group. Also under construction is a 3-story 66,000 square foot $23 million cancer center to be owned and operated by Vanguard Health Services. Discussions are continuing with several other potential developers to fill out the site with diverse projects. The new developer's total investment in the project is estimated to be about $470 million over a period of 6 to 8 years. The City is to contribute about $61 million, the state $25 million and the federal government $3.5 million mainly for the cost of demolition, infrastructure and an underground garage. The City will use District Improvement Financing legislation, which allows for the capitalization of interest and a 30-year loan term to finance its share of the costs. It is anticipated that increased property values and related taxes from CitySquare construction will fully service the City's debt associated with this project.

Also having a major impact on the downtown area has been the steady expansion of the Massachusetts College of Pharmacy. There are currently 1,000 students living and attending classes in the City's downtown with plans to double in size in the near future. The college and commuter rail have helped galvanize apartment construction in the downtown area with approximately 400 units being added recently and with expansion of commuter rail and the college there portends to be a need for several additional units.

In November of 2006 the City Council adopted a Five Point Plan designed to improve the City's financial position that was submitted by the City Manager. The plan involves a five-year financial forecast, quarterly reports to the City Council, a borrowing cap, a capital improvement program integrated with the five-year forecast and borrowing cap and a policy to boost reserves to 5-percent of the general fund's total annual revenues and also provide a dedicated source to fund construction of a new North High School along with various other projects. Funding has come from approximately $30 million in retroactive school construction aid to the City from the state that is being paid over a 10-year period. Also, proceeds from meals, hotel and sales taxes collected in the DCU Center enterprise zone are added to this fund. In fiscal year 2011, $3.1 million from airport sales proceeds were also transferred into this fund. Additionally, the City has been dedicating at least 50-percent of annual "Free Cash" to a "bond rating stabilization fund" to help reach the goal of having general fund reserves of 5-percent of general fund revenues. The City has followed this policy since its implementation.

Worcester's total assessed property value had increased steadily from fiscal 1996 through fiscal 2008 when values rose to an all time high of $12.727 billion. Total assessed property value has decreased in each of the last three years and was $10.857 billion in fiscal 2011 a decrease of .055 billion or 0.5% from the previous year.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Worcester, Massachusetts for its CAFR for the year ended June 30, 2010. 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 eighteen consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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

Respectfully submitted,

James A. DelSignore, CPA
City Auditor

CITY OF WORCESTER, MASSACHUSETTS

List of Elected and Appointed Officials

June 30, 2011

Council – Manager Form of Government

CITY COUNCIL

Joseph C. O'Brien, Mayor

Councilors-at-Large	**District Councilors**
Michael J. Germain	Paul P. Clancy, Jr.
Konstantina B. Lukes	William J. Eddy
Joseph M. Petty	Barbara G. Haller
Frederick C. Rushton	Philip P. Palmieri
Kathleen M. Toomey	Joffery A. Smith

CITY MANAGER

Michael V. O'Brien

AUDITING DEPARTMENT

James A. DelSignore, CPA, City Auditor

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

CHIEF FINANCIAL OFFICER

Thomas F. Zidelis

BUDGET OFFICER

Jarrett Conner

ASSESSOR

William J. Ford

TREASURER & COLLECTOR

Mariann Castelli Hier

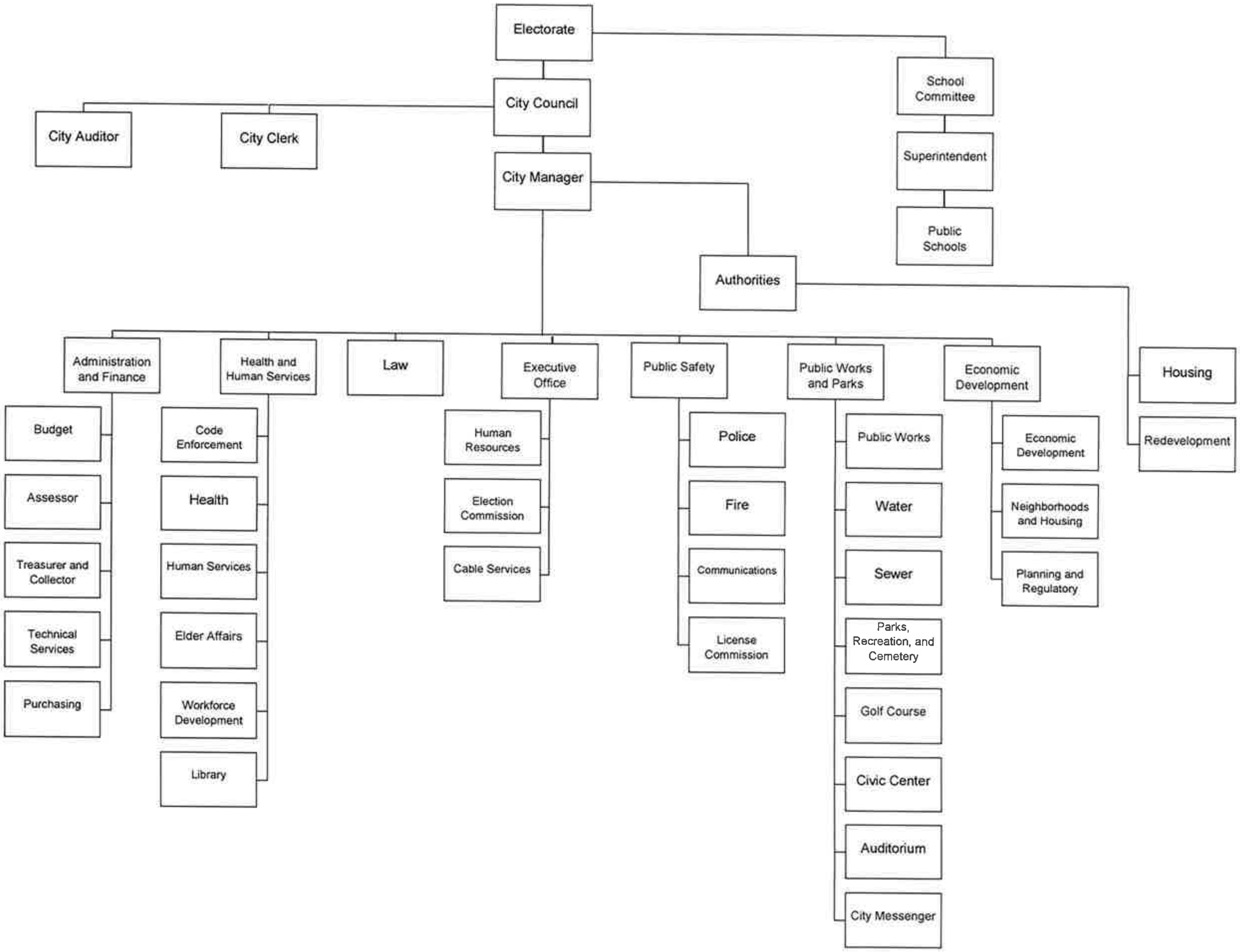
PURCHASING AGENT

John C. Orrell

DIRECTOR OF TECHNICAL SERVICES

Paul R. Covello

WORCESTER CITY GOVERNMENT



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Worcester
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

FINANCIAL SECTION

SULLIVAN ROGERS COMPANY
Certified Public Accountants

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

Independent Auditors' Report

The Honorable Mayor and City Council
City of Worcester, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Worcester, Massachusetts (the City), as of and for the year ended June 30, 2011 (except for the Worcester Contributory Retirement System, which is as of and for the year ended December 31, 2010), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Upper Blackstone Water Pollution Abatement District (the District), a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the District, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011 (except for the Worcester Contributory Retirement System, which is as of December 31, 2010) and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 1(b), the City implemented Governmental Accounting Standards Board Statement #54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards,* we have also issued our report dated October 31, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (located on pages 11 through 23) and budgetary comparison, pension and other postemployment benefits information (located on pages 94 through 104) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Bullin, Ray & Company, LLC

October 31, 2011

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, 2011 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 2011 by $189,821.
- The City's total net assets increased by $3,100 or 1.7% during the year.
- At the end of fiscal 2011, unassigned fund balance for the general fund was $17,758 or 3.2% of total general fund revenues.
- "Free Cash", certified by the state's Department of Revenue as of July 1, 2011 was $3,024. This amount is unassigned in the general fund and available for appropriation in fiscal 2012.
- The City's total capital assets (net) increased by $9,968 or 1.3% during fiscal 2011.
- The City's total debt decreased by $1,926 or 0.3% during fiscal 2011.

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 2011. All changes in net assets are reported as soon as the underlying event causing the change takes place. Therefore, all of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (e.g., uncollected taxes and earned but unused vacation leave, etc.).

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

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

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

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

Fund Financial Statements

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

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

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

The City maintains 31 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, the CitySquare fund, the debt service fund and the school grants fund, each of which are considered major funds. Data from the 27 other governmental funds are combined into a single aggregated presentation titled "other governmental funds". Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

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

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

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

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

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

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

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

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

The notes to the basic financial statements can be found on pages 37 through 92.

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

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

Government-Wide Financial Analysis

The following tables present current and prior year data on the government-wide financial statements. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City's case, assets exceeded liabilities by $189,821 at the close of the most recent fiscal year and are summarized as follows:

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

	Net assets					
	Governmental Activites		**Business-type Activities**		**Total**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Current and other assets	$ 297,921	280,931	31,243	32,253	329,164	313,184
Capital assets	560,024	515,289	213,463	248,231	773,487	763,520
Total assets	857,945	796,220	244,706	280,484	1,102,651	1,076,704
Long-term liabilities	653,158	626,154	132,064	133,311	785,222	759,465
Other liabilities	112,619	112,313	14,989	18,205	127,608	130,518
Total liabilities	765,777	738,467	147,053	151,516	912,830	889,983
Net assets:						
Invested in capital assets, net of related debt	280,669	236,864	87,708	120,990	368,377	357,854
Restricted	42,290	29,804	1,602	-	43,892	29,804
Unrestricted	(230,791)	(208,915)	8,343	7,978	(222,448)	(200,937)
Total net assets	$ 92,168	57,753	97,653	128,968	189,821	186,721

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

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining amount of unrestricted net assets shows a balance of ($222,448). However, this balance includes outstanding pension obligation bonds of $161,254 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 $16,803 and $2,377, respectively, at year's end. Additionally, the City has a note payable of $4,505 for improvement to neighborhood assets it does not own and bonds of $17,261 for the CitySquare project and also owes $961 for the Blackstone Valley Visitors Center, which was destroyed by fire. There was also $11,956 of unspent capital debt at the end of the year. Added to that list this year is 3,027 of airport debt, which his no longer owned by the City. Absent the fore mentioned debt, there is a balance of ($4,304) of unrestricted net assets.

At the end of fiscal 2011, the City is able to report positive balances in all three categories of net assets for business-type activities and all but unrestricted net assets in the governmental activities.

Business-type activities had a decrease in the amount invested in capital assets, net of related debt of $33,282 or 27.5% primarily because the airport and its $33,485 of capital assets were sold to Massport at the beginning of the fiscal year. The City retained responsibility of paying for the $3,027 in debt related to the acquisition of the airport's capital assets. Governmental activities net capital assets increased by $43,805 or 18.5% as construction continued to progress on a new North High School and the street and sidewalk replacement program was accelerated considerably. Much of this construction along parks improvements was financed by state grants. In addition $2,600 of land was added as a result of the airport sale. Capital donations and maturing debt accounted for the rest of the increase.

Governmental activities restricted assets increased by $12,486 or 41.9% as increases in restricted for nonexpendable permanent funds, state and federal grants and other specific purposes exceeded the decrease in restricted for renewal and replacement. In addition, a restriction for other post employment benefits was added in fiscal year 2011.

CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

June 30, 2011

(In thousands of dollars)

The City's total net assets increased by $3,100, or 1.7%, summarized as follows:

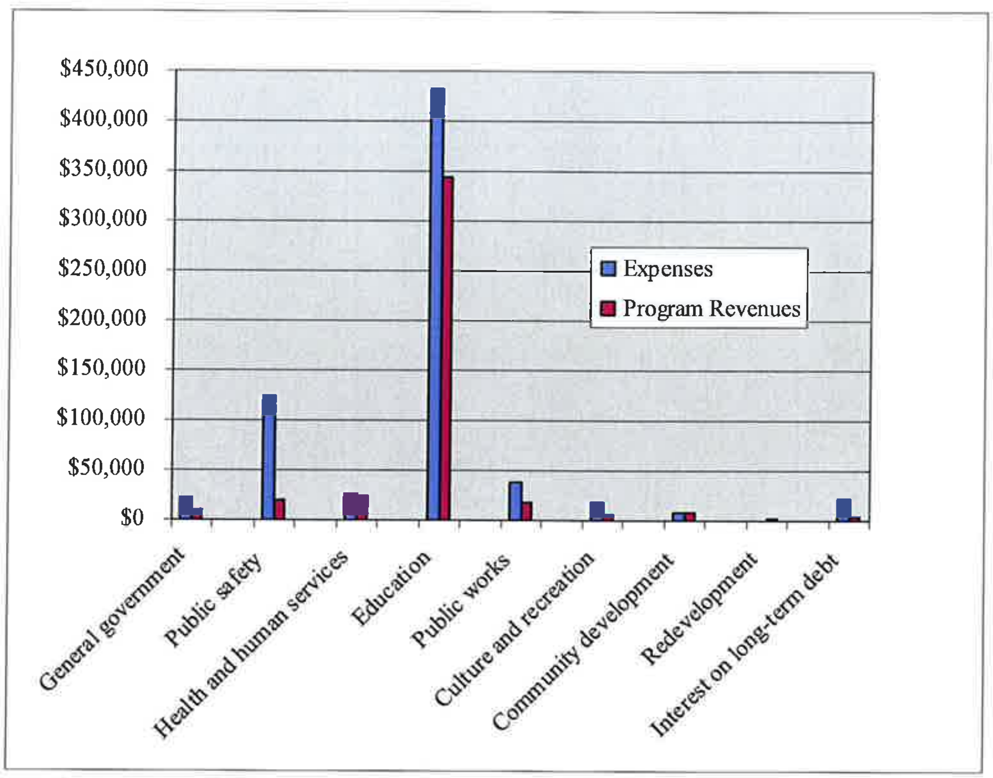
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 34,499	32,949	58,453	55,351	92,952	88,300
Operating grants and contributions	368,157	348,563	1,282	1,413	369,439	349,976
Capital grants and contributions	32,916	28,084	641	3,514	33,557	31,598
General revenues:						
Property taxes	215,511	205,558	-	-	215,511	205,558
Motor vehicle excise taxes	11,519	11,050	-	-	11,519	11,050
Intergovernmental	36,220	37,476	-	-	36,220	37,476
Other	12,809	9,505	-	-	12,809	9,505
Total revenues	711,631	673,185	60,376	60,278	772,007	733,463
Expenses:						
General government	21,026	20,862	-	-	21,026	20,862
Public safety	123,114	126,546	-	-	123,114	126,546
Health and human services	25,033	23,994	-	-	25,033	23,994
Education	432,824	425,765	-	-	432,824	425,765
Public works	37,435	33,387	-	-	37,435	33,387
Culture and recreation	17,528	20,018	-	-	17,528	20,018
Community development	7,926	6,118	-	-	7,926	6,118
Interest on long-term debt	22,573	25,351	-	-	22,573	25,351
Water	-	-	24,911	25,638	24,911	25,638
Sewer	-	-	33,737	32,742	33,737	32,742
Airport	-	-	1,417	5,047	1,417	5,047
Golf course	-	-	1,238	1,122	1,238	1,122
Total expenses	687,459	682,041	61,303	64,549	748,762	746,590
Change in net assets before transfers, contributions, loss on airport disposal and extraordinary item	24,172	(8,856)	(927)	(4,271)	23,245	(13,127)
Transfers	13,250	(1,733)	(13,250)	1,733	-	-
Contributions	48	47	-	-	48	47
Loss on airport disposal	-	-	(20,193)	-	(20,193)	-
Extraordianry item - transfer of airport debt to governmental activities	(3,055)	-	3,055	-	-	-
Change in net assets	34,415	(10,542)	(31,315)	(2,538)	3,100	(13,080)
Net assets – beginning	57,753	68,295	128,968	131,506	186,721	199,801
Net assets – ending	$ 92,168	57,753	97,653	128,968	189,821	186,721

Governmental activities – Governmental activities increased the City's net assets by $34,415. The key elements of this increase are as follows:

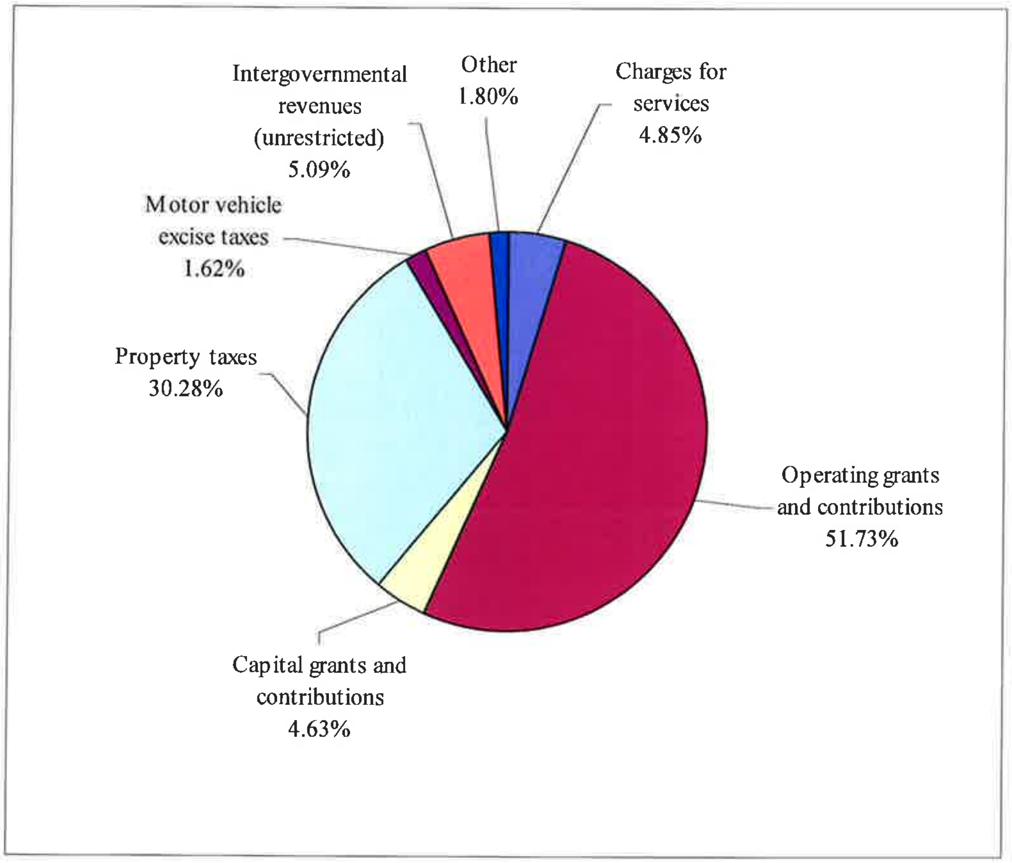
Total revenues were $711,631, which was a $38,446 or 5.7% increase from the previous fiscal year. General revenues increased by $12,470 or 4.7% as property tax revenue increased by $9,953 or 4.8%, primarily because of an increase in property taxes committed for collection and meals tax revenue, which increased by $988 or 88.2% as it was collected over the full year in fiscal 2011 compared to a partial year in fiscal 2010. Operating grants and contributions increased by $19,594 or 5.6% as educational grants increased by $13,689 or 4.3% and health and human service grants increased by $2,650 or 13.0%. Capital grants and contributions increased by $4,832 or 17.2% as public works grants increased by $2,190 or 49.2% and $2,600 in capital assets were added to the general government as part of the airport sale.

Total expenses were $687,459, which was a $5,418 or 0.8% increase from the previous fiscal year. In general expenses were lowered by budget cutbacks but fringe benefit costs increased. Public works expenses increased by $4,048 or 12.1%, mainly because of increased snow removal and personnel costs. Educational expenses increased by $7,059 or 1.7% primarily because of increased fringe benefit costs. Culture and recreation decreased by $2,490 or 12.4% due in large part to a decrease in non capital improvements. Public safety decreased by $3,432 or 2.7% due to a reduction of personnel costs.

FY 2011 Expenses and Program Revenues– Governmental Activities



FY 2011 Revenues by Source – Governmental Activities



Business-type activities – Business-type activities decreased the City's net assets by $31,315. Factors contributing to these results are as follows:

- The water fund had operating income of $4,254 and had an increase in net assets of $499. This follows the previous year's $1,204 decrease in net assets with an operating income of $1,859.
- The sewer fund had an operating loss of $119 compared with a loss of $1,335 in the previous year. Net assets decreased by $2,879, which follows the previous year's $3,001 decrease.
- The airport fund had an operating loss of $1,265 and had its net assets decrease by $28,920 as it was sold to the Massport Authority. The year ended with net assets of $1,322, which will be disposed during fiscal 2012. Although the airport was sold at the beginning of the year it was staffed largely by City employees during fiscal 2011 to assist Massport with the transition. Massport reimbursed the City $1,282 for these costs.

The golf course fund (nonmajor) had an operating loss of $125. Net assets decreased by $15.

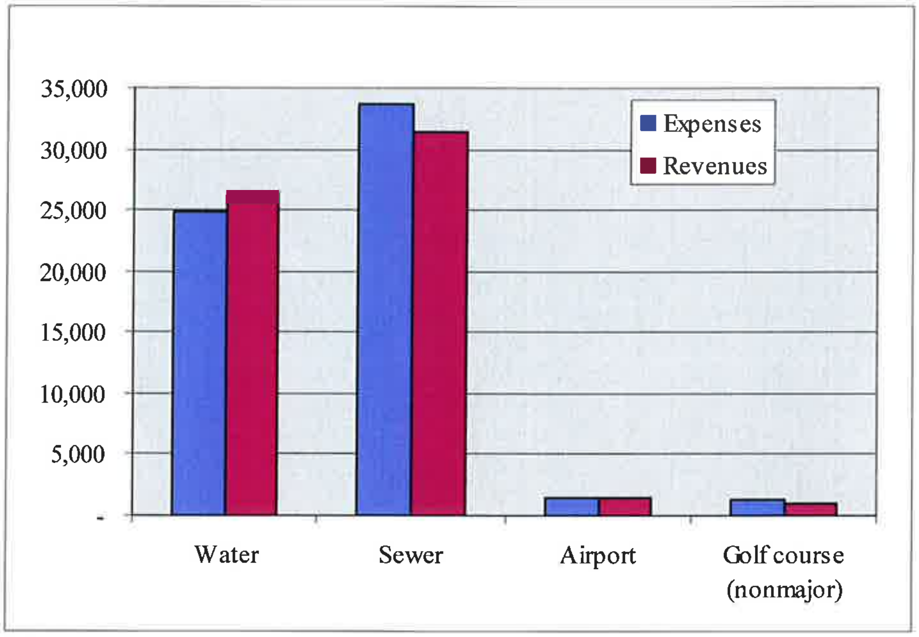
CITY OF WORCESTER, MASSACHUSETTS

Management's Discussion and Analysis

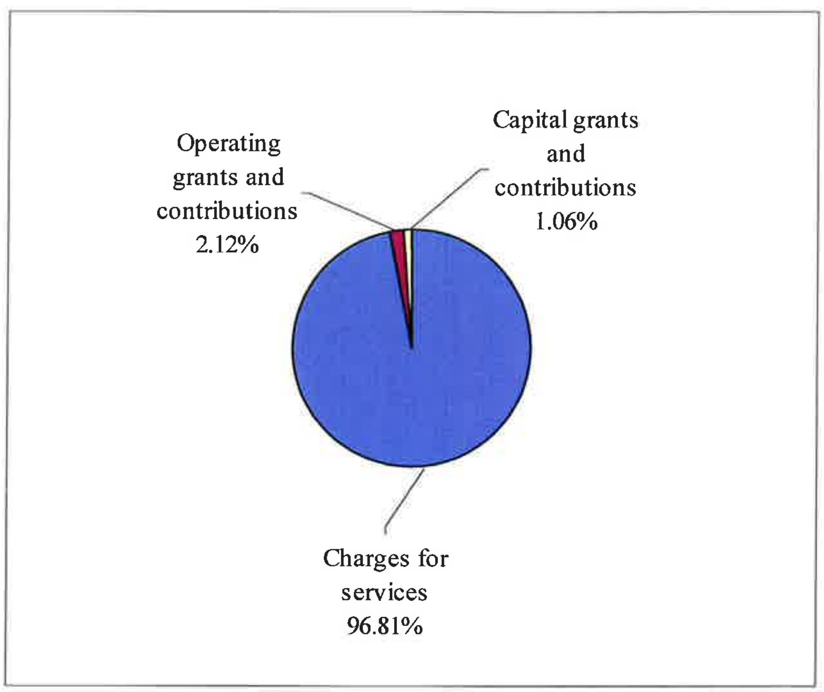
June 30, 2011

(In thousands of dollars)

FY 2011 Expenses and Program Revenues – Business-type Activities



FY 2011 Revenues by Source – Business-type Activities



Financial Analysis of the City's Funds

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

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

At the end of fiscal 2011, the City's governmental funds reported combined ending fund balances of $81,485 an increase of $21,554 or 36.0% from fiscal 2010. Fund balance includes $14,215 of non-spendable amounts contained in nonexpendable permanent funds and $17,758 of unassigned general fund balance available for spending at the City's discretion. The nonmajor capital projects funds deficit of $10,281 will be funded in future fiscal years through bond proceeds, state and federal grants and other available funds and the $1,237 DCU Center deficit in the special revenue fund will be funded by charges for services. The remaining fund balance has $38,357 restricted for specific purposes or by federal or state grants, $9,874 of funds committed for debt service and $12,799 of funds committed in reserve for appropriation accounts by state law or City preference.

The general fund is the chief operating fund of the City. At the end of fiscal 2011 unassigned fund balance of the general fund was $17,758 or 3.2% of total general fund revenues. During fiscal 2011 the City's general fund balance increased by $6,799 or 56.5%. Total revenues exceeded expenditures by $12,290, while transfers out exceeded transfers in by $6,058. The general fund also received a premium on the issuance of bonds of $567.

CitySquare had a fund balance of $7,805 at the end of fiscal 2011, a $16,539 or 67.9% decrease from the previous year. During the year no bonds were issued and $2,813 of intergovernmental revenue was received while there was also interest income of $106. Project expenditures totaled $19,458.

The debt service fund had a fund balance of $9,874 at the end of fiscal 2011, a $5,773 or 140.8% increase from the previous year. During the year $1,431 in tax revenue was received and there were $13,908 net transfers in from the general fund and a $3,100 transfer of airport sale proceeds via the special revenue fund. Debt service expenditures were $12,666 of which $583 was for airport related debt.

School grants had a fund balance of $8,810 at the end of fiscal 2011, a $3,277 or 59.2% increase from the previous year. Intergovernmental revenue of $60,833 was received during the year as well as $746 in donations. There were transfers out of $150 and expenditures of $58,152.

Other governmental funds had a fund balance of $36,168 at the end of fiscal 2011, a $22,244 or 159.8% increase from the previous year. The capital projects funds fund balance was increased by $13,893 as expenditures of $52,550 were exceeded by revenues of $27,286, net transfers in of $4,258 and issuance of bonds of $34,900. The special revenue fund increased by $6,163 as expenditures of $61,735 were exceeded by revenues of $68,950 and net transfers out of $1,767 and other financing sources of $715. Permanent funds increased by $2,187 as investment gains and donations of $2,415 exceeded expenditures of $187 and transfers out of $40.

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 2011 totaled $97,653. This was a $31,315 decrease from the previous year. The water fund had an increase of $499 while the sewer fund had a decrease of ($2,879), the golf course fund (nonmajor) had a decrease of ($15) and the airport had a decrease of ($28,920). Unrestricted net assets consisted of $1,491 in the water fund, $7,225 in the sewer fund, ($280) in the airport fund and ($93) in the golf course fund (nonmajor). Other factors concerning the finances of these four funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's final general fund revenue budget was $331 lower than the original amount. The estimate for property taxes was increased by $260 as additional assessments were added. Additionally, the estimate for code inspection permits was increased by $400 as more building permit applications were processed than originally thought and the state affirmed a higher reimbursement so the school construction aid estimate was increased by $384. The estimates for miscellaneous income and payment in-lieu of taxes were each increased by $100 each. The state reduced its original estimate for local aid so the budget in that category was reduced by $235. Expectations were lowered for motor vehicle excise revenue and that category was reduced by $450 and the estimate for investment earnings was lowered by $350.

The final general fund expenditure budget was $3,281 higher than the original. The main components of the increase were the snow and ice removal account, which was increased $2,160 to cover costs in excess of the original budget and the debt principal account, which was increased by a $5,500 with the transfer of funds related to the airport sale and decreased to subsidize other general fund accounts for a net addition of $892 to the debt principal account. The net addition to general fund budgetary accounts from the airport sales proceeds was $2,400; $400 of which went towards pensions and was in addition to the required contribution. Another $3,150 went to stabilization accounts that were classified as special revenue for budgetary purposes but were reclassified to the general fund on a GAAP basis in compliance with GASB statement #54.

The general fund balance had a budgetary basis increase of $3,711 during the year, which was on top of the $5,240 increase in the previous and ended the year with a balance of $14,259. Budgetary reversions of $1,478 and positive revenue variances of $1,739 were the primary contributors to the increase. Property tax collections exceeded the budget by $1,174 and motor vehicle excise was $519 more than budget. Also meals tax collections were $909 more than budgeted. These positive variances and other were partially offset by negative variances the largest of which was $2,389 in school related Federal Medicare reimbursements.

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, 2011 amounted to $773,488. 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 $9,968 or 1.3%. Governmental activities increased by $44,735 or 8.7% and business-type activities decreased by $34,767 or 14.0%.

(In thousands of dollars)

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

- Streets and sidewalks were improved with costs amounting to $11,986.
- The CitySquare project had expenditures of $19,458 as demolition of existing structures continued. A second tenant has signed on and will construct a cancer center, which will be in addition to the office building that will be constructed as part of the project. Total project expenditures to date have been $32,675.
- The North High School construction project, which has been a multi-year project continued during the year and neared completion with expenditures of $24,133 now totaling $56,525 to date.
- Expenditures for parks improvement projects totaled $5,224 during the year.
- Resources were allocated during the year to business-type building, infrastructure and other capital asset additions costing $12,526. Of this amount, $5,613 was for sewer projects, $6,489 for water projects, and $424 was spent on golf course improvements, including $423 on the new access road. Additionally, business-type entities received $271 in capital donations from owners of subdivisions.

As stated earlier the airport was sold at the beginning of the fiscal year and all its $33,485 net capital assets were disposed of by the City.

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

		Capital assets (net of accumulated depreciation)					
		Governmental activities		Business-type activities		Total	
		2011	2010	2011	2010	2011	2010
Land	$	20,316	18,194	5,161	5,152	25,477	23,346
Buildings		310,223	319,579	26,650	38,443	336,873	358,022
Improvements, other than buildings		26,959	20,178	-	-	26,959	20,178
Equipment and other		2,098	2,769	419	403	2,517	3,172
Rolling equipment		5,552	5,718	2,979	3,067	8,531	8,785
Infrastructure		95,357	88,908	173,469	197,531	268,826	286,439
Construction in progress		99,519	59,943	4,786	3,635	104,305	63,578
Total	$	560,024	515,289	213,464	248,231	773,488	763,520

Additional information on the City's capital assets can be found in note 8 on pages 71 through 75 of this report.

(In thousands of dollars)

Long-term debt – At the end of the current fiscal year the City of Worcester had total long-term debt outstanding of $592,873, a decrease of $1,926 or 0.3% from the prior fiscal year. With the exception of the notes payable, the full faith and credit of the City back this entire amount.

	Long-term debt					
	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	$ 462,302	463,085	125,292	126,287	587,594	589,372
Notes payable	4,505	4,608	774	819	5,279	5,427
Total	$ 466,807	467,693	126,066	127,106	592,873	594,799

On November 1, 2010 the City issued $47,705 of general obligation bonds. The proceeds consisted of $34,900 for governmental activities and $12,805 for business-type activities.

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

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

Additional information on the City's long-term debt can be found in note 11 beginning on page 77 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 10.0% at June 30, 2011, compared with a 9.6% rate that existed a year earlier. This compares with June 30, 2011 unemployment rates of 7.8% in Massachusetts and 9.1% nationally.

Worcester's downtown office space of 4.04 million square feet was 79.3% occupied, according to a recent survey conducted by the Worcester Regional Research Bureau. This was a decrease from the 81.2% that was occupied in the previous year based on the 4.15 million square feet that was surveyed. Property values fell for the third consecutive year from $10,912,000 in fiscal 2010 to $10,857,000, or 0.5%, in fiscal 2011.

Requests for Information

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

Basic Financial Statements

Exhibit 1

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

June 30, 2011

	Primary government			Component units	
	Governmental activities	Business-type activities	Total	Worcester Redevelopment Authority	Upper Blackstone Water Pollution Abatement District
Assets:					
Cash and cash equivalents	$ 106,636,789	5,338,212	111,975,001	117,954	8,701,877
Restricted cash and cash equivalents	70,914,500	10,461,790	81,376,290	19,024	-
Restricted investments	13,478,114	-	13,478,114	-	3,580,747
Receivables (net):					
Property taxes	4,724,867	-	4,724,867	-	-
Tax and utility liens	3,951,753	1,974,191	5,925,944	-	-
Motor vehicle excise taxes	2,211,453	-	2,211,453	-	-
Charges for services	-	11,792,806	11,792,806	-	483,440
Special assessments	1,987,017	476,591	2,463,608	-	-
Departmental	2,751,006	-	2,751,006	-	-
Intergovernmental	90,917,302	1,199,093	92,116,395	33,345	3,674,803
Other	348,166	-	348,166	2,115	946,955
Capital assets, not being depreciated	119,835,476	9,946,439	129,781,915	1,281,951	20,478,716
Capital assets, net of accumulated depreciation	440,188,348	203,517,105	643,705,453	30,404,331	163,503,247
Total assets	857,944,791	244,706,227	1,102,651,018	31,858,720	201,369,785
Liabilities:					
Accounts payable	55,361,244	2,693,859	58,055,103	103,782	3,790,263
Accrued liabilities	17,446,348	1,639,441	19,085,789	889,137	2,201,576
Retainage payable	3,934,270	415,946	4,350,216	-	-
Other liabilities	5,034,092	-	5,034,092	18,918	395,940
Temporary notes payable	30,842,595	10,240,000	41,082,595	-	5,511,272
Noncurrent liabilities:					
Due within one year	47,782,385	12,289,648	60,072,033	5,966,414	5,855,590
Due in more than one year	605,376,009	119,774,169	725,150,178	823,560	157,109,337
Total liabilities	765,776,943	147,053,063	912,830,006	7,801,811	174,863,978
Net assets:					
Invested in capital assets, net of related debt	280,668,569	87,707,955	368,376,524	28,218,233	20,325,442
Restricted for:					
Nonexpendable permanent funds	14,214,739	-	14,214,739	-	-
Expendable permanent funds	99,631	-	99,631	-	-
Renewal and replacement	2,106,168	-	2,106,168	-	-
State and federal grants	18,249,660	-	18,249,660	-	-
Other specific purposes	7,620,045	-	7,620,045	-	-
Sale of airport proceeds	-	1,601,590	1,601,590	-	-
Unrestricted (deficit)	(230,790,964)	8,343,619	(222,447,345)	(4,161,324)	6,180,365
Total net assets	$ 92,167,848	97,653,164	189,821,012	24,056,909	26,505,807

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2011

Functions/programs	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense)/ revenue
Primary government:					
Governmental activities:					
General government	$ 21,026,220	4,111,046	2,351,232	2,600,000	(11,963,942)
Public safety	123,114,129	13,775,426	6,625,197	369,190	(102,344,316)
Health and human services	25,032,848	1,356,388	23,093,748	-	(582,712)
Education	432,824,076	2,063,594	319,737,217	21,869,462	(89,153,803)
Public works	37,435,626	10,986,228	227,216	6,857,731	(19,364,451)
Culture and recreation	17,527,512	2,178,103	1,906,367	1,219,710	(12,223,332)
Community development	7,925,854	28,500	8,282,130	-	384,776
Redevelopment	-	-	1,446,000	-	1,446,000
Interest on debt	22,572,588	-	4,487,588	-	(18,085,000)
Total governmental activities	687,458,853	34,499,285	368,156,695	32,916,093	(251,886,780)
Business-type activities:					
Water	24,910,522	25,945,936	-	486,004	1,521,418
Sewer	33,736,591	31,319,673	-	155,002	(2,261,916)
Airport	1,416,994	151,624	1,282,375	-	17,005
Golf course (nonmajor)	1,237,750	1,035,472	-	-	(202,278)
Total business-type activities	61,301,857	58,452,705	1,282,375	641,006	(925,771)
Total primary government	$ 748,760,710	92,951,990	369,439,070	33,557,099	(252,812,551)
Component units:					
Worcester Redevelopment Authority	$ 2,155,576	472,471	-	-	(1,683,105)
Upper Blackstone Water Pollution Abatement District	23,202,322	19,051,799	-	4,641,666	491,143
Total component units	$ 25,357,898	19,524,270	-	4,641,666	(1,191,962)

(Continued)

See accompanying notes to basic financial statements.

Exhibit 2

CITY OF WORCESTER, MASSACHUSETTS

Statement of Activities

For the Fiscal Year ended June 30, 2011

	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)	$ (251,886,780)	(925,771)	(252,812,551)	(1,683,105)	491,143
General revenues:					
Property taxes	215,510,809	-	215,510,809	-	-
Motor vehicle excise taxes	11,518,542	-	11,518,542	-	-
Other taxes and in-lieu payments	5,988,576	-	5,988,576	-	-
Penalties and interest on taxes	2,285,359	-	2,285,359	-	-
Intergovernmental revenues (unrestricted)	36,219,672	-	36,219,672	-	-
Investment earnings	2,542,713	-	2,542,713	1,207	354,574
Miscellaneous	1,992,756	-	1,992,756	-	-
Transfers (net)	13,250,400	(13,250,400)	-	-	-
Total general revenues and transfers (net)	289,308,827	(13,250,400)	276,058,427	1,207	354,574
Contributions to permanent funds	47,570	-	47,570	-	-
Loss on airport disposal	-	(20,193,168)	(20,193,168)	-	-
Extraordinary item - transfer of airport debt to governmental activities	(3,054,977)	3,054,977	-	-	-
Sub-total	286,301,420	(30,388,591)	255,912,829	1,207	354,574
Change in net assets	34,414,640	(31,314,362)	3,100,278	(1,681,898)	845,717
Net assets - beginning	57,753,208	128,967,526	186,720,734	25,738,807	25,660,090
Net assets - ending	$ 92,167,848	97,653,164	189,821,012	24,056,909	26,505,807

(Concluded)

See accompanying notes to basic financial statements.

Exhibit 3

CITY OF WORCESTER, MASSACHUSETTS

Balance Sheet

Governmental Funds

June 30, 2011

Assets:	General	CitySquare	Debt Service	School Grants	Other governmental funds	Total governmental funds
Cash and cash equivalents	$ 57,794,424	-	9,873,934	-	12,798,858	80,467,216
Restricted cash and cash equivalents	1,070,000	19,197,109	-	9,536,385	41,111,006	70,914,500
Restricted investments	-	-	-	-	13,478,114	13,478,114
Receivables (net of allowance for uncollectibles of $9,823,011)	14,962,769	-	-	-	663,327	15,626,096
Due from other governments	86,884,246	2,241,484	-	-	1,791,572	90,917,302
Total assets	$ 160,711,439	21,438,593	9,873,934	9,536,385	69,842,877	271,403,228
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	$ 40,030,330	5,192,986	-	726,379	5,251,427	51,201,122
Retainage payable	-	810,152	-	-	3,124,118	3,934,270
Due to internal service fund	339,677	-	-	-	-	339,677
Temporary loans	-	7,630,595	-	-	23,212,000	30,842,595
Deferred revenue	97,903,572	-	-	-	663,327	98,566,899
Other liabilities	3,609,802	-	-	-	1,424,290	5,034,092
Total liabilities	141,883,381	13,633,733	-	726,379	33,675,162	189,918,655
Fund balances:						
Nonspendable	-	-	-	-	14,214,739	14,214,739
Restricted	1,070,000	7,804,860	-	8,810,006	20,672,188	38,357,054
Committed	-	-	9,873,934	-	12,798,858	22,672,792
Unassigned	17,758,058	-	-	-	(11,518,070)	6,239,988
Total fund balances	18,828,058	7,804,860	9,873,934	8,810,006	36,167,715	81,484,573
Total liabilities and fund balances	$ 160,711,439	21,438,593	9,873,934	9,536,385	69,842,877	271,403,228

See accompanying notes to basic financial statements.

Exhibit 4

CITY OF WORCESTER, MASSACHUSETTS

Reconciliation of the Governmental Funds Balance Sheet

Total Fund Balances to the Statement of Net Assets

June 30, 2011

Total governmental fund balances (Exhibit 3)	$ 81,484,573
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore are not reported in the governmental funds.	560,023,824
Other assets are not available to pay for current period expenditures and, therefore are deferred in the governmental funds.	98,566,899
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.	15,968,115
In the statement of net assets, interest is accrued on outstanding long-term debt, whereas in the governmental funds interest is not reported until due.	(10,717,169)
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	(470,193,159)
OPEB	(156,028,238)
Judgments and claims	(11,118,934)
Compensated absences	(12,944,432)
Landfill closure costs	(2,873,631)
Net assets of governmental activities (Exhibit 1)	$ 92,167,848

See accompanying notes to basic financial statements.

Exhibit 5

CITY OF WORCESTER, MASSACHUSETTS

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

For the Fiscal Year ended June 30, 2011

	General	CitySquare	Debt Service	School Grants	Other governmental funds	Total governmental funds
Revenues:						
Property taxes	$ 216,370,160	-	-	-	-	216,370,160
Motor vehicle excise taxes	11,311,477	-	-	-	-	11,311,477
Other taxes and in-lieu payments	4,933,528	-	1,431,366	-	-	6,364,894
Penalties and interest on taxes	2,285,359	-	-	-	-	2,285,359
Licenses and permits	4,864,744	-	-	-	-	4,864,744
Intergovernmental	306,267,505	2,813,304	-	60,832,765	75,192,394	445,105,968
Charges for services	5,938,646	-	-	200	17,600,067	23,538,913
Fines and forfeitures	2,805,580	-	-	-	-	2,805,580
Investment earnings	68,270	105,917	-	-	2,368,473	2,542,660
Donations	-	-	-	746,017	3,353,285	4,099,302
Contributions to permanent funds	-	-	-	-	47,570	47,570
Miscellaneous	1,428,814	-	-	-	89,366	1,518,180
Total revenues	556,274,083	2,919,221	1,431,366	61,578,982	98,651,155	720,854,807
Expenditures:						
Current:						
General government	13,729,821	-	-	-	2,205,969	15,935,790
Public safety	74,930,734	-	-	-	15,464,268	90,395,002
Health and human services	674,683	-	-	-	21,824,687	22,499,370
Education	205,918,288	-	-	58,151,888	38,321,354	302,391,530
Public works	18,254,673	19,458,173	-	-	16,060,350	53,773,196
Culture and recreation	7,806,826	-	-	-	9,595,280	17,402,106
Fringe benefits	147,319,235	-	-	-	-	147,319,235
Community development	-	-	-	-	7,925,854	7,925,854
State and regional charges	28,254,560	-	-	-	-	28,254,560
Debt service:						
Principal	29,431,182	-	7,685,649	-	1,696,178	38,813,009
Interest	17,663,803	-	4,980,337	-	1,379,165	24,023,305
Total expenditures	543,983,805	19,458,173	12,665,986	58,151,888	114,473,105	748,732,957
Excess (deficiency) of revenues over expenditures	12,290,278	(16,538,952)	(11,234,620)	3,427,094	(15,821,950)	(27,878,150)
Other financing sources (uses):						
Transfers in	12,585,092	-	17,157,757	-	21,806,332	51,549,181
Transfers out	(18,643,292)	-	(150,000)	(150,000)	(19,355,488)	(38,298,780)
Premium on issuance of bonds	566,756	-	-	-	237,014	803,770
Issuance of bonds	-	-	-	-	34,899,500	34,899,500
Sale of capital assets	-	-	-	-	478,100	478,100
Total other financing sources (uses)	(5,491,444)	-	17,007,757	(150,000)	38,065,458	49,431,771
Net change in fund balances	6,798,834	(16,538,952)	5,773,137	3,277,094	22,243,508	21,553,621
Fund balances – beginning	12,029,224	24,343,812	4,100,797	5,532,912	13,924,207	59,930,952
Fund balances – ending	$ 18,828,058	7,804,860	9,873,934	8,810,006	36,167,715	81,484,573

See accompanying notes to basic financial statements.

Exhibit 6

CITY OF WORCESTER, MASSACHUSETTS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit 5)	$ 21,553,621
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	67,829,322
Capital donations	2,817,003
Depreciation	(25,911,342)
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.	(12,471,841)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any impact on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts represent the related activity of the current period:	
Issuance of bonds	(34,899,500)
Transfer of airport debt	(3,054,977)
Bond maturities	38,813,009
Amortization of bond premiums	21,205
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	625,742
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.	6,976,799
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These amounts represent the net change:	
OPEB	(31,513,742)
Judgments and claims	3,693,229
Compensating absences	(157,600)
Landfill closure costs	93,712
Change in net assets of governmental activities (Exhibit 2)	$ 34,414,640

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Statement of Net Assets

Proprietary Funds

June 30, 2011

		Business-type activities					Governmental activities
		Major			Nonmajor Golf		Internal Service
		Water	Sewer	Airport	Course	Totals	Fund
Assets:							
Current assets:							
Cash and cash equivalents	$	3,048,656	1,874,524	239,214	175,818	5,338,212	26,169,573
Restricted cash and cash equivalents		3,448,390	7,013,400	-	-	10,461,790	-
Receivables (net)		5,104,887	9,138,701	1,199,093	-	15,442,681	348,166
Due from general fund		-	-	-	-	-	339,677
Total current assets		11,601,933	18,026,625	1,438,307	175,818	31,242,683	26,857,416
Noncurrent assets:							
Capital assets:							
Land		5,044,000	116,500	-	-	5,160,500	-
Buildings		39,897,129	3,939,461	-	965,493	44,802,083	-
Infrastructure		139,463,371	157,001,737	-	1,636,884	298,101,992	-
Construction in progress		829,897	3,948,373	-	7,669	4,785,939	-
Equipment and other		254,955	425,342	-	-	680,297	-
Rolling equipment		2,422,306	5,080,180	-	-	7,502,486	-
Less accumulated depreciation		(71,887,414)	(74,942,860)	-	(739,479)	(147,569,753)	-
Capital assets, net		116,024,244	95,568,733	-	1,870,567	213,463,544	-
Total assets		127,626,177	113,595,358	1,438,307	2,046,385	244,706,227	26,857,416
Liabilities:							
Current liabilities:							
Accounts payable		1,554,766	973,079	116,552	49,462	2,693,859	4,160,122
Accrued liabilities		965,862	657,377	-	16,202	1,639,441	6,729,179
Retainage payable		195,417	212,860	-	7,669	415,946	-
Judgments and claims		146,786	41,915	-	-	188,701	-
Compensated absences		372,422	172,277	-	8,628	553,327	-
Temporary loans		3,405,000	6,760,000	-	75,000	10,240,000	-
Other		2,202	3,360	-	-	5,562	-
Bonds and notes payable		7,692,873	3,635,901	-	213,284	11,542,058	-
Total current liabilities		14,335,328	12,456,769	116,552	370,245	27,278,894	10,889,301
Noncurrent liabilities:							
Judgments and claims		912,993	141,296	-	-	1,054,289	-
Compensated absences		120,530	38,017	-	4,102	162,649	-
OPEB payable		2,382,250	1,507,964	-	94,182	3,984,396	-
Other		8,863	39,701	-	-	48,564	-
Bonds and notes payable		62,909,962	49,804,866	-	1,809,443	114,524,271	-
Total noncurrent liabilities		66,334,598	51,531,844	-	1,907,727	119,774,169	-
Total liabilities		80,669,926	63,988,613	116,552	2,277,972	147,053,063	10,889,301
Net assets (deficit):							
Invested in capital assets, net of related debt		45,464,799	42,381,366	-	(138,210)	87,707,955	-
Restricted for sale of airport proceeds		-	-	1,601,590	-	1,601,590	-
Unrestricted		1,491,452	7,225,379	(279,835)	(93,377)	8,343,619	15,968,115
Total net assets (deficit)	$	46,956,251	49,606,745	1,321,755	(231,587)	97,653,164	15,968,115

See accompanying notes to basic financial statements.

Exhibit 8

CITY OF WORCESTER, MASSACHUSETTS

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2011

	Business-type activities					Governmental activities
	Major			Nonmajor		Internal Service Fund
	Water	Sewer	Airport	Golf Course	Totals	
Operating revenues:						
Charges for services	$ 24,800,870	30,736,332	-	-	55,537,202	-
Employer contributions	-	-	-	-	-	66,837,524
Employee contributions	-	-	-	-	-	21,969,914
Fees	-	-	-	1,026,395	1,026,395	-
Miscellaneous	1,145,066	583,341	151,624	9,077	1,889,108	-
Total operating revenues	25,945,936	31,319,673	151,624	1,035,472	58,452,705	88,807,438
Operating expenses:						
Salaries and benefits	9,521,449	5,647,915	1,410,053	310,245	16,889,662	-
Benefit payments	-	-	-	-	-	81,917,920
Ordinary maintenance	4,483,420	17,126,752	6,941	691,258	22,308,371	-
Indirect costs	2,109,040	3,202,143	-	31,024	5,342,207	-
Depreciation	5,578,295	5,461,768	-	127,569	11,167,632	-
Total operating expenses	21,692,204	31,438,578	1,416,994	1,160,096	55,707,872	81,917,920
Operating income (loss)	4,253,732	(118,905)	(1,265,370)	(124,624)	2,744,833	6,889,518
Nonoperating revenues (expenses):						
Intergovernmental	369,753	-	1,282,375	-	1,652,128	-
Investment income	-	-	-	-	-	87,281
Interest expense	(3,218,318)	(2,298,013)	-	(77,654)	(5,593,985)	-
Total nonoperating revenues (expenses)	(2,848,565)	(2,298,013)	1,282,375	(77,654)	(3,941,857)	87,281
Income (loss) before capital donations and transfers	1,405,167	(2,416,918)	17,005	(202,278)	(1,197,024)	6,976,799
Capital donations	116,251	155,002	-	-	271,253	-
Transfers in	-	-	-	208,801	208,801	-
Transfers out	(1,022,611)	(616,858)	(11,798,643)	(21,089)	(13,459,201)	-
Income (loss) before loss on airport disposal and extraordinary items	498,807	(2,878,774)	(11,781,638)	(14,566)	(14,176,171)	6,976,799
Loss on airport disposal	-	-	(20,193,168)	-	(20,193,168)	-
Extraordinary item - transfer of airport debt to governmental activities	-	-	3,054,977	-	3,054,977	-
Change in net assets	498,807	(2,878,774)	(28,919,829)	(14,566)	(31,314,362)	6,976,799
Total net assets – beginning	46,457,444	52,485,519	30,241,584	(217,021)	128,967,526	8,991,316
Total net assets – ending	$ 46,956,251	49,606,745	1,321,755	(231,587)	97,653,164	15,968,115

See accompanying notes to basic financial statements.

Exhibit 9

CITY OF WORCESTER, MASSACHUSETTS

Statement of Cash Flows

Proprietary Funds

For the Fiscal Year Ended June 30, 2011

	Business-type activities					Governmental activities
	Major			Nonmajor		Internal Service Fund
	Water	Sewer	Airport	Golf Course	Totals	
Cash flows from operating activities:						
Receipts from customers	$ 27,679,760	32,255,276	151,624	1,035,472	61,122,132	88,807,438
Payments for interfund service provided	-	-	-	-	-	(79,628,381)
Payments to suppliers	(6,215,034)	(21,078,160)	(178,258)	(948,296)	(28,419,748)	-
Payments to employees	(9,056,168)	(5,421,270)	(1,363,156)	(288,162)	(16,128,756)	-
Net cash provided (used) by operating activities	12,408,558	5,755,846	(1,389,790)	(200,986)	16,573,628	9,179,057
Cash flows from noncapital financing activities:						
Payback of advances from general fund	-	-	(375,199)	-	(375,199)	-
Transfers in	-	-	-	208,801	208,801	-
Transfers (out)	(1,022,611)	(616,858)	(11,798,643)	(21,089)	(13,459,201)	-
Intergovernmental subsidies	369,753	-	2,072,706	-	2,442,459	-
Net cash provided (used) by noncapital financing activities	(652,858)	(616,858)	(10,101,136)	187,712	(11,183,140)	-
Cash flows from capital and related financing activities:						
Issuance of capital debt	7,724,000	14,476,000	-	845,000	23,045,000	-
Acquisition and construction of capital assets	(4,465,026)	(4,989,765)	-	(174,749)	(9,629,540)	-
Principal paid on capital debt	(11,665,781)	(11,045,798)	-	(911,513)	(23,623,092)	-
Proceeds from sale of airport	-	-	11,690,400	-	11,690,400	
Interest paid on capital debt	(3,309,184)	(2,302,666)	-	(79,027)	(5,690,877)	-
Net cash provided (used) by capital and related financing activities	(11,715,991)	(3,862,229)	11,690,400	(320,289)	(4,208,109)	-
Cash flows from investing activities:						
Investment income	-	-	-	-	-	87,281
Net increase (decrease) in cash and cash equivalents	39,709	1,276,759	199,474	(333,563)	1,182,379	9,266,338
Cash and cash equivalents at beginning of year (includes $5,414,235, $6,741,624, $39,740 and $465,407 reported as restricted in the Water, Sewer, Airport and Golf Course funds)	6,457,337	7,611,165	39,740	509,381	14,617,623	16,903,235
Cash and cash equivalents at end of year (includes $3,448,390 and $7,013,400 reported as restricted in the Water and Sewer funds)	$ 6,497,046	8,887,924	239,214	175,818	15,800,002	26,169,573
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	$ 4,253,732	(118,905)	(1,265,370)	(124,624)	2,744,833	6,889,518
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Changes in assets and liabilities not requiring current expenditure of cash:						
Depreciation expense	5,578,295	5,461,768	-	127,569	11,167,632	-
Increase (decrease) in OPEB payable	477,021	251,049	-	21,806	749,876	-
Changes in assets and liabilities requiring current expenditure of cash:						
(Increase) decrease in accounts receivable	1,733,824	935,603	-	-	2,669,427	306,219
Increase (decrease) in accounts payable	696,627	(777,113)	(124,420)	(225,445)	(430,351)	680,987
Increase in accrued liabilities	-	-	-	-	-	1,302,333
Increase (decrease) in judgments and claims payable	(308,707)	31,828	-	-	(276,879)	-
Increase (decrease) in compensated absences payable	(22,234)	(28,384)	-	(292)	(50,910)	-
Total adjustments	8,154,826	5,874,751	(124,420)	(76,362)	13,828,795	2,289,539
Net cash provided (used) by operating activities	$ 12,408,558	5,755,846	(1,389,790)	(200,986)	16,573,628	9,179,057
Noncash investing, capital and financing activities:						
Capital donations	$ 116,251	155,002	-	-	271,253	-

See accompanying notes to basic financial statements.

Exhibit 10

CITY OF WORCESTER, MASSACHUSETTS

Statement of Fiduciary Net Assets

June 30, 2011

		Pension Trust Fund (As of December 31, 2010)	Agency Fund
Assets:			
Cash and cash equivalents	$	2,775,421	434,620
Investments, at fair value:			
Equities		193,640,968	-
Fixed income		114,886,192	-
Pooled equities		138,970,391	-
Pooled fixed income		33,339,605	-
Real estate		74,863,259	-
Alternative investments		123,457,169	-
Total investments		679,157,584	-
Receivables:			
Accrued interest and dividends		1,130,572	-
Intergovernmental		422,175	-
Receivable for securities sold		1,258,429	-
Other receivables		86,741	-
Total receivables		2,897,917	-
Securities lending collateral		57,161,050	-
Total assets		741,991,972	434,620
Liabilities:			
Accounts payable and accrued expenses		376,825	6,619
Due to student groups		-	428,001
Intergovernmental		2,228,575	-
Payable for securities purchased		324,342	-
Securities lending collateral		57,161,050	-
Total liabilities		60,090,792	434,620
Net assets:			
Held in trust for pension benefits	$	681,901,180	-

See accompanying notes to basic financial statements.

Exhibit 11

CITY OF WORCESTER, MASSACHUSETTS

Statement of Changes in Fiduciary Net Assets

For the Fiscal Year Ended June 30, 2011

		Pension Trust Fund (Year ended December 31, 2010)
Additions:		
Contributions:		
Employers	$	30,196,904
Plan members		14,731,633
Commonwealth of Massachusetts		1,726,411
Reimbursements from other systems		422,175
Total contributions		47,077,123
Investment earnings:		
Interest and dividends		10,053,369
Securities lending income		176,108
Net appreciation in fair value of investments		76,542,340
Less: management fees		(3,390,514)
Less: borrower rebates and fees under securities lending program		(106,395)
Net investment earnings		83,274,908
Total additions		130,352,031
Deductions:		
Benefits		61,274,343
Reimbursements to other systems		2,228,553
Refunds and transfers of plan member accounts to other systems		2,127,126
Administrative expenses		557,170
Total deductions		66,187,192
Change in net assets		64,164,839
Net assets – beginning		617,736,341
Net assets – ending	$	681,901,180

See accompanying notes to basic financial statements.

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

Table of Contents

(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, 2011, except for the City of Worcester Contributory Retirement System (WRS), which is presented as of and for the fiscal year ended December 31, 2010.

Fiduciary Fund Component Unit

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

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

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

Discretely Presented Component Units

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

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

Joint Venture

Municipal joint ventures pool resources to share the costs, risks, and rewards of providing services to their participants, the general public or others. The City is a participant in a joint venture to operate the Worcester Regional Transit Authority (WRTA), a component unit of the Commonwealth. Created in 1974 as a body corporate and politic and political subdivision of the Commonwealth, WRTA provides rapid transit and other mass transportation services to the City and 36 other municipalities within its jurisdiction. Each participating municipality is represented by one member on WRTA's governing board. The City's representative is appointed by the City Manager. While the level of service provided to each member affects the weight of each member's vote, the City's vote does not constitute a voting majority. The City is indirectly liable for debt and other expenses incurred by WRTA. The City's paid assessment from WRTA for fiscal 2011 amounted to $2,617, which represented approximately 76% 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) Implementation of New Accounting Principles

For the year ending June 30, 2011, the City implemented the following pronouncements issued by the GASB:

- GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions
- GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
- GASB Statement No. 59, *Financial Instruments Omnibus*.

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund, capital projects fund, debt service fund, and permanent fund types are clarified by the provisions in this Statement.

GASB Statement No. 57 and Statement No. 59 had no reporting impact for the City.

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

- **General Fund** – The general fund is the general operating fund of the City and is used to account for and report all financial resources not accounted for and reported in another fund.
- **CitySquare Fund** – The CitySquare fund was established to account for the City's share of the financial resources used for the construction of the CitySquare project.
- **Debt Service Fund** – The debt service fund was established to reduce the impact of debt service costs on future budgets. The original funding source was from the Massachusetts School Building Authority (MSBA) from retroactive reimbursement for school construction costs, and has since been expanded to include funding for City Square and North High School debt service. In fiscal 2011 funding was also received from the sale of the airport via special revenue real estate sales.
- **School Grants Fund** – The school grants fund accounts for school programs funded by grants.

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

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

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

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

The City reports the following major enterprise funds:

- **Water Fund** – The water fund is used to account for the utility that purifies and distributes water to City users.
- **Sewer Fund** – The sewer fund is used to account for the utility that treats sewerage and storm water run-off in the City.
- **Airport Fund** – The airport fund is used to account for the operations of the City's municipal airport. During fiscal year 2011, the majority of the Airport's assets were transferred to the Massachusetts Port Authority. See Note 17.

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.

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

Cash Equivalents

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

Basis of Investment Valuation

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

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

Basis of Investment Transactions

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

Property Taxes

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

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

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

Inventory

The cost of supplies and other inventoriable items are recorded as an expenditure at the time of purchase (purchase method). No significant inventory balances were on hand at June 30, 2011, and therefore are not reported.

Capital Assets

Capital assets, which include land, construction in progress, buildings, improvements other than buildings, rolling equipment, equipment and other, treatment facilities and infrastructure assets (e.g., roads, bridges, curbs, gutters, streets, sidewalks, and drainage systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $50 and an estimated useful life in excess of two years. The WRA and District define capital assets as assets with an estimated useful life in excess of one year, with no minimum capitalization threshold dollar value. These assets are valued at cost or estimated historical cost if actual cost is not available. Cost includes not only purchase price or construction cost, but also ancillary charges necessary to place the asset in its intended location and condition for use. Net interest costs related to construction projects, for business-type activities, is capitalized during the construction period if material. Such costs were not considered material during fiscal 2011. Donated capital assets are valued at their estimated fair value at the time received. Capital assets held by the discretely presented component units are accounted for in the applicable component unit. Depreciation is provided by the City on a straight-line basis over the estimated useful lives of the assets, which are 5 to 10 years for vehicles and equipment, 40 years for facilities and 50 years for infrastructure. Depreciation is provided by the WRA on a straight-line basis over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 39 years for buildings and improvements and 3 to 5 years for equipment. Depreciation is provided by the District on a straight-line basis over the estimated useful lives of the assets, which are 3 to 20 years for equipment and other and 20 to 50 years for facilities.

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

Compensated Absences

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

Net Assets and Fund Balances

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

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

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

"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.

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

"Sale of airport proceeds" represents restrictions placed on proceeds from the sale of the airport.

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

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

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

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

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

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

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

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

Securities Lending Transactions

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

Landfill Closure and Postclosure Care Costs

State and federal regulations require the City to place final covers on its municipal solid waste landfill (MSWLF) sites when such sites stop accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City determines its liability related to closure and postclosure care for all MSWLFs based on landfill capacity used to date. At June 30, 2011, 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 2011 were $94.

Judgments and Claims

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

Long-Term Liabilities

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

Investment Income

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

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

Use of Estimates

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

Total Column

Government-Wide Financial Statements

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

Fund Financial Statements

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

(2) Property Taxes

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

(3) Deposits, Investments, and Securities Lending

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

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

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first $250 of deposits held at each financial institution and to collateralize certain bank accounts. As of June 30, 2011, $153,825 of the City's bank balance of $176,811 was insured and collateralized with securities held by pledging financial institutions, and $22,986 was uninsured and uncollateralized.

(In thousands of dollars)

Investments Summary

The City's investments at June 30, 2011, are presented below. All investments are presented by investment type, with debt securities presented by maturity.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Debt Securities:					
U.S. Treasuries	$ 895	197	350	295	53
U.S. Agencies	3	-	-	-	3
Corporate bonds	1,053	30	848	109	66
Money market mutual funds	719	719	-	-	-
Commercial paper	3,537	3,537	-	-	-
Mutual bond funds	2,202	2,202	-	-	-
Fixed income securities	825	825	-	-	-
External investment pools	19,539	19,539	-	-	-
Total debt securities	28,773	27,049	1,198	404	121
Other Investments:					
Equity securities	3,017				
Equity mutual funds	1,953				
Total other investments	4,970				
Total investments	$ 33,743				

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.

(In thousands of dollars)

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the City. As of June 30, 2011, 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, 2011, the credit quality ratings of the City's investment in debt securities are as follows:

Quality Ratings*	U.S. Agencies**	Corporate Bonds	Money Market Mutual Funds	Commercial Paper	Mutual Bond Funds	Fixed Income Securities	External Investment Pools	Totals
AAA....... $	3	-	-	80	-	-	-	83
AA+........	-	251	-	-	-	-	-	251
AA..........	-	37	-	97	-	-	-	134
AA-.........	-	17	-	215	-	-	-	232
A+..........	-	18	-	198	-	-	-	216
A............	-	344	-	283	-	-	-	627
A-...........	-	269	-	396	-	-	-	665
BBB+......	-	38	-	411	-	-	-	449
BBB........	-	37	-	376	-	-	-	413
BBB-.......	-	42	-	279	-	-	-	321
BB+........	-	-	-	100	-	-	-	100
BB..........	-	-	-	74	-	-	-	74
BB-.........	-	-	-	112	-	-	-	112
Unrated....	-	-	719	916	2,202	825	19,539	24,201
Total....... $	3	1,053	719	3,537	2,202	825	19,539	27,878

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

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

(In thousands of dollars)

(b) Deposits and Investments of the WRS

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

Deposits - Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the WRS's deposits may not be recovered. The WRS's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first $250 of deposits held at each financial institution. As of December 31, 2010, the WRS's bank balance of $741 was not exposed to custodial credit risk.

Investments Summary

The WRS's investments at December 31, 2010 are presented below. All investments are presented by investment type, with debt securities presented by maturity.

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Debt Securities:					
U.S. Treasuries	$ 71,155	31,875	19,303	8,895	11,082
U.S. Agencies	23,593	402	6,685	2,363	14,143
Corporate bonds	51,613	9,023	13,717	15,056	13,817
Money market mutual funds	2,608	2,608	-	-	-
Debt security mutual funds	41,234	33,340	-	-	7,894
Total debt securities	190,203	77,248	39,705	26,314	46,936
Other Investments:					
Equity securities	45,985				
Equity mutual funds	304,418				
Real estate investments	74,863				
Alternative investments	123,457				
Total other investments	548,723				
Total investments	$ 738,926				

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, 2010, the WRS was not exposed to custodial credit risk.

Investments - Credit Risk of Debt Securities

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

(In thousands of dollars)

As of December 31, 2010, the credit quality ratings of the WRS's debt securities are as follows:

Quality Ratings *	Corporate Bonds	Money Market Mutual Funds	Debt Security Mutual Funds	Fair Value
	Investment Type			
AAA	$ 1,207	-	3,439	4,646
AA+	720	-	-	720
AA	1,050	-	-	1,050
AA-	418	-	40	458
A+	118	-	424	542
A	2,997	-	-	2,997
A-	3,669	-	163	3,832
BBB+	2,673	-	-	2,673
BBB	2,306	-	155	2,461
BBB-	1,980	-	-	1,980
BB+	1,269	-	-	1,269
BB	2,033	-	-	2,033
BB-	2,620	-	65	2,685
B+	5,562	-	77	5,639
B	4,709	-	-	4,709
B-	2,976	-	22	2,998
CCC+	1,664	-	-	1,664
CCC	1,528	-	648	2,176
CCC-	899	-	-	899
CC	-	-	169	169
D	171	-	149	320
Unrated	11,044	2,608	35,883	49,535
Total	$ 51,613	2,608	41,234	95,455

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

(In thousands of dollars)

Deposits and Investments – Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or a deposit. The WRS's policy is to limit investments in non-U.S. dollar-denominated securities to not exceed 10% of the total market value of investments at all times. As of December 31, 2010, the WRS's exposure to foreign currency risk is as follows:

Deposit/Investment Type	U.S. Dollar Balances	Currency
Corporate bonds	$ 855	Indonesian rupiah
U.S. Agencies	803	Mexican peso
Corporate bonds	682	South Korean won
U.S. Agencies	597	Philippine peso
Corporate bonds	269	Australian dollar
U.S. Agencies	182	Euro
Corporate bonds	180	Indian rupee
Corporate bonds	151	Brazilian real
U.S. Agencies	131	Indonesian rupiah
Corporate bonds	115	Euro
Total	$ 3,965	

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, 2010, the WRS was not exposed to concentration of credit risk.

(In thousands of dollars)

(c) Deposits and Investments of the District

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

Deposits – Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for custodial credit risk of deposits is to rely on FDIC insurance coverage for the first $250 of deposits held at each financial institution and collateralize the remaining amounts. At June 30, 2011, the District's deposits were fully insured and collateralized.

Investments Summary

The District's investments at June 30, 2011, are presented below. All investments are presented by investment type, with debt securities presented by contractual maturity.

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10
Debt Securities:				
U.S. Treasuries	$ 483	76	407	-
U.S. Agencies	1,497	519	977	1
Total debt securities	1,980	595	1,384	1
Other Investments:				
Equity securities	1,601			
Total investments	$ 3,581			

Investments - Interest Rate Risk of Debt Securities

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

Investments - Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure by the custodian, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is required to custody securities in depository accounts (at a depository trust company or Federal Reserve Bank), which are not subject to the bank's creditor claims. As of June 30, 2011, none of the District's investments were subject to custodial credit risk.

Investments - Credit Risk of Debt Securities

Credit risk for debt securities is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The District's policies for credit risk of debt securities restricts investment to debt obligations maintaining a AAA rating by Standard & Poors or Moody's rating services or are full faith obligations of the U.S. Treasury. As of June 30, 2011, the credit quality ratings of the District's U.S Treasury and U.S. Agency investments were AAA rated or backed by the full faith of the U.S. Treasury.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy for concentration of credit risk instructs investment managers not to invest more than 5% of their portfolio at market value in a single security, or in the securities of a single issuer or its subsidiaries. Obligations of the U.S. Treasury, U.S. government agencies and money market funds are exempted from this restriction. As of June 30, 2011, 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, 2011, WRA's bank balance of $186 was not exposed to custodial credit risk.

(e) Securities Lending

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

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

WRS does not impose any restrictions on the amount of securities lent on its behalf by the lending agent. There were no failures by any borrowers to return loaned securities or pay distributions thereon, nor were there any losses from default of the borrowers or the lending agent for the year ended December 31, 2010. 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, 2010, 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, 2010 and 2009 was $57,161 and $51,212 and $67,088 and $66,611, respectively. Borrower rebates and fees paid to the broker were $106 for the year ended December 31, 2010.

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

(a) Plan Description and Membership

The City provides pension benefits to certain employees through WRS, a cost-sharing, multiple-employer public employee retirement system regulated by PERAC. WRS is a defined benefit pension plan that covers eligible employees of the City (which includes the Worcester Redevelopment Authority) and the Worcester Housing Authority. For the year ended December 31, 2010, the City's payroll for employees covered by WRS was approximately $157,721; the City's total payroll was approximately $303,000.

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.

(In thousands of dollars)

Membership in WRS was as follows at December 31, 2010:

Active employees	3,208
Pensioners and beneficiaries	2,798
Inactive employees with vested rights	803
Total members	6,809
Number of participating employers	2

(b) Significant Plan Provisions and Requirements

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

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

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

(c) Funding Policy

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

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

(In thousands of dollars)

Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted between 1982 and 1997, which are reimbursed by the Commonwealth. The amount of these on-behalf payments from the Commonwealth totaled $1,726 for the fiscal year ended June 30, 2011 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

The current and two preceding years' apportionment of the annual required contributions between the employers required the City to contribute approximately 92%, 92%, and 91% respectively of the total.

(d) Annual Pension Cost

For the year ended June 30, 2011 the required and actual contribution was $27,277. For the year ended June 30, 2010 the required and actual contribution was $26,117 and for the year ended June 30, 2009 the required and actual contribution was $22,742. At June 30, 2011, the City did not have a net pension obligation.

The required contribution was determined as part of the January 1, 2011, actuarial valuation using the entry age normal actuarial cost method.

(e) Funded Status and Funding Progress

The funded status of the WRS at January 1, 2011, the most recent actuarial valuation date, is as follows:

Schedule of funding progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll (%)
	(a)	(b)	(b - a)	(a/b)	(c)	(b - a)/c
1/1/2011	$ 724,998	1,025,076	300,078	70.73%	$ 157,721	190.26%

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

(In thousands of dollars)

(f) Methods and Assumptions

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

Valuation date	January 1, 2011
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level payments on the 2002, 2003 and 2010 ERI liability and the Section 90 ACD liability and 4.0% increasing payments on the remaining unfunded liability beginning in fiscal year 2014
Remaining amortized period (period is closed)	7 years for the 2002 ERI liability 1 year for the 2003 ERI liability 10 years for the 2010 ERI liability 3 years for the Section 90 ACD liability and 24 years for the remaining unfunded liability 24 years is the equivalent single amortization period (ESAP)
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis recognized over a five-year period
Actuarial assumptions	
Investment rate of return	8.00%
Projected salary increases	4.75%
Rate of inflation	3.75%
Cost of living adjustments	3.00% of the first $12 of retirement income

(g) Legally Required Reserve Accounts

The balances in WRS's legally required reserves as of December 31, 2010 are as follows:

Description	Amount	Purpose
Annuity Savings Fund	$ 158,761	Active members' contribution balance
Annuity Reserve Fund	57,353	Retired members' contribution account
Military Service Fund	16	Members' contribution account while on military leave
Pension Reserve Fund	433,574	Amounts appropriated to fund future retirement benefits
Pension Fund	32,197	Remaining net assets
Total	$ 681,901	

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 2011 was approximately $156,800. Eligibility requirements for participation are as follows:

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

Benefit provisions and contribution requirements are established by state law.

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

The City has no obligation to contribute to this plan. The Commonwealth funds plan benefits to the extent that funding is not provided through employee contributions. The amount of these on-behalf payments from the Commonwealth totaled $52,395 for the fiscal year ended June 30, 2011 and, accordingly, are reported in the general fund as intergovernmental revenues and fringe benefits.

(6) Other Postemployment Benefits (OPEB)

(a) Plan Description - City

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

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

Active employees	4,349
Retired employees, beneficiaries and dependents	4,809
Total	9,158

(b) Funding Policy - City

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

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

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

(In thousands of dollars)

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

	Amount
Annual required contribution	$ 53,369
Interest on net OPEB obligation	5,123
Adjustment to annual required contribution	(4,744)
Annual OPEB cost	53,748
Contributions made	(21,821)
Increase in net OPEB obligation	31,927
Net OPEB obligation at beginning of year	128,086
Net OPEB obligation at end of year	$ 160,013

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed (%)	Net OPEB Obligation
June 30, 2009	$ 70,357	27.7	$ 95,316
June 30, 2010	53,368	38.6	128,086
June 30, 2011	53,748	40.6	160,013

(In thousands of dollars)

(d) Funded Status and Funding Progress - City

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

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

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

(e) Methods and Assumptions - City

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

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

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

(In thousands of dollars)

(f) Allocation of AOPEBC - City

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

Governmental Activities:	
General government	$ 3,630
Public safety	10,119
Health and human services	372
Education	35,300
Public works	1,613
Culture and recreation	1,226
Total AOPEBC - governmental activities	52,260
Business-Type Activities:	
Water	993
Sewer	473
Golf	22
Total AOPEBC - business-type activities	1,488
Total AOPEBC	$ 53,748

(g) Plan Description – The District

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

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

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

(h) Funding Policy – The District

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

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

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

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

	Amount
Annual required contribution	$ 520
Interest on net OPEB obligation	37
Adjustment to annual required contribution	(33)
Annual OPEB cost	524
Contributions made	(120)
Increase in net OPEB obligation	404
Net OPEB obligation at beginning of year	1,064
Net OPEB obligation at end of year	$ 1,468

(In thousands of dollars)

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

Fiscal Year Ending	Annual OPEB Cost (AOPEBC)	Percentage of AOPEBC Contributed (%)	Net OPEB Obligation
June 30, 2009*	$ 676	23.3	$ 518
June 30, 2010	711	23.2	1,064
June 30, 2011	524	22.9	1,468

* Transition year

(j) Funded Status and Funding Progress – The District

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

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

(k) Methods and Assumptions – The District

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

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

(In thousands of dollars)

(7) Accounts Receivable

At June 30, 2011, receivables for the individual major governmental funds and nonmajor governmental, internal service and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Property taxes	$ 7,315	(2,590)	4,725
Tax liens	4,375	(423)	3,952
Motor vehicle excise taxes	5,850	(3,639)	2,211
Special assessments	1,987	-	1,987
Departmental and other	8,746	(3,171)	5,575
Intergovernmental	91,339	-	91,339
	$ 119,612	(9,823)	109,789

At June, 30, 2011, receivables for the enterprise funds are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Receivables:			
Charges for services	$ 11,793	-	11,793
Utility liens	1,974	-	1,974
Special assessments	477	-	477
Intergovernmental	1,199	-	1,199
	$ 15,443	-	15,443

(In thousands of dollars)

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

	General Fund	Other Governmental Funds	Total
Receivable Type:			
Property taxes	$ 2,619	-	2,619
Tax liens	3,952	-	3,952
Motor vehicle excise taxes	1,579	-	1,579
Special assessments	1,987	-	1,987
Departmental and other	2,088	663	2,751
Intergovernmental (school construction)	84,274	-	84,274
Intergovernmental (other state and federal)	1,405	-	1,405
	$ 97,904	663	98,567

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 2011, $16,113 of such assistance was received. Approximately $106,794 will be received in future fiscal years. Of this amount, $22,520 represents reimbursement of long-term interest costs, and $84,274 represents reimbursement of approved construction costs. Accordingly, an $84,274 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.

(In thousands of dollars)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Primary Government

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 18,194	2,600	478	20,316
Construction in progress	59,943	50,133	10,557	99,519
Total capital assets not being depreciated	78,137	52,733	11,035	119,835
Capital assets, being depreciated:				
Buildings	497,839	5,552	-	503,391
Improvements other than buildings	25,619	8,169	-	33,788
Rolling equipment	26,158	860	-	27,018
Equipment and other	14,790	80	-	14,870
Infrastructure	174,041	14,287	-	188,328
	738,447	28,948	-	767,395
Less accumulated depreciation for:				
Buildings	178,259	14,910	-	193,169
Improvements other than buildings	5,441	1,387	-	6,828
Rolling equipment	20,440	1,025	-	21,465
Equipment and other	12,021	751	-	12,772
Infrastructure	85,134	7,838	-	92,972
	301,295	25,911	-	327,206
Total capital assets being depreciated, net	437,152	3,037	-	440,189
Governmental capital assets, net	$ 515,289	55,770	11,035	560,024

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

Governmental activities:	
General government	$ 89
Public safety	1,382
Public works	9,653
Education	9,372
Health and human services	217
Culture and recreation	5,198
Total depreciation expense – governmental activities	$ 25,911

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Water:				
Capital assets, not being depreciated				
Land	$ 4,929	115	-	5,044
Construction in progress	333	608	111	830
Total capital assets, not being depreciated	5,262	723	111	5,874
Capital assets, being depreciated:				
Buildings	39,819	78	-	39,897
Rolling equipment	2,255	168	-	2,423
Infrastructure	135,631	3,832	-	139,463
Equipment and other	255	-	-	255
Total capital assets, being depreciated	177,960	4,078	-	182,038
Less accumulated depreciation for:				
Buildings	15,386	1,043	-	16,429
Rolling equipment	1,533	131	-	1,664
Infrastructure	49,299	4,384	-	53,683
Equipment and other	91	21	-	112
Total accumulated depreciation	66,309	5,579	-	71,888
Total capital assets, being depreciated, net	111,651	(1,501)	-	110,150
Water capital assets, net	116,913	(778)	111	116,024
Sewer:				
Capital assets, not being depreciated				
Land	117	-	-	117
Construction in progress	3,174	1,085	311	3,948
Total capital assets, not being depreciated	3,291	1,085	311	4,065
Capital assets, being depreciated:				
Buildings	3,940	-	-	3,940
Rolling equipment	4,772	307	-	5,079
Infrastructure	153,143	3,859	-	157,002
Equipment and other	319	107	-	426
Total capital assets, being depreciated	162,174	4,273	-	166,447
Less accumulated depreciation for:				
Buildings	1,394	143	-	1,537
Rolling equipment	2,476	383	-	2,859
Infrastructure	65,498	4,900	-	70,398
Equipment and other	113	36	-	149
Total accumulated depreciation	69,481	5,462	-	74,943
Total capital assets, being depreciated, net	92,693	(1,189)	-	91,504
Sewer capital assets, net	$ 95,984	(104)	311	95,569

CITY OF WORCESTER, MASSACHUSETTS

Notes to the Basic Financial Statements

June 30, 2011

(In thousands of dollars)

	Beginning balance	Increases	Decreases	Ending balance
Airport:				
Capital assets, not being depreciated				
Land	$ 106	-	106	-
Construction in progress	95	-	95	-
Total capital assets, not being depreciated	201	-	201	-
Capital assets, being depreciated:				
Buildings	17,376	-	17,376	-
Rolling equipment	770	-	770	-
Infrastructure	37,334	-	37,334	-
Equipment and other	433	-	433	-
Total capital assets, being depreciated	55,913	-	55,913	-
Less accumulated depreciation for:				
Buildings	6,737	-	6,737	-
Rolling equipment	723	-	723	-
Infrastructure	14,772	-	14,772	-
Equipment and other	397	-	397	-
Total accumulated depreciation	22,629	-	22,629	-
Total capital assets, being depreciated, net	33,284	-	33,284	-
Airport capital assets, net	33,485	-	33,485	-
Golf course (nonmajor):				
Capital assets, not being depreciated				
Construction in progress	33	8	33	8
Capital assets, being depreciated:				
Buildings	966	-	-	966
Infrastructure	1,462	175	-	1,637
Total capital assets, being depreciated	2,428	175	-	2,603
Less accumulated depreciation for:				
Buildings	142	46	-	188
Infrastructure	470	82	-	552
Total accumulated depreciation	612	128	-	740
Total capital assets, being depreciated, net	1,816	47	-	1,863
Golf capital assets, net	1,849	55	33	1,871
Business-type activities capital assets, net	$ 248,231	(827)	33,940	213,464

(In thousands of dollars)

		Beginning balance	Increases	Decreases	Ending balance
Discretely presented component units - The District:					
Capital assets, not being depreciated					
Land	$	702	-	-	702
Construction in progress		6,865	13,605	693	19,777
Total capital assets, not being depreciated		7,567	13,605	693	20,479
Capital assets, being depreciated:					
Treatment facilities		210,959	674	-	211,633
Equipment and other		4,094	233	-	4,327
Total capital assets, being depreciated		215,053	907	-	215,960
Less accumulated depreciation for:					
Treatment facilities		41,347	7,697	-	49,044
Equipment and other		3,208	205	-	3,413
Total accumulated depreciation		44,555	7,902	-	52,457
Total capital assets, being depreciated, net		170,498	(6,995)	-	163,503
The District's capital assets, net		178,065	6,610	693	183,982
Discretely presented component units - WRA:					
Capital assets, not being depreciated					
Land	$	1,270	-	-	1,270
Construction in progress		92	116	196	12
Total capital assets, not being depreciated		1,362	116	196	1,282
Capital assets, being depreciated:					
Buildings		39,962	235	-	40,197
Equipment and other		176	-	-	176
Total capital assets, being depreciated		40,138	235	-	40,373
Less accumulated depreciation for:					
Buildings		8,819	1,047	-	9,866
Equipment and other		98	5	-	103
Total accumulated depreciation		8,917	1,052	-	9,969
Total capital assets, being depreciated, net		31,221	(817)	-	30,404
WRA capital assets, net		32,583	(701)	196	31,686

(In thousands of dollars)

Construction Commitments

The City has active construction projects as of June 30, 2011. The projects include new school construction, land improvements, infrastructure and building improvements. At year-end, the City's commitments with contractors are as follows.

Project		Spent through June 30, 2011	Remaining commitment
New school construction	$	48,079	6,895
Infrastructure improvements		8,583	97,417
Building improvements		1,429	25,367
Land improvements		285	98
Total	$	58,376	129,777

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

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

Invested in capital assets, net of related debt at June 30, 2011 is summarized as follows:

Governmental Activities

Capital assets	$ 887,230
Less accumulated depreciation	(327,206)
Less outstanding long-term debt	(466,807)
Less outstanding temporary debt	(30,843)
Add outstanding debt that is not capital related	206,339
Add unspent proceeds of capital related debt	11,956
Invested in capital assets, net of related debt	$ 280,669

(In thousands of dollars)

Business-Type Activities

	Water	Sewer	Golf Course (Nonmajor)	Total Enterprise Funds/ Business-Type Activities
Capital assets	$ 187,912	170,512	2,611	361,035
Less accumulated depreciation	(71,888)	(74,943)	(740)	(147,571)
Less outstanding long-term debt	(70,603)	(53,441)	(2,022)	(126,066)
Less outstanding temporary debt	(3,405)	(6,760)	(75)	(10,240)
Add unspent proceeds of capital related debt	3,449	7,013	88	10,550
Invested in capital assets, net of related debt	$ 45,465	42,381	(138)	87,708

(10) Operating Leases

The City occasionally leases building and office facilities and other equipment under non-cancelable operating leases. Total costs for such leases were $153 for the year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

	Amount
Year ending June 30:	
2012	$ 146
2013	146
2014	146
2015	146
2016	146
2017	146
2018	146
Total	$ 1,022

(In thousands of dollars)

(11) Long-Term Obligations

(a) Primary Government

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

	Interest percentage range		Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:							
Inside debt limit	(2.00%-8.00%)	$	124,907	28,609	16,116	137,400	16,756
Outside debt limit	(2.00%-8.50%)		338,178	9,317	22,594	324,901	19,393
Notes payable – Section 108	(2.31%-6.01%)		4,608	-	103	4,505	109
Judgments and claims			14,812	265	3,958	11,119	2,115
Compensated absences			12,787	8,781	8,624	12,944	8,584
Landfill closure and postclosure care costs			2,968	-	94	2,874	-
Other post employment benefits			124,515	52,260	20,747	156,028	-
Deferred amounts on bond premium			3,379	832	825	3,386	825
		$	626,154	100,064	73,061	653,157	47,782

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

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

	Interest percentage range		Outstanding beginning of year	Additions	Reductions	Outstanding end of year	Due within one year
General obligation bonds:							
Inside debt limit	(2.00%-8.00%)	$	8,334	2,305	1,306	9,333	1,483
Outside debt limit	(2.00%-8.50%)		117,953	10,500	12,494	115,959	10,012
MWPAT note payable	(2.31%-6.01%)		819		45	774	46
Judgments and claims			1,720	69	546	1,243	189
Compensated absences			826	550	660	716	553
Other post employment benefits			3,571	1,488	1,075	3,984	-
Deferred amounts on bond premium			88	-	34	54	6
		$	133,311	14,912	16,160	132,063	12,289

On November 1, 2010 the City issued $47,705 of general obligation bonds. The proceeds consisted of $34,900 for governmental activities and $12,805 for business-type activities. Also during fiscal year 2011, $3,055 of business-type debt (airport) was transferred to governmental activities after the airport was sold.

(In thousands of dollars)

(b) Maturity of Bond Indebtedness

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.Bond indebtedness outstanding at June 30, 2011 matures as follows:

	Governmental activities		Business-type activities			
	Governmental Funds		Water		Sewer	
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2012	$ 36,149	25,761	7,693	2,919	3,589	2,131
2013	34,340	24,596	8,033	2,483	3,240	1,953
2014	32,208	23,470	8,233	2,146	3,247	1,819
2015	35,635	17,883	8,160	1,818	3,247	1,687
2016	33,852	14,629	8,313	3,107	3,107	1,561
2017-2021	139,673	59,321	17,572	4,204	15,209	5,927
2022-2026	100,416	29,081	8,604	1,708	13,542	2,931
2027-2031	40,290	5,798	3,226	402	5,616	807
2032-2036	6,492	1,298	769	84	1,870	204
2037-2041	3,246	181	-	-	-	-
	$ 462,301	202,018	70,603	18,871	52,667	19,020

	Business-type activities Golf (nonmajor)		Business-type activities totals	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2012	$ 213	74	11,495	5,124
2013	205	65	11,478	4,501
2014	157	57	11,637	4,022
2015	158	51	11,565	3,556
2016	161	46	11,581	4,714
2017-2021	736	138	33,517	10,269
2022-2026	312	47	22,458	4,686
2027-2031	80	3	8,922	1,212
2032-2036	-	-	2,639	288
	$ 2,022	481	125,292	38,372

The City has a guaranteed loan agreement with the U.S. Department of Housing and Urban Development Section 108 to fund the Gardner, Kilby and Hammond Streets rehabilitation in the amount of $4,505. 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 $774.

(In thousands of dollars)

Scheduled loan principal and interest repayments and related anticipated subsidies of the Section 108 and MWPAT loans as of June 30, 2011 are as follows:

	Governmental activities	
	General fund	
	Principal	Interest
Year ending June 30:		
2012	$ 109	254
2013	113	249
2014	119	309
2015	126	237
2016	131	114
2017-2021	2,369	743
2022-2026	1,538	287
	$ 4,505	2,193

	Business-type activities					
	Sewer				Business-type activities totals (net)	
			Anticipated subsidy			
	Principal	Interest	Principal	Interest	Principal	Interest
Year ending June 30:						
2012	$ 46	38	-	17	46	21
2013	48	35	-	16	48	19
2014	51	32	-	15	51	17
2015	55	29	-	14	55	15
2016	55	27	-	14	55	13
2017-2021	303	73	1	55	302	18
2022-2026	216	21	11	21	205	-
	$ 774	255	12	152	762	103

(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.

(In thousands of dollars)

Authorized and unissued debt at June 30, 2011 is as follows:

Inside debt limit:	
Building rehabilitation	$ 75,294
School construction	55,270
Street construction	25,933
Union Station Garage	16,920
Blackstone Valley Visitors' Center	2,910
Water building rehabilitation	2,865
Departmental equipment	2,493
Worcester Center Boulevard Garage	2,271
Parks improvements	2,015
Worcester Center Boulevard Garage Walkway	1,850
Sewer building rehabilitation	1,250
Dam improvements	930
Sewer equipment	845
Water reservoir rehabilitation	800
Off street parking	645
Worcester Common rehabilitation	605
Urban Systems Gateway	502
Vocational School construction	410
Building demolition	364
Bridge construction	364
South Worcester Industrial Park	350
Land acquisition	300
Water equipment	250
Foley Stadium rehabilitation	150
Airport improvements	90
Parking meters	85
Library design	60
Landfill monitoring	50
Surface drain construction	50
Total inside debt limit	195,921

(In thousands of dollars)

Outside debt limit:	
CitySquare	72,169
DCU building rehabilitation	20,590
Sewer construction	20,408
Reservoir rehabilitation	2,290
Water filtration	4,219
Vocational School construction	2,175
Airport improvements	795
December, 2008 ice storm clean-up	975
Water mains	2,550
Acquisition of trees	150
Greenhill Golf Course improvements	195
Surface drain construction	2,000
Greenhill Park improvements	30
Water hydrants	100
Sewer drainage	300
Watershed land	300
Water equipment	170
Total outside debt limit	129,416
Total inside and outside debt limit	$ 325,337

At June 30, 2011, in addition to debt authorized but unissued, the City may issue $253,761 of additional general obligation debt under the normal debt limit. The City had $440,861 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, 2011 was $109,535.

(In thousands of dollars)

(e) ***Discretely Presented Component Units – The District***

Long-term obligations consisted of the following at June 30, 2011:

1997 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.53% with a final payment due February 1, 2017.	$ 5,148
1999 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.25% with a final payment due February 1, 2020.	560
2001 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 5.10% with a final payment due February 1, 2021.	290
2003 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.14% with a final payment due March 15, 2023.	7,715
2004 General Obligation Bonds issued to the MWPAT. The bonds are payable in varying principal amounts at an average coupon rate of 2.48% with a final payment due August 1, 2034.	40,500
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.35% with a final payment due July 15, 2034.	5,565
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts with interest at 2.30% with a final payment due July 15, 2036.	23,699
2007 General Obligation Refunding Bonds payable in varying principal amounts starting August 1, 2009 until August 1, 2019 at an average coupon rate of 3.93%.	6,785
2007 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.41% with a final payment due July 15, 2037.	11,172
2008 General Obligation Bonds payable in varying annual installments at an average coupon rate of 4.16% with a final payment due May 1, 2028.	7,150
2009 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.42% with a final payment due July 15, 2038.	22,029
2011 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.40% with a final payment due May 1 , 2040.	22,000
2011 General Obligation Bonds issued to the Massachusetts Water Pollution Abatement Trust. The Bonds are payable in varying principal amounts at an average coupon rate of 2.40% with a final payment due May 1 , 2040.	7,276
Unamortized bond premium	1,148
OPEB	1,468
Accrued sick leave	460
Total long-term obligations	162,965
Less portion due within one year	(5,856)
Amount due in more than one year	$ 157,109

(In thousands of dollars)

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

	Gross payments			Anticipated	Net
	Principal	Interest	Total	subsidy	payments
Year ending June 30:					
2012	$ 5,774	5,259	11,033	1,240	9,793
2013	5,936	5,054	10,990	1,203	9,787
2014	6,111	4,841	10,952	1,165	9,787
2015	6,317	4,607	10,924	1,124	9,800
2016	6,529	4,362	10,891	1,082	9,809
2017-2021	31,001	18,142	49,143	3,669	45,474
2022-2026	28,218	12,834	41,052	2,710	38,342
2027-2031	28,971	7,763	36,734	2,182	34,552
2032-2036	29,151	3,025	32,176	1,351	30,825
2037-2040	11,882	550	12,432	-	12,432
	$ 159,890	66,437	226,327	15,726	210,601

(f) Discretely Presented Component Units – WRA

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

Details related to notes payable to the City at June 30, 2011, are as follows:

Project	Outstanding at June 30, 2010	Issued	Redeemed	Outstanding at June 30, 2011
Union Station - Building Fit Out	$ 2,832	$ 152	$ -	$ 2,984
Union Station - Operating	2,761	408	-	3,169
Union Station - Bus Ports	484	-	-	484
General and Administrative	79	-	-	79
Total	$ 6,156	$ 560	$ -	$ 6,716

(In thousands of dollars)

Debt service requirements in future fiscal years are as follows:

Fiscal Year	Principal	Interest	Total
2012	$ 5,966	$ 889	$ 6,855
2015	750	191	941
Total	$ 6,716	$ 1,080	$ 7,796

(12) Temporary Borrowings

(a) Primary Government

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

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

Temporary loans are general obligations of the City and carry maturity dates limited by statute. Interest expenditures/expenses on temporary borrowings for the year ended June 30, 2011 in the general fund, debt service fund, nonmajor governmental funds, and enterprise funds were $741.

(In thousands of dollars)

At June 30, 2011, the following 1.13% to 3.00% BANs (maturing through June 5, 2012) were outstanding:

		Outstanding as of June 30, 2010	Additions	Reductions	Outstanding as of June 30, 2011
Bond anticipation notes payable:					
School	$	1,800	-	1,800	-
General		29,645	30,843	29,645	30,843
Water		4,319	3,405	4,319	3,405
Sewer		7,716	6,760	7,716	6,760
Golf course (nonmajor)		770	75	770	75
Total	$	44,250	41,083	44,250	41,083

(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, 2011 was as follows:

		Outstanding as of June 30, 2010	Additions	Reductions	Outstanding as of June 30, 2011
Short-term notes	$	22,864	5,354	22,707	5,511

The outstanding notes mature through June 20, 2012 and bear interest between 0.25 - 1.25%.

(13) Interfund Receivables, Payables and Transfers

Receivables and payables between funds at June 30, 2011 are summarized as follows:

Receivable Fund	Payable Fund	Amount
Internal Service Fund	General Fund	340 (1)

(1) Represents temporary cash advance

(In thousands of dollars)

Transfers and their purposes during the year ended June 30, 2011 were as follows:

	Governmental funds				Proprietary funds			
	General Fund	Debt Service Fund	School Grant Fund	Other Gov'tal Funds	Water Fund	Sewer Fund	Airport Fund	Golf Fund (Nonmajor)
Original budget:								
General fund - to fund debt payments	$ (14,045)	14,045	-	-	-	-	-	-
Cemetery reserve - to fund parks and cemetery	132	-	-	(132)	-	-	-	-
Enterprises - to fund debt payments	1,488	-	-	-	(850)	(617)	-	(21)
Aid to highways Chapter 90 - to fund public works administration	373	-	-	(373)	-	-	-	-
Parking - to fund parking operations	453	-	-	(453)	-	-	-	-
Sewer connection fees - to fund public works administration	118	-	-	(118)	-	-	-	-
Construction permits - to fund public works administration	145	-	-	(145)	-	-	-	-
Conservation fees - to fund general fund operations	31	-	-	(31)	-	-	-	-
DCU Debt service - to fund marketing costs	150	(150)	-	-	-	-	-	-
Sale of cemetery lots and graves - to fund parks and cemetery operations	44	-	-	(44)	-	-	-	-
Sub-total	(11,111)	13,895	-	(1,296)	(850)	(617)	-	(21)
Subsequent transfers:								
General fund to fund DCU center operations	(423)	-	-	423	-	-	-	-
Sale of airport to fund Real estate sales	-	-	-	11,690	-	-	(11,690)	-
Host agency grant to fund Health Dept. operations	1	-	-	(1)	-	-	-	-
Damage settlements - to reimburse for damage to City property	100	-	-	(100)	-	-	-	-
Premium on loans - to fund bond issuance costs	200	-	-	(200)	-	-	-	-
Real estate sales - to fund debt payments	5,550	3,100	-	(8,650)	-	-	-	-
Sewer connection fees - to fund Sewer operations	-	-	-	-	-	-	-	-
School grant fund to Other governmental funds - to fund BAN paydown	-	-	(150)	150	-	-	-	-
General fund - to fund police salaries	(56)	-	-	56	-	-	-	-
General fund - to fund perpetual care	(92)	-	-	92	-	-	-	-
General fund - to fund conservation land	(6)	-	-	6	-	-	-	-
General fund - to fund golf operations	(209)	-	-	-	-	-	-	209
General fund - to fund debt payments	(13)	13	-	-	-	-	-	-
Capital - to fund capital project acquisitions	-	-	-	281	(173)	-	(109)	-
Total transfers, net	$ (6,059)	17,008	(150)	2,451	(1,023)	(617)	(11,799)	188

(In thousands of dollars)

(14) Environmental Remediation – The District

Plant Improvements

In settlement of its appeal of its National Pollutant Discharge Elimination System (NPDES) permit, the District entered into a consent agreement with the U.S. Environmental Protection Agency to implement a plant improvement plan that will achieve more stringent discharge standards within the coming 15 years. The plan was developed through District facilities planning, completed to identify the most cost-effective approach to modernizing the District's 35-year-old plant and achieving revised standards for the Blackstone River.

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

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

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

The District intends to finance the above costs through long-term borrowing. As of June 30, 2011, the District has spent and capitalized approximately $174,600, including capitalized interest of $8,592.

Blackstone River Modeling Study

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

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

The estimated cost of the study is approximately $2,100 and will be financed through long-term borrowing. As of June 30, 2011, the District has spent and capitalized approximately $2,039.

Solar Photovoltaic System:

The District was selected by the Massachusetts Department of Environmental Protection to participate in a statewide solar photovoltaic project. The proposed system would include a 293.15 kilowatt ground-mounted system installed on the plant site. The estimated cost of the project is approximately $2,900 and will be funded by a federal grant passed through the Massachusetts Department of Environmental Protection. Project construction is scheduled to be complete late in 2011. As of June 30, 2011, the District has spent and capitalized $1,965.

(15) Risk Management

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

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

The City provides a variety of health insurance benefits to employees including Blue Cross/Blue Shield Blue Choice, Medex, Master Medical and Managed Blue as well as Fallon Direct, Select and Senior plans. The partially self-insured Blue Choice, Fallon, Medex and Master Medical plans are paid through an established internal service fund based on total claims, while the Managed Blue and Fallon Senior plans are based on premiums. Specific stop loss insurance is purchased for claims that exceed $225 for each participating member of the self-insured health plans. Between 20% and 25% of employee contributions are made depending on the calculated contribution rate of the plan involved. The remainder of such costs is funded by the City. The City provides $5 of term life insurance benefits to its employees. The City also provides health and life insurance benefits to certain retirees, as discussed in note 6.

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

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

(In thousands of dollars)

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, 2011 and 2010 were as follows:

		2011	2010
Health claims, beginning of year	$	5,427	4,661
Incurred claims		83,585	77,679
Payments of claims attributable to events of the current and prior fiscal years		(82,283)	(76,913)
Health claims, end of year	$	6,729	5,427

Changes in judgments and claims liability for the years ended June 30, 2011 and 2010 were as follows:

		2011	2010
Judgments and claims, beginning of year	$	16,532	14,368
Additions to estimated claims liability		466	4,073
Payments of claims attributable to events of the current and prior fiscal years:			
Court judgments and legal settlements		(756)	(143)
Workers' compensation		(3,880)	(1,766)
Judgments and claims, end of year	$	12,362	16,532

Judgments and claims consisted of the following at June 30:

		2011	2010
Workers' compensation	$	11,735	15,546
Court judgments and legal settlements		627	986
	$	12,362	16,532

The fiscal 2011 liability for judgments and claims consist of governmental and business-type activities in the amount of $11,119 and $1,243 respectively.

(In thousands of dollars)

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

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

(16) Fund Balances

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

	General	CitySquare	Debt Service	School Grants	Other governmental funds	Total Governmental Funds
Nonspendable:						
Permanent fund principal........	$ -	-	-	-	14,215	14,215
Restricted:						
OPEB..............................	1,070	-	-	-	-	1,070
Public works.......................	-	7,805	-	-	-	7,805
School grants......................	-	-	-	8,810	-	8,810
City grants.........................	-	-	-	-	7,820	7,820
School lunch.......................	-	-	-	-	3,016	3,016
Off-street parking.................	-	-	-	-	426	426
City revolving funds..............	-	-	-	-	1,118	1,118
School revolving funds..........	-	-	-	-	1,990	1,990
Community development........	-	-	-	-	127	127
Workforce central................	-	-	-	-	1,492	1,492
Capital.............................	-	-	-	-	4,583	4,583
Permanent fund expendable.....	-	-	-	-	100	100
Sub-total - Restricted.........	1,070	7,805	-	8,810	20,672	38,357
Committed:						
Debt service........................	-	-	9,874	-	-	9,874
Receipts reserved.................	-	-	-	-	12,799	12,799
Sub-total - Committed........	-	-	9,874	-	12,799	22,673
Unassigned...........................	17,758	-	-	-	(11,518)	6,240
Total fund balances..................	$ 18,828	7,805	9,874	8,810	36,168	81,485

(In thousands of dollars)

(17) Sale of Airport

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

The loss on the disposal of the airport is calculated as follows:

Description		Amount
Proceeds from sale	$	12,582
Transfer of accrued liabilities to Massport		710
Transfer of capital assets (net) to Massport		(33,485)
Loss on sale of airport	$	(20,193)

Of the $12,582 in proceeds from the airport sale, the majority ($10,620) represents proceeds from the sale of real estate in accordance with MGL Chapter 44, Section 63, and must be appropriated by the City for future debt service costs related to the Airport. Any remaining sale of real estate amounts may be used for any purpose for which the City is authorized to incur debt for a period of five years or more and/or to pay down debt incurred pursuant to MGL, Chapter 44, Section 7, Clause 3. During fiscal year 2011, $8,650 of the $10,620 sale of real estate proceeds were transferred to the general fund ($5,550) and debt service fund ($3,100) for debt service costs.

The remaining proceeds from the airport sale ($1,962) represent financing for the pension and OPEB costs of retired Airport employees with City service prior to July 1, 2010. During fiscal year 2011, $1,070 of OPEB-related sale proceeds were placed in a separate account (in accordance with the sale agreement) and are reported as Restricted fund balance in the general fund. The remaining $892 of OPEB-related sale proceeds was owed from the Authority as of June 30, 2011. This amount was received by the City in September 2011 and placed in a separate account in accordance with the sale agreement.

The sale agreement also provided for the Authority to reimburse the Airport for a portion of fiscal year 2010 operating expenses. This amount was recorded in the prior year as intergovernmental revenue (non-operating) and totaled approximately $700.

During fiscal year 2011, the City continued to act as the employer for the Airport's employees and was responsible for maintaining the operations of the Airport. The Authority reimbursed the City for 100% of the operating costs during fiscal year 2011, plus a 3% indirect cost reimbursement. As of July 1, 2011, the City is no longer acting as the employer for the Airport's employees and is no longer responsible for maintaining the operations of the Airport.

(In thousands of dollars)

(18) Fund Deficits and Appropriation Deficits

Fund Deficits

The following funds had deficits at June 30, 2011:

Capital Projects Funds:		Special Revenue Funds:	
DCU construction	$ 1,261	DCU Center	$ 1,237
Street and sidewalk	1,789		
Rehabilitation of public buildings	3,430		
Capital equipment	1,863		
Parks improvements	1,938		

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

(19) Future Implementation of GASB Pronouncements

The GASB has issued the following statements:

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

Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34,* which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented during fiscal year 2013. The City is currently evaluating the effect that this Statement will have on its basic financial statements.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53,* which is required to be implemented during fiscal year 2012. The implementation of this Statement will not impact the basic financial statements.

These pronouncements will be implemented by their respective implementation dates.

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 214,891,243	215,151,681	216,325,187	1,173,506
Motor vehicle excise taxes	11,350,000	10,900,000	11,418,760	518,760
Penalties and interest on taxes:				
Property taxes	1,070,700	1,070,700	1,051,953	(18,747)
Tax titles	236,300	236,300	288,866	52,566
Motor vehicle excise	1,217,000	1,217,000	858,593	(358,407)
Special assessments	48,000	48,000	85,947	37,947
	2,572,000	2,572,000	2,285,359	(286,641)
Other taxes and in-lieu payments:				
In lieu of taxes	1,100,000	1,200,000	1,718,834	518,834
Special assessments	370,000	330,000	376,318	46,318
Meals tax	1,400,000	1,200,000	2,108,576	908,576
Hotel/motel tax	975,000	975,000	729,800	(245,200)
	3,845,000	3,705,000	4,933,528	1,228,528
Licenses and permits:				
Clerk	152,400	152,400	161,491	9,091
Code Inspection	1,962,750	2,362,750	2,699,805	337,055
Fire	221,275	221,275	213,102	(8,173)
Health	448,630	448,630	595,019	146,389
License Commission:				
Liquor licenses	808,610	808,610	792,921	(15,689)
Other	67,200	67,200	64,995	(2,205)
Police	73,845	73,845	91,817	17,972
Public Works	226,700	226,700	245,594	18,894
	3,961,410	4,361,410	4,864,744	503,334
Intergovernmental:				
State local aid	231,957,231	231,722,092	231,281,771	(440,321)
State school construction aid	15,729,151	16,113,046	16,113,046	-
School related Federal Medicare	5,000,000	5,000,000	2,610,882	(2,389,118)
Federal indirect cost reimbursements	1,678,000	1,678,000	2,140,356	462,356
	254,364,382	254,513,138	252,146,055	(2,367,083)

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Fines and forfeitures:				
Parking fines	$ 2,269,000	2,069,000	1,914,188	(154,812)
Court fines	1,081,000	981,000	891,392	(89,608)
	3,350,000	3,050,000	2,805,580	(244,420)
Investment earnings	450,000	100,000	68,270	(31,730)
Charges for services:				
Airport land lease	-	-	91,667	91,667
Assessor	11,500	11,500	6,020	(5,480)
Auditorium	65,000	65,000	284,049	219,049
Clerk	530,000	530,000	572,336	42,336
Cable TV	25,000	25,000	22,696	(2,304)
Communications	350	350	495	145
Elder Affairs	45,000	45,000	43,188	(1,812)
Fire	222,800	222,800	255,269	32,469
Health	20,470	20,470	21,783	1,313
Hope Cemetery	189,500	189,500	263,142	73,642
Library	50,000	50,000	55,760	5,760
Messenger	7,000	7,000	3,437	(3,563)
Parks	50,000	50,000	68,286	18,286
Planning	85,300	85,300	70,433	(14,867)
Police	451,000	451,000	567,971	116,971
Public Works	3,000	3,000	8,010	5,010
Purchasing	171,000	171,000	276,199	105,199
Schools	-	-	4,600	4,600
Trailer coach park	4,500	4,500	4,194	(306)
Trash bags	3,400,000	3,400,000	3,303,919	(96,081)
Treasurer	32,000	32,000	15,192	(16,808)
	5,363,420	5,363,420	5,938,646	575,226
Miscellaneous	659,000	759,000	1,428,814	669,814
Total revenues	500,806,455	500,475,649	502,214,943	1,739,294

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
General government:				
Council:				
Salaries	$ 324,000	310,750	310,750	-
Ordinary maintenance	26,867	19,221	19,221	-
	350,867	329,971	329,971	-
Mayor:				
Salaries	98,870	100,365	100,365	-
Ordinary maintenance	5,205	5,181	5,181	-
	104,075	105,546	105,546	-
Manager:				
Salaries:				
Executive office	651,764	685,190	685,190	-
Planning & Development	606,915	603,179	603,179	-
Ordinary maintenance:				
Executive office	1,204,280	1,417,956	1,417,956	-
Planning & Development	88,978	79,118	79,118	-
Tourism promotion	-	150,000	150,000	-
	2,551,937	2,935,443	2,935,443	-
Auditor:				
Salaries	527,232	476,451	476,451	-
Ordinary maintenance	82,559	82,545	82,545	-
	609,791	558,996	558,996	-
Administration & Finance:				
Salaries	352,528	364,272	364,272	-
Ordinary maintenance	70,664	45,212	45,212	-
	423,192	409,484	409,484	-
Treasurer and Collector:				
Salaries	1,003,278	1,004,866	981,681	23,185
Ordinary maintenance	641,676	1,226,777	1,213,248	13,529
	1,644,954	2,231,643	2,194,929	36,714
Assessor:				
Salaries	530,878	520,565	520,565	-
Ordinary maintenance	46,413	146,276	146,276	-
	577,291	666,841	666,841	-

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
License Commission:				
Ordinary maintenance	$ 1,200	1,116	1,116	-
	1,200	1,116	1,116	-
Law:				
Salaries	765,885	709,995	709,995	-
Ordinary maintenance	122,842	133,567	133,567	-
Casualty insurance	119,948	88,403	88,403	-
Court judgments	377,750	637,967	637,967	-
	1,386,425	1,569,932	1,569,932	-
Clerk:				
Salaries	571,880	582,249	582,249	-
Ordinary maintenance	36,024	36,164	36,164	-
	607,904	618,413	618,413	-
Messenger:				
Salaries	45,074	44,713	44,713	-
Ordinary maintenance	414,132	248,171	248,171	-
	459,206	292,884	292,884	-
Election Commission:				
Salaries	283,573	268,060	268,060	-
Ordinary maintenance	84,885	80,024	80,024	-
	368,458	348,084	348,084	-
Purchasing:				
Salaries	188,797	188,797	188,684	113
Ordinary maintenance	14,595	14,595	12,980	1,615
	203,392	203,392	201,664	1,728
Technical services:				
Salaries	1,548,893	1,598,845	1,598,845	-
Ordinary maintenance	903,495	894,984	894,984	-
	2,452,388	2,493,829	2,493,829	-
Human Resources:				
Salaries	750,257	719,367	719,367	-
Ordinary maintenance	219,701	283,322	283,322	-
	969,958	1,002,689	1,002,689	-
Total general government	12,711,038	13,768,263	13,729,821	38,442

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public safety:				
Police:				
Salaries	$ 37,048,266	37,393,299	36,988,629	404,670
Ordinary maintenance	1,853,766	1,853,766	1,844,904	8,862
	38,902,032	39,247,065	38,833,533	413,532
Fire:				
Salaries	31,117,257	30,610,583	30,610,583	-
Ordinary maintenance	994,541	1,092,414	1,092,414	-
Capital	25,000	20,248	20,248	-
	32,136,798	31,723,245	31,723,245	-
Inspectional services:				
Salaries	2,585,882	2,259,879	2,259,879	-
Ordinary maintenance	246,266	229,908	229,908	-
	2,832,148	2,489,787	2,489,787	-
Communications:				
Salaries	1,690,661	1,608,749	1,608,749	-
Ordinary maintenance	308,180	275,420	275,420	-
	1,998,841	1,884,169	1,884,169	-
Total public safety	75,869,819	75,344,266	74,930,734	413,532
Health and human services:				
Health:				
Salaries	140,097	119,775	119,775	-
Ordinary maintenance	12,500	12,329	12,329	-
	152,597	132,104	132,104	-
Elder Affairs:				
Salaries	265,584	230,448	230,448	-
Ordinary maintenance	293,153	312,131	312,131	-
	558,737	542,579	542,579	-
Total health and human services	711,334	674,683	674,683	-

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Education:				
Public Schools:				
Salaries	$ 167,921,076	162,861,001	162,854,627	6,374
Ordinary maintenance	37,629,068	42,843,148	42,842,130	1,018
Capital	245,000	221,531	221,531	-
Total education	205,795,144	205,925,680	205,918,288	7,392
Public works:				
Department of Public Works:				
Salaries	5,703,651	5,064,038	4,938,635	125,403
Ordinary maintenance	6,086,456	5,951,840	5,937,520	14,320
Snow and ice removal	2,733,529	4,893,592	4,893,592	-
Street lighting	1,887,828	2,076,828	2,076,828	-
	16,411,464	17,986,298	17,846,575	139,723
Union Station:				
Ordinary maintenance	408,098	408,098	408,098	-
Total public works	16,819,562	18,394,396	18,254,673	139,723
Culture and recreation:				
Parks and Cemetery:				
Salaries	2,711,936	2,635,005	2,635,005	-
Ordinary maintenance	666,256	886,110	886,110	-
	3,378,192	3,521,115	3,521,115	-
Public Library:				
Salaries	2,957,057	2,826,567	2,826,567	-
Ordinary maintenance	1,336,098	1,338,254	1,338,254	-
	4,293,155	4,164,821	4,164,821	-
Auditorium:				
Ordinary maintenance	121,506	120,890	120,890	-
DCU Center:				
Debt service	363,602	-	-	-
Total culture and recreation	8,156,455	7,806,826	7,806,826	-

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Intergovernmental:				
Health insurance - retirees	$ 10,560	10,560	10,560	-
Regional planning	41,594	41,594	41,594	-
Regional Transit Authority	2,586,564	2,586,564	2,586,564	-
Air pollution control	39,427	39,427	39,427	-
Charter Schools	23,188,724	23,161,323	22,987,591	173,732
School choice	1,922,222	1,922,222	1,901,448	20,774
Special education - Chapter 766	175,796	175,796	109,736	66,060
Registry parking ticket surcharge	426,865	537,180	577,640	(40,460)
Total intergovernmental	28,391,752	28,474,666	28,254,560	220,106
Debt service:				
Principal	21,839,187	22,731,182	22,731,182	-
Interest	8,070,197	7,726,929	7,726,929	-
Pension obligation bond:				
Municipal departments:				
Principal	6,700,000	6,700,000	6,700,000	-
Interest	3,709,475	3,798,563	3,798,563	-
Enterprise funds (interest)	1,577,146	1,488,058	1,488,058	-
Public schools (interest)	4,650,253	4,650,253	4,650,253	-
Total debt service	46,546,258	47,094,985	47,094,985	-
Fringe benefits:				
Retirement:				
Contributory pensions:				
Municipal departments	16,538,981	17,029,568	16,861,092	168,476
Early retirement incentive	(2,000,000)	-	-	
Public Schools	6,824,823	6,368,889	6,368,889	-
Noncontributory pensions:				
Municipal departments	163,947	144,763	144,763	-
Public Schools	254,598	207,285	207,285	-
	21,782,349	23,750,505	23,582,029	168,476

(Continued)

CITY OF WORCESTER, MASSACHUSETTS
Required Supplementary Information
For the Fiscal Year Ended June 30, 2011
General Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budgetary Basis

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Workers' and unemployment comp.:				
Workers' compensation:				
Municipal departments	$ 1,166,144	941,660	941,660	-
Public Schools	323,700	409,547	409,547	-
Public safety injured on duty	513,680	302,328	302,328	-
Unemployment compensation:				
Municipal departments	620,000	370,000	244,319	125,681
Public Schools	637,300	880,377	880,377	-
	3,260,824	2,903,912	2,778,231	125,681
Group insurance:				
Municipal departments	25,841,628	25,347,618	25,232,543	115,075
Public Schools	41,923,445	41,604,982	41,604,982	-
	67,765,073	66,952,600	66,837,525	115,075
Total fringe benefits	92,808,246	93,607,017	93,197,785	409,232
Contingency	250,000	250,000	-	250,000
Total expenditures	488,059,608	491,340,782	489,862,355	1,478,427
Excess of revenues over expenditures	12,746,847	9,134,867	12,352,588	3,217,721
OTHER FINANCING SOURCES (USES):				
Transfers in	$ 2,872,640	9,435,092	9,435,092	-
Transfers out	(13,969,487)	(18,643,292)	(18,643,292)	-
Premium on loans	300,000	500,000	566,756	66,756
Total other financing sources (uses)	(10,796,847)	(8,708,200)	(8,641,444)	66,756
Net changes in fund balance	1,950,000	426,667	3,711,144	3,284,477
Budgetary fund balance - beginning	10,547,937	10,547,937	10,547,937	-
Budgetary fund balance - ending	$ 12,497,937	10,974,604	14,259,081	3,284,477

(Concluded)

See accompanying notes to required supplementary information.

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2011

(In thousands of dollars)

Pension Plan Schedules

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

SCHEDULES OF FUNDING PROGRESS (WRS)

Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Actuarial Accrued Liability	(b - a) Unfunded Actuarial Accrued Liability	(a/b) Funded Ratio (%)	(c) Covered Payroll	(b - a)/c UAAL as a Percent of Covered Payroll (%)
1/1/2006	$ 644,017	806,957	162,940	79.81	$ 145,831	111.73
1/1/2007	716,797	837,608	120,811	85.58	152,838	79.05
1/1/2008	759,410	889,924	130,514	85.33	156,585	83.35
1/1/2009	631,894	929,569	297,675	67.98	166,050	179.27
1/1/2010	679,510	987,692	308,182	68.80	166,392	185.21
1/1/2011	724,998	1,025,076	300,078	70.73	157,721	190.26

SCHEDULE OF EMPLOYER CONTRIBUTIONS (WRS)

Year Ended December 31	Annual Required Contributions	Percentage of Annual Required Contributed (%)
2005	$ 23,579	106
2006	23,355	100
2007	24,166	100
2008	24,947	100
2009	28,505	100
2010	29,770	101

CITY OF WORCESTER, MASSACHUSETTS

Required Supplementary Information – Pension Plan and OPEB Schedules

June 30, 2011

(In thousands of dollars)

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

CITY SHARE OF WRS ARC

Year Ended June 30	ARC	Percentage of ARC Contributed (%)	City ARC as a Percentage of WRS ARC (%)
2006	$ 21,526	100	91.3
2007	21,241	100	90.9
2008	22,089	100	91.4
2009	22,742	100	91.2
2010	26,117	100	91.6
2011	27,277	101	91.6

OPEB Schedule

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

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Projected Unit Credit (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
06/30/08	$ -	1,148,294	1,148,294	0.0%	$ 320,372	358%
07/01/09	-	765,312	765,312	0.0%	302,802	253%

(In thousands of dollars)

Budgetary Basis of Accounting

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

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

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

In fiscal 2011, the original general fund expenditure budget was increased by $3,281.

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, 2011:

		Revenues	Expenditures	OFS/ OFU Net	Net Change in Fund Balance
General fund:					
As reported on a budgetary basis	$	502,215	489,862	(8,642)	3,711
Reclassify stabilization fund		-	-	2,080	2,080
Reclassify OPEB reserve		-	-	1,070	1,070
MTRS on-behalf payments		52,395	52,395	-	-
COLA on-behalf payments		1,726	1,726	-	-
Adjustment of revenues to a modified basis		(62)	-	-	(62)
As reported on a GAAP basis	$	556,274	543,983	(5,492)	6,799

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

Special Revenue

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

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

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

Police Auxiliary – accounts for police off-duty details.

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

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

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

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

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

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

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

Capital Projects

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

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

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

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

Capital Equipment – accounts for the acquisition of equipment.

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

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

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

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

Other – accounts for various small construction projects.

Permanent Funds

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

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

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

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

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

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

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

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

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

Other – accounts for various trusts.

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

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

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

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

		Special Revenue Funds				
Assets:		**DCU Center**	**School Lunch**	**Police Auxiliary**	**Off-Street Parking**	**City Revolving**
Cash and cash equivalents	$	-	-	-	-	-
Restricted cash and cash equivalents		187,770	3,236,850	172,995	645,118	1,124,983
Restricted investments		-	-	-	-	-
Receivables		-	-	557,744	-	105,583
Due from other governments		-	-	-	-	-
Total assets	$	187,770	3,236,850	730,739	645,118	1,230,566
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	$	-	220,956	172,995	219,063	6,524
Retainage payable		-	-	-	-	-
Temporary loans		-	-	-	-	-
Deferred revenue		-	-	557,744	-	105,583
Other liabilities		1,424,290	-	-	-	-
Total liabilities		1,424,290	220,956	730,739	219,063	112,107
Fund balances:						
Nonspendable		-	-	-	-	-
Restricted		-	3,015,894	-	426,055	1,118,459
Committed		-	-	-	-	-
Unassigned		(1,236,520)	-	-	-	-
Total fund balances		(1,236,520)	3,015,894	-	426,055	1,118,459
Total liabilities and fund balances	$	187,770	3,236,850	730,739	645,118	1,230,566

Special Revenue Funds					
School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
-	12,798,858	-	-	-	12,798,858
2,021,309	-	148,875	1,587,543	7,427,559	16,553,002
-	-	-	-	-	-
-	-	-	-	-	663,327
-	-	-	-	1,285,141	1,285,141
2,021,309	12,798,858	148,875	1,587,543	8,712,700	31,300,328
31,672	-	21,718	95,110	742,636	1,510,674
-	-	-	-	-	-
-	-	-	-	150,000	150,000
-	-	-	-	-	663,327
-	-	-	-	-	1,424,290
31,672	-	21,718	95,110	892,636	3,748,291
-	-	-	-	-	-
1,989,637	-	127,157	1,492,433	7,820,064	15,989,699
-	12,798,858	-	-	-	12,798,858
-	-	-	-	-	(1,236,520)
1,989,637	12,798,858	127,157	1,492,433	7,820,064	27,552,037
2,021,309	12,798,858	148,875	1,587,543	8,712,700	31,300,328

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

		Capital Projects Funds				
Assets:		**DCU Center Construction**	**Street and Sidewalk**	**Rehabilitation of Public Buildings**	**Capital Equipment**	**School Construction**
Cash and cash equivalents	$	-	-	-	-	-
Restricted cash and cash equivalents		864,065	7,129,689	2,253,605	1,215,142	5,046,025
Restricted investments		-	-	-	-	-
Receivables		-	-	-	-	-
Due from other governments		-	-	-	-	-
Total assets	$	864,065	7,129,689	2,253,605	1,215,142	5,046,025
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	$	-	407,107	1,366,276	44,030	849,333
Retainage payable		80,468	476,960	12,210	18	2,294,169
Temporary loans		2,045,000	8,035,000	4,305,000	3,034,000	-
Deferred revenue		-	-	-	-	-
Other liabilities		-	-	-	-	-
Total liabilities		2,125,468	8,919,067	5,683,486	3,078,048	3,143,502
Fund balances:						
Nonspendable		-	-	-	-	-
Restricted		-	-	-	-	1,902,523
Committed		-	-	-	-	-
Unassigned		(1,261,403)	(1,789,378)	(3,429,881)	(1,862,906)	-
Total fund balances		(1,261,403)	(1,789,378)	(3,429,881)	(1,862,906)	1,902,523
Total liabilities and fund balances	$	864,065	7,129,689	2,253,605	1,215,142	5,046,025

Capital Projects Funds				
Parks Improvements	Union Station Garage	Franklin St. Fire Station	Other	Subtotal
-	-	-	-	-
3,003,760	1,652,669	-	2,551,188	23,716,143
-	-	-	-	-
-	-	-	-	-
506,300	-	-	131	506,431
3,510,060	1,652,669	-	2,551,319	24,222,574
723,315	-	-	345,087	3,735,148
191,727	-	-	68,566	3,124,118
4,533,000	-	-	1,110,000	23,062,000
-	-	-	-	-
-	-	-	-	-
5,448,042	-	-	1,523,653	29,921,266
-	-	-	-	-
	1,652,669	-	1,027,666	4,582,858
-	-	-	-	-
(1,937,982)	-	-	-	(10,281,550)
(1,937,982)	1,652,669	-	1,027,666	(5,698,692)
3,510,060	1,652,669	-	2,551,319	24,222,574

(Continued)

CITY OF WORCESTER, MASSACHUSETTS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2011

		Permanent Funds				
Assets:		**Hope Cemetery**	**Health Department**	**Libraries**	**Schools**	**Parks**
Cash and cash equivalents	$	-	-	-	-	-
Restricted cash and cash equivalents		96,891	74,320	571,191	48,854	14,927
Restricted investments		2,662,954	2,030,875	7,037,906	576,128	360,527
Receivables		-	-	-	-	-
Due from other governments		-	-	-	-	-
Total assets	$	2,759,845	2,105,195	7,609,097	624,982	375,454
Liabilities and Fund Balances:						
Liabilities:						
Accounts payable	$	-	57	5,548	-	-
Retainage payable		-	-	-	-	-
Temporary loans		-	-	-	-	-
Deferred revenue		-	-	-	-	-
Other liabilities		-	-	-	-	-
Total liabilities		-	57	5,548	-	-
Fund balances:						
Nonspendable		2,759,845	2,092,945	7,561,949	593,806	371,526
Restricted		-	12,193	41,600	31,176	3,928
Committed		-	-	-	-	-
Unassigned		-	-	-	-	-
Total fund balances		2,759,845	2,105,138	7,603,549	624,982	375,454
Total liabilities and fund balances	$	2,759,845	2,105,195	7,609,097	624,982	375,454

Permanent Funds					
Police	Public Works	Memorial	Other	Subtotal	Total Nonmajor Governmental Funds
-	-	-	-	-	12,798,858
233	11,258	22,024	2,163	841,861	41,111,006
7,576	319,323	477,531	5,294	13,478,114	13,478,114
-	-	-	-	-	663,327
-	-	-	-	-	1,791,572
7,809	330,581	499,555	7,457	14,319,975	69,842,877
-	-	-	-	5,605	5,251,427
-	-	-	-	-	3,124,118
-	-	-	-	-	23,212,000
-	-	-	-	-	663,327
-	-	-	-	-	1,424,290
-	-	-	-	5,605	33,675,162
7,809	329,160	492,242	5,457	14,214,739	14,214,739
-	1,421	7,313	2,000	99,631	20,672,188
-	-	-	-	-	12,798,858
-	-	-	-	-	(11,518,070)
7,809	330,581	499,555	7,457	14,314,370	36,167,715
7,809	330,581	499,555	7,457	14,319,975	69,842,877

(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, 2011

	Special Revenue Funds				
	DCU Center	School Lunch	Police Auxiliary	Off-Street Parking	City Revolving
Revenues:					
Intergovernmental	$ -	10,434,258	9,100	-	-
Investment earnings	-	-	-	-	-
Charges for services	1,067,369	585,390	6,854,361	-	608,863
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	1,067,369	11,019,648	6,863,461	-	608,863
Expenditures:					
Current:					
General government	-	-	-	-	21,078
Public safety	-	-	6,934,185	-	334,549
Health and human services	-	-	-	-	27,530
Education	-	9,553,811	-	-	-
Public works	-	-	-	1,830,943	68,533
Culture and recreation	634,581	-	-	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	378,231	-	-	943,888	-
Interest	263,811	-	-	638,063	-
Total expenditures	1,276,623	9,553,811	6,934,185	3,412,894	451,690
Excess (deficiency) of revenues over expenditures	(209,254)	1,465,837	(70,724)	(3,412,894)	157,173
Other financing sources (uses):					
Transfers in	422,861	-	55,769	3,215,877	217,000
Transfers (out)	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	422,861	-	55,769	3,215,877	217,000
Net change in fund balances	213,607	1,465,837	(14,955)	(197,017)	374,173
Fund balances – beginning	(1,450,127)	1,550,057	14,955	623,072	744,286
Fund balances – ending	$ (1,236,520)	3,015,894	-	426,055	1,118,459

Special Revenue Funds					
School Revolving	Receipts Reserved	Community Development	Workforce Central	City Grants	Subtotal
340,583	42,655	4,883,632	7,873,440	24,322,940	47,906,608
-	-	-	-	717	717
1,491,900	6,953,087	-	6,155	32,942	17,600,067
-	-	-	-	3,353,285	3,353,285
-	-	-	-	-	-
-	89,313	-	-	-	89,313
1,832,483	7,085,055	4,883,632	7,879,595	27,709,884	68,949,990
-	-	-	-	1,784,134	1,805,212
-	-	-	-	5,589,551	12,858,285
-	-	-	7,443,137	14,319,565	21,790,232
1,208,048	-	-	-	-	10,761,859
-	-	-	-	318,834	2,218,310
-	-	-	-	1,100,917	1,735,498
-	-	4,092,052	-	3,398,500	7,490,552
-	-	271,059	-	103,000	1,696,178
-	-	217,999	-	259,292	1,379,165
1,208,048	-	4,581,110	7,443,137	26,873,793	61,735,291
624,435	7,085,055	302,522	436,458	836,091	7,214,699
2,721	11,690,400	-	-	818,390	16,423,018
-	(17,843,914)	(346,005)	-	-	(18,189,919)
-	237,014	-	-	-	237,014
-	-	-	-	-	-
-	478,100	-	-	-	478,100
2,721	(5,438,400)	(346,005)	-	818,390	(1,051,787)
627,156	1,646,655	(43,483)	436,458	1,654,481	6,162,912
1,362,481	11,152,203	170,640	1,055,975	6,165,583	21,389,125
1,989,637	12,798,858	127,157	1,492,433	7,820,064	27,552,037

(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, 2011

	Capital Projects Funds				
	DCU Construction	**Street and Sidewalk**	**Rehabilitation of Public Buildings**	**Capital Equipment**	**School Construction**
Revenues:					
Intergovernmental	$ -	3,755,119	-	-	21,869,462
Investment earnings	-	-	-	-	-
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	3,755,119	-	-	21,869,462
Expenditures:					
Current:					
General government	-	-	217,566	183,191	-
Public safety	-	-	893,154	1,010,332	-
Health and human services	-	-	-	-	-
Education	-	-	1,985,983	110,837	25,449,676
Public works	-	11,985,764	399,007	568,267	-
Culture and recreation	2,319,453	-	6,440	170,703	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	2,319,453	11,985,764	3,502,150	2,043,330	25,449,676
Excess (deficiency) of revenues over expenditures	(2,319,453)	(8,230,645)	(3,502,150)	(2,043,330)	(3,580,214)
Other financing sources (uses):					
Transfers in	44,874	2,677,000	655,016	-	-
Transfers (out)	(1,376)	(47,728)	-	(95,519)	(177,669)
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	6,350,000	8,025,000	4,744,000	1,553,500	10,000,000
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	6,393,498	10,654,272	5,399,016	1,457,981	9,822,331
Net change in fund balances	4,074,045	2,423,627	1,896,866	(585,349)	6,242,117
Fund balances -- beginning	(5,335,448)	(4,213,005)	(5,326,747)	(1,277,557)	(4,339,594)
Fund balances -- ending	$ (1,261,403)	(1,789,378)	(3,429,881)	(1,862,906)	1,902,523

Capital Projects Funds				
Parks Improvements	Union Station Garage	Franklin St. Fire Station	Other	Subtotal
1,219,710	-	-	441,495	27,285,786
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	53	53
1,219,710	-	-	441,548	27,285,839
-	-	-	-	400,757
-	-	-	702,497	2,605,983
-	-	-	-	-
-	-	-	-	27,546,496
-	-	-	888,035	13,841,073
5,223,672	-	-	-	7,720,268
-	-	-	435,302	435,302
-	-	-	-	-
-	-	-	-	-
5,223,672	-	-	2,025,834	52,549,879
(4,003,962)	-	-	(1,584,286)	(25,264,040)
1,481,000	-	-	525,424	5,383,314
-	(800,000)	(3,277)	-	(1,125,569)
-	-	-	-	-
2,157,000	-	-	2,070,000	34,899,500
-	-	-	-	-
3,638,000	(800,000)	(3,277)	2,595,424	39,157,245
(365,962)	(800,000)	(3,277)	1,011,138	13,893,205
(1,572,020)	2,452,669	3,277	16,528	(19,591,897)
(1,937,982)	1,652,669	-	1,027,666	(5,698,692)

(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, 2011

	Permanent Funds				
	Hope Cemetery	**Health Department**	**Library**	**Schools**	**Parks**
Revenues:					
Intergovernmental	$ -	-	-	-	-
Investment earnings	534,589	410,728	1,072,205	115,909	72,173
Charges for services	-	-	-	-	-
Donations	-	-	-	-	-
Contributions to permanent funds	42,367	-	1,015	4,188	-
Miscellaneous	-	-	-	-	-
Total revenues	576,956	410,728	1,073,220	120,097	72,173
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Health and human services	-	33,955	-	-	-
Education	-	-	-	12,999	-
Public works	-	-	-	-	-
Culture and recreation	-	-	139,514	-	-
Community development	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	33,955	139,514	12,999	-
Excess (deficiency) of revenues over expenditures	576,956	376,773	933,706	107,098	72,173
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	(40,000)	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-
Issuance of bonds	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	(40,000)	-	-	-	-
Net change in fund balances	536,956	376,773	933,706	107,098	72,173
Fund balances – beginning	2,222,889	1,728,365	6,669,843	517,884	303,281
Fund balances – ending	$ 2,759,845	2,105,138	7,603,549	624,982	375,454

Permanent Funds					
Police	Public Works	Memorial	Other	Subtotal	Total Nonmajor Governmental Funds
-	-	-	-	-	75,192,394
1,517	63,943	95,623	1,069	2,367,756	2,368,473
-	-	-	-	-	17,600,067
-	-	-	-	-	3,353,285
-	-	-	-	47,570	47,570
-	-	-	-	-	89,366
1,517	63,943	95,623	1,069	2,415,326	98,651,155
-	-	-	-	-	2,205,969
-	-	-	-	-	15,464,268
-	-	-	500	34,455	21,824,687
-	-	-	-	12,999	38,321,354
-	967	-	-	967	16,060,350
-	-	-	-	139,514	9,595,280
-	-	-	-	-	7,925,854
-	-	-	-	-	1,696,178
-	-	-	-	-	1,379,165
-	967	-	500	187,935	114,473,105
1,517	62,976	95,623	569	2,227,391	(15,821,950)
-	-	-	-	-	21,806,332
-	-	-	-	(40,000)	(19,355,488)
-	-	-	-	-	237,014
-	-	-	-	-	34,899,500
-	-	-	-	-	478,100
-	-	-	-	(40,000)	38,065,458
1,517	62,976	95,623	569	2,187,391	22,243,508
6,292	267,605	403,932	6,888	12,126,979	13,924,207
7,809	330,581	499,555	7,457	14,314,370	36,167,715

(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, 2011

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Fees	$ -	-	-	-
Intergovernmental	3,856,150	3,856,150	1,282,375	(2,573,775)
Miscellaneous	-	-	151,625	151,625
Total revenues	3,856,150	3,856,150	1,434,000	(2,422,150)
Expenditures:				
Salaries and benefits	1,792,562	1,782,770	1,410,053	372,717
Ordinary maintenance	1,408,562	1,408,562	6,941	1,401,621
Debt service	575,731	582,804	-	582,804
Total expenditures	3,776,855	3,774,136	1,416,994	2,357,142
Excess/(deficiency) of revenues over expenditures	79,295	82,014	17,006	(65,008)
Other financing sources (uses):				
Transfers (out)	(79,295)	(79,295)	-	79,295
Net changes in fund balance	-	2,719	17,006	14,287
Budgetary fund balance – beginning	413,146	413,146	413,146	-
Budgetary fund balance – ending	$ 413,146	415,865	430,152	14,287

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, 2011

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Fees	$ 1,231,300	1,231,300	1,026,395	(204,905)
Miscellaneous	23,160	23,160	9,077	(14,083)
Total revenues	1,254,460	1,254,460	1,035,472	(218,988)
Expenditures:				
Salaries and benefits	285,247	289,214	288,731	483
Ordinary maintenance	685,093	685,093	682,889	2,204
Debt service	231,844	227,877	220,540	7,337
Indirect costs	31,187	31,187	31,024	163
Total expenditures	1,233,371	1,233,371	1,223,184	10,187
Excess (deficiency) of revenues over expenditures	21,089	21,089	(187,712)	(208,801)
Other financing sources (uses):				
Transfers in	-	208,801	208,801	-
Transfers (out)	(21,089)	(21,089)	(21,089)	-
Total other financing sources (uses)	(21,089)	187,712	187,712	-
Net changes in fund balance	-	208,801	-	(208,801)
Budgetary fund balance – beginning	-	-	-	-
Budgetary fund balance – ending	$ -	208,801	-	(208,801)

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, 2011

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	$ 32,692,878	32,692,878	31,671,935	(1,020,943)
Miscellaneous	300,000	300,000	583,341	283,341
Total revenues	32,992,878	32,992,878	32,255,276	(737,602)
Expenditures:				
Salaries and benefits	5,685,785	5,685,785	5,425,250	260,535
Ordinary maintenance	17,784,438	17,784,438	16,358,174	1,426,264
Capital	24,500	24,500	7,297	17,203
Debt service	5,661,898	5,661,898	5,632,464	29,434
Indirect costs	3,219,399	3,219,399	3,202,143	17,256
Total expenditures	32,376,020	32,376,020	30,625,328	1,750,692
Excess of revenues over expenditures	616,858	616,858	1,629,948	1,013,090
Other financing sources (uses):				
Transfers (out)	(616,858)	(616,858)	(616,858)	-
Net changes in fund balance	-	-	1,013,090	1,013,090
Budgetary fund balance – beginning	7,890	7,890	7,890	-
Budgetary fund balance – ending	$ 7,890	7,890	1,020,980	1,013,090

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, 2011

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues:				
Charges for services	$ 26,475,269	26,475,269	26,534,694	59,425
Miscellaneous	640,000	640,000	1,145,066	505,066
Total revenues	27,115,269	27,115,269	27,679,760	564,491
Expenditures:				
Salaries and benefits	10,034,081	10,016,855	9,066,662	950,193
Ordinary maintenance	3,439,023	3,439,023	3,339,410	99,613
Capital	25,000	25,000	18,180	6,820
Debt service	10,675,270	10,675,270	10,655,965	19,305
Indirect costs	2,091,784	2,109,010	2,109,040	(30)
Total expenditures	26,265,158	26,265,158	25,189,257	1,075,901
Excess of revenues over expenditures	850,111	850,111	2,490,503	1,640,392
Other financing sources (uses):				
Transfers (out)	(850,111)	(850,111)	(850,111)	-
Net changes in fund balance	-	-	1,640,392	1,640,392
Budgetary fund balance – beginning	6,607	6,607	6,607	-
Budgetary fund balance – ending	$ 6,607	6,607	1,646,999	1,640,392

CITY OF WORCESTER, MASSACHUSETTS

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

June 30, 2011

Function and activity	Land	Buildings	Improvements other than buildings
General government:			
Manager	$ 5,647,131	-	-
Information Services	-	1,891,745	-
Law	-	-	-
Treasurer	-	-	-
Total general government	5,647,131	1,891,745	-
Public safety:			
Police	514,500	2,359,496	268,424
Fire	1,074,600	12,525,423	-
Code Inspection	209,905	412,639	-
Communications	-	740,625	-
Total public safety	1,799,005	16,038,183	268,424
Health and human services:			
Workforce Central	-	-	-
Health	-	-	-
Elder Affairs	-	1,803,070	35,990
Total health and human services	-	1,803,070	35,990
Public works	3,489,339	37,604,160	498,673
Education	3,447,537	184,440,986	1,956,314
Culture and recreation:			
Library	305,000	15,784,115	-
Auditorium	150,000	1,592,792	-
DCU Center	263,000	45,248,726	-
Hope Cemetery	290,000	857,867	-
Parks	4,925,300	4,960,794	24,199,825
Total culture and recreation	5,933,300	68,444,294	24,199,825
Total governmental activities capital assets	$ 20,316,312	310,222,438	26,959,226

Rolling equipment	Equipment and other	Infrastructure	Construction in progress	Total
-	-	-	1,451,627	7,098,758
-	198,088	-	-	2,089,833
-	-	-	-	-
-	294	-	-	294
-	198,382	-	1,451,627	9,188,885
66,595	31,545	-	-	3,240,560
2,874,454	62,201	54,004	499,298	17,089,980
-	3,839	-	-	626,383
-	247,777	-	-	988,402
2,941,049	345,362	54,004	499,298	21,945,325
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,839,060
-	-	-	-	1,839,060
2,053,124	92,942	95,076,700	37,208,951	176,023,889
245,121	854,015	-	59,185,596	250,129,569
-	384,961	-	-	16,474,076
-	-	-	-	1,742,792
-	62,991	-	80,468	45,655,185
-	-	-	-	1,147,867
312,898	158,827	226,308	1,093,224	35,877,176
312,898	606,779	226,308	1,173,692	100,897,096
5,552,192	2,097,480	95,357,012	99,519,164	560,023,824

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, 2011

Function and activity		Governmental activities capital assets July 1, 2010	Additions	Deductions	Governmental activities capital assets June 30, 2011
General government:					
Manager	$	3,525,231	4,051,627	478,100	7,098,758
Information Services		2,176,694	-	86,861	2,089,833
Law		1,726	-	1,726	-
Treasurer		884	-	590	294
Total general government		5,704,535	4,051,627	567,277	9,188,885
Public safety:					
Police		3,555,280	-	314,720	3,240,560
Fire		16,904,120	1,070,106	884,246	17,089,980
Code Inspection		682,199	-	55,816	626,383
Communications		365,828	750,000	127,426	988,402
Total public safety		21,507,427	1,820,106	1,382,208	21,945,325
Health and human services:					
Workforce Central		343	-	343	-
Health		609	-	609	-
Elder Affairs		2,055,271	-	216,211	1,839,060
Total health and human services		2,056,223	-	217,163	1,839,060
Public works		153,478,390	32,885,664	10,340,165	176,023,889
Education		234,236,856	26,507,599	10,614,886	250,129,569
Culture and recreation:					
Library		17,244,926	-	770,850	16,474,076
Auditorium		1,912,025	-	169,234	1,742,791
DCU Center		45,916,287	2,373,372	2,634,473	45,655,186
Hope Cemetery		1,178,536	-	30,669	1,147,867
Parks		32,053,636	5,825,909	2,002,369	35,877,176
Total culture and recreation		98,305,410	8,199,281	5,607,595	100,897,096
Total governmental activities capital assets	$	515,288,841	73,464,277	28,729,294	560,023,824

CITY OF WORCESTER, MASSACHUSETTS
Agency Fund
Statement of Changes in Assets and Liabilities
For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	$ 468,960	508,812	(543,152)	434,620
LIABILITIES				
Accounts payable and accrued expenses	$ 18,428	6,619	(18,428)	6,619
Due to student groups	450,532	489,463	(511,994)	428,001
Total liabilities	$ 468,960	496,082	(530,422)	434,620

(THIS PAGE LEFT BLANK INTENTIONALLY)

STATISTICAL SECTION

STATISTICAL SECTION

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

Table of Contents

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

Table 1

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:										
Invested in capital assets, net of related debt	74,722	118,339	140,340	127,478	128,364	175,962	187,454	201,247	236,864	280,669
Restricted	19,749	11,862	13,305	39,064	29,255	45,711	65,072	42,371	29,804	42,290
Unrestricted	(62,653)	(91,985)	(109,751)	(114,087)	(118,507)	(114,663)	(163,105)	(175,323)	(208,915)	(230,791)
Total governmental activities net assets	31,818	38,216	43,894	52,455	39,112	107,010	89,421	68,295	57,753	92,168
Business-type activities:										
Invested in capital assets, net of related debt	113,110	110,722	117,755	109,124	104,871	99,181	110,861	121,480	120,990	87,708
Restricted	420	413	253	2,749	-	-	-	-	-	1,601
Unrestricted	11,387	12,739	6,768	13,550	20,271	24,749	11,716	10,026	7,978	8,344
Total business-type net assets	124,917	123,874	124,776	125,423	125,142	123,930	122,577	131,506	128,968	97,653
Primary government:										
Invested in capital assets, net of related debt	187,832	229,061	258,095	236,602	233,235	275,143	298,315	322,727	357,854	368,377
Restricted	20,169	12,275	13,558	41,813	29,255	45,711	65,072	42,371	29,804	43,891
Unrestricted	(51,266)	(79,246)	(102,983)	(100,537)	(98,236)	(89,914)	(151,389)	(165,297)	(200,937)	(222,447)
Total primary government net assets	156,735	162,090	168,670	177,878	164,254	230,940	211,998	199,801	186,721	189,821

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

Table 2

	2002	2003	2004	2005	2006	2007	2008 (2)	2009	2010	2011
Expenses										
Governmental activities:										
General government	$ 20,689	14,195	14,458	16,316	18,222	19,583	22,268	23,416	20,862	21,026
Public safety	85,686	93,949	98,633	105,119	113,545	115,321	132,411	130,554	126,546	123,114
Health and human services	20,933	19,164	17,431	21,524	20,880	19,873	23,366	21,229	23,994	25,033
Education	278,295	303,760	314,670	329,699	353,126	366,311	406,208	421,160	425,765	432,824
Public works	22,126	26,567	34,274	31,077	27,027	26,954	34,727	41,457	33,387	37,435
Culture and recreation	13,297	14,513	16,073	14,625	15,794	18,621	19,895	16,475	20,018	17,528
Community development	4,518	4,002	4,429	4,189	3,565	3,873	4,764	4,942	6,118	7,926
Redevelopment	2,719	4,238	30	5,770	-	-	-	-	-	-
Interest on debt	24,624	24,913	24,626	25,734	25,336	25,283	25,366	24,534	25,351	22,573
Total governmental activities expenses	472,887	505,301	524,624	554,053	577,495	595,819	669,005	683,767	682,041	687,459
Business-type activities:										
Water	20,352	20,753	20,804	21,535	22,141	24,727	25,213	25,669	25,638	24,911
Sewer	16,731	16,310	17,238	22,719	24,352	28,309	29,258	31,134	32,742	33,737
Airport	4,906	4,389	3,958	4,158	4,527	4,360	4,703	5,082	5,047	1,417
Golf course (nonmajor)	1,215	1,082	1,030	1,026	1,164	1,180	1,227	1,148	1,122	1,238
Total business-type expenses	43,204	42,534	43,030	49,438	52,184	58,576	60,401	63,033	64,549	61,303
Total primary government expenses	$ 516,091	547,835	567,654	603,491	629,679	654,395	729,406	746,800	746,590	748,762
Program Revenues										
Governmental activities:										
Charges for services:										
Public safety	7,858	11,652	12,043	12,997	12,940	13,925	13,580	11,813	13,536	13,775
Public works	5,219	4,510	6,337	6,674	7,436	8,005	9,160	11,078	10,970	10,986
Other activities	7,975	8,784	6,823	6,889	6,700	7,780	7,641	7,383	8,443	9,738
Operating grants and contributions	251,539	277,029	284,486	303,411	295,107	315,692	326,260	345,103	348,563	368,157
Capital grants and contributions	2,315	2,338	4,539	5,160	5,217	65,551	28,979	23,187	28,084	32,916
Total governmental activities program revenues	274,906	304,313	314,228	335,131	327,400	410,953	385,620	398,564	409,596	435,572
Business-type activities:										
Charges for services:										
Water	21,686	22,534	23,154	24,132	22,735	24,623	24,251	24,993	24,102	25,946
Sewer	14,190	14,548	15,627	19,775	22,449	25,670	26,928	28,939	29,247	31,320
Airport	1,651	1,002	687	915	978	844	802	862	1,015	152
Golf course (nonmajor)	1,114	1,050	1,068	1,029	1,041	1,088	1,127	1,048	987	1,035
Operating grants and contributions	733	1,329	1,202	1,241	1,006	593	1,174	1,395	1,413	1,282
Capital grants and contributions	2,247	1,470	3,362	3,081	3,114	2,255	4,226	14,821	3,514	641
Total business-type activities program revenues	41,621	41,933	45,100	50,173	51,323	55,073	58,508	72,058	60,278	60,376
Total primary government program revenues	$ 316,527	346,246	359,328	385,304	378,723	466,026	444,128	470,622	469,874	495,948

(continued)

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

Table 2

	2002	2003	2004	2005	2006	2007	2008 (2)	2009	2010	2011
Net (expense)/revenue										
Governmental activities	$ (197,981)	(200,988)	(210,396)	(218,922)	(250,095)	(184,866)	(283,385)	(285,203)	(272,445)	(251,887)
Business-type activities	(1,583)	(601)	2,070	735	(861)	(3,503)	(1,893)	9,025	(4,271)	(927)
Total primary government net (expense)/ revenue	$ (199,564)	(201,589)	(208,326)	(218,187)	(250,956)	(188,369)	(285,278)	(276,178)	(276,716)	(252,814)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes	$ 139,027	144,316	156,461	161,648	171,490	179,130	188,930	197,472	205,558	215,511
Motor vehicle excise taxes	12,941	13,438	12,581	13,503	12,096	11,893	12,932	11,393	11,050	11,519
Intergovernmental	47,425	42,016	39,406	43,026	44,146	53,813	54,561	48,493	37,476	36,220
Other	8,685	7,174	6,458	9,073	9,493	10,060	9,000	6,269	9,505	12,809
Transfers (net)	(857)	442	1,168	88	(580)	(2,291)	(540)	96	(1,733)	13,250
Gain on sale of capital assets	-	-	-	-	-	-	622	296	-	-
Donations	-	-	-	145	107	159	291	58	47	48
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	-	(3,055)
Total governmental activities	207,221	207,386	216,074	227,483	236,752	252,764	265,796	264,077	261,903	286,302
Business-type activities										
Transfers (net)	857	(442)	(1,168)	(88)	580	2,291	540	(96)	1,733	(13,250)
Loss on airport disposal	-	-	-	-	-	-	-	-	-	(20,193)
Extraordinary item - transfer of airport debt to governmental activities	-	-	-	-	-	-	-	-	-	3,055
Total business-type activities	857	(442)	(1,168)	(88)	580	2,291	540	(96)	1,733	(30,388)
Total primary government	$ 208,078	206,944	214,906	227,395	237,332	255,055	266,336	263,981	263,636	255,914
Changes in Net Assets										
Governmental activities	$ 9,240	6,398	5,678	8,561	(13,343)	67,898	(17,589)	(21,126)	(10,542)	34,415
Business-type activities	(726)	(1,043)	902	647	(281)	(1,212)	(1,353)	8,929	(2,538)	(31,315)
Total primary government	$ 8,514	5,355	6,580	9,208	(13,624)	66,686	(18,942)	(12,197)	(13,080)	3,100

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

(concluded)

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

Table 3

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Total
2002	$ 139,027	12,941	782	-	-	152,750
2003	144,316	13,438	713	-	-	158,467
2004	156,461	12,581	684	-	-	169,726
2005	161,648	13,503	753	-	-	175,904
2006	171,490	12,096	709	-	-	184,295
2007	179,130	11,893	845	-	-	191,868
2008	188,930	12,932	1,104	198	20	203,184
2009	197,472	11,393	1,483	327	30	210,705
2010	205,558	11,050	1,422	1,431	31	219,492
2011	215,511	11,519	1,787	2,450	32	231,299

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

Table 4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	(2) 2011
General fund:										
Reserved	$ 1,618	1,618	1,618	1,618	-	-	-	-	-	-
Unreserved	8,890	9,437	10,385	14,857	9,290	10,025	11,906	6,107	12,029	-
Restricted	-	-	-	-	-	-	-	-	-	1,070
Unassigned	-	-	-	-	-	-	-	-	-	17,758
Total general fund	$ 10,508	11,055	12,003	16,475	9,290	10,025	11,906	6,107	12,029	18,828
All other governmental funds:										
Reserved	$ 24,515	28,180	32,861	37,387	29,102	34,323	30,418	34,077	24,963	-
Unreserved, reported in:										
Special revenue funds	13,748	18,526	20,103	20,646	18,056	11,171	13,438	17,974	18,098	-
Capital projects funds (1)	(17,383)	(13,988)	20,372	16,923	(12,039)	11,196	34,529	8,215	4,752	-
Permanent funds	742	127	88	60	153	191	125	79	89	-
Nonspendable	-	-	-	-	-	-	-	-	-	14,215
Restricted	-	-	-	-	-	-	-	-	-	37,287
Committed	-	-	-	-	-	-	-	-	-	22,673
Unassigned	-	-	-	-	-	-	-	-	-	(11,518)
Total all other governmental funds	$ 21,622	32,845	73,424	75,016	35,272	56,881	78,510	60,345	47,902	62,657

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

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

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

Table 5

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
REVENUES										
Property taxes	$ 140,712	148,322	156,945	163,706	171,484	177,781	189,419	197,777	204,832	216,370
Motor vehicle excise taxes	13,091	14,085	13,205	13,101	12,189	12,545	12,677	11,370	11,551	11,311
Other taxes and in-lieu payments	2,411	2,215	2,123	1,971	2,252	2,188	3,684	4,941	5,539	6,365
Penalties and interest on taxes	1,977	2,702	2,669	2,867	2,564	2,520	2,414	2,605	2,272	2,285
Licenses and permits	4,468	5,266	5,486	5,692	5,571	4,354	4,726	4,402	4,890	4,865
Intergovernmental (1)	302,715	315,660	327,833	356,548	350,840	407,873	405,755	411,424	423,208	445,106
Charges for services	14,595	17,644	16,758	17,645	17,913	19,920	21,107	21,055	22,847	23,539
Fines and forfeitures	2,122	2,636	2,554	2,925	3,234	3,148	3,308	3,137	3,190	2,806
Investment earnings	755	1,085	1,811	2,056	3,100	4,292	2,766	(929)	1,598	2,543
Donations	4,731	2,683	3,022	2,908	2,640	3,793	4,951	2,468	3,633	5,528
Contributions to permanent funds	62	65	48	145	107	159	291	58	47	48
Miscellaneous	1,713	1,215	1,224	3,063	1,725	1,295	1,013	1,246	1,621	89
Total revenues	489,352	513,578	533,678	572,627	573,619	639,868	652,111	659,554	685,228	720,855
EXPENDITURES										
General government	17,652	12,006	12,023	13,861	14,314	15,720	17,957	16,644	15,308	15,936
Public safety	74,806	75,079	72,876	79,286	82,119	87,316	93,942	92,323	89,308	90,395
Health and human services	17,967	17,001	14,055	18,545	17,045	16,470	19,649	18,172	21,118	22,499
Education	241,600	239,150	256,223	271,977	261,385	257,076	261,869	285,359	297,701	302,392
Public works	21,069	24,026	24,833	29,652	29,629	44,611	49,363	39,126	39,087	53,773
Culture and recreation	19,475	12,791	11,314	14,295	11,323	14,203	14,766	16,753	20,952	17,402
Fringe benefits	71,052	85,622	103,213	118,377	126,381	130,746	136,213	124,318	138,899	147,319
Community development	4,518	4,001	4,429	4,189	3,565	3,873	4,764	4,942	6,118	7,926
Redevelopment	2,719	4,238	30	5,769	-	-	-	-	-	-
State & regional charges (1)	2,276	2,424	14,909	16,514	19,445	20,551	23,914	26,102	26,865	28,255
Debt service:										
Principal	25,997	26,715	27,216	28,124	30,430	32,886	32,774	34,761	36,637	38,813
Interest	24,223	25,464	24,515	24,674	25,034	26,020	25,829	26,098	24,827	24,023
Total expenditures	523,354	528,517	565,636	625,263	620,670	649,472	681,040	684,598	716,820	748,733
Excess of revenues (under) expenditures	(34,002)	(14,939)	(31,958)	(52,636)	(47,051)	(9,604)	(28,929)	(25,044)	(31,592)	(27,878)

(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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
OTHER FINANCING SOURCES (USES)										
Transfers in	$ 12,576	17,947	14,248	17,608	14,048	13,968	21,296	23,452	21,954	51,549
Transfers (out)	(13,433)	(17,505)	(13,722)	(17,520)	(14,628)	(16,259)	(20,713)	(23,356)	(23,686)	(38,299)
Premium on issuance of bonds and notes	1,262	633	487	3,697	702	464	423	651	820	804
Sale of capital assets	-	-	-	-	-	-	1,366	325	29	478
Issuance of refunding bonds	11,135	9,345	-	18,241	55,960	-	-	542	-	-
Issuance of bonds and notes	25,695	25,665	72,440	54,915	-	33,775	50,067	-	25,955	34,900
Payments to refunded bond escrow agent	(11,135)	(9,345)	-	(18,241)	(55,960)	-	-	-	-	-
Refunded bonds redeemed	-	-	-	-	-	-	-	(535)	-	-
Total other financing sources (uses), net	26,100	26,740	73,453	58,700	122	31,948	52,439	1,079	25,072	49,432
Net change in fund balances	$ (7,902)	11,801	41,495	6,064	(46,929)	22,344	23,510	(23,965)	(6,520)	21,554
Debt service as a percentage of noncapital expenditures	10.4%	10.3%	9.9%	9.3%	9.4%	9.6%	9.2%	9.3%	9.3%	9.2%

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

(concluded)

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

Table 6

Fiscal Year	Property Tax	Motor Vehicle Excise Tax	Hotel/Motel Tax	Meals Tax	Sales Tax	Total
2002	$ 140,712	13,091	782	-	-	154,585
2003	148,322	14,085	713	-	-	163,120
2004	156,942	13,205	684	-	-	170,831
2005	163,706	13,101	753	-	-	177,560
2006	171,484	12,189	709	-	-	184,382
2007	177,781	12,545	845	-	-	191,171
2008	189,419	12,677	1,104	198	20	203,200
2009	197,777	11,370	1,483	327	30	210,630
2010	204,832	11,550	1,422	1,431	31	219,266
2011	216,370	11,311	1,787	2,450	32	231,950

(THIS PAGE LEFT BLANK INTENTIONALLY)

CITY OF WORCESTER, MASSACHUSETTS
General Fund Expenditures – Modified Accrual Basis of Accounting
Year ended June 30, 2011

Graph 1

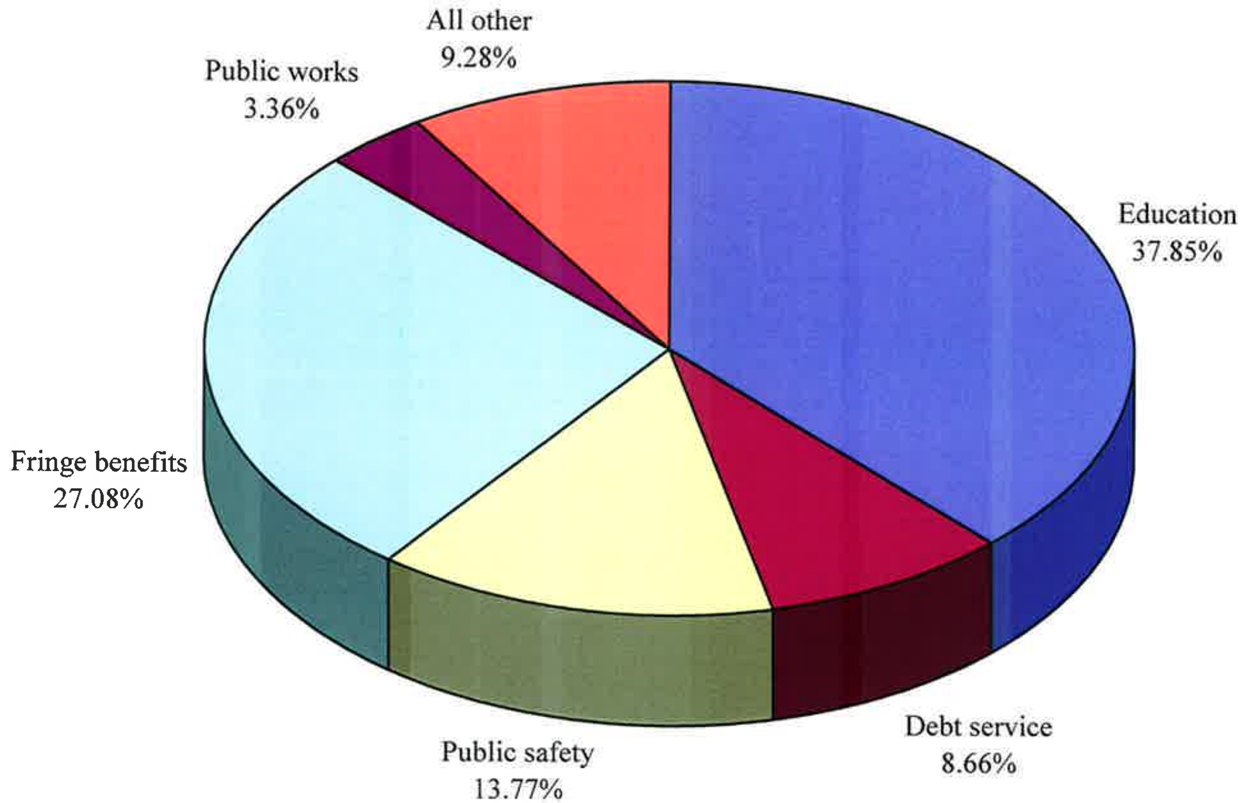


Table 7

CITY OF WORCESTER, MASSACHUSETTS

General Fund Expenditures – Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(Amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government	$ 14,726	10,326	10,391	11,216	12,574	13,316	13,785	13,981	12,749	13,730
Public safety	62,954	64,045	63,359	64,776	71,360	74,813	78,576	79,656	76,689	74,931
Health and human services	5,595	3,658	2,841	2,805	3,629	3,832	3,776	2,639	575	675
Education	179,401	181,006	189,472	190,912	199,411	191,976	197,241	199,840	198,001	205,918
Public works	14,848	17,598	15,086	19,000	17,537	16,610	20,121	22,491	18,096	18,255
Culture and recreation	8,421	7,973	6,839	7,121	7,679	8,441	8,400	9,016	7,955	7,807
Fringe benefits (1)	71,052	85,622	103,212	118,377	126,381	130,746	136,213	124,318	138,899	147,319
State and regional charges (1)	2,276	2,424	14,909	16,514	19,445	20,550	23,914	26,102	26,865	28,254
Debt service	44,501	44,971	44,299	44,478	44,114	45,466	45,328	45,523	46,853	47,095
Totals	$ 403,774	417,623	450,408	475,199	502,130	505,750	527,354	523,566	526,682	543,984

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

CITY OF WORCESTER, MASSACHUSETTS **Graph 2**

General Fund Revenues – Modified Accrual Basis of Accounting

Year ended June 30, 2011

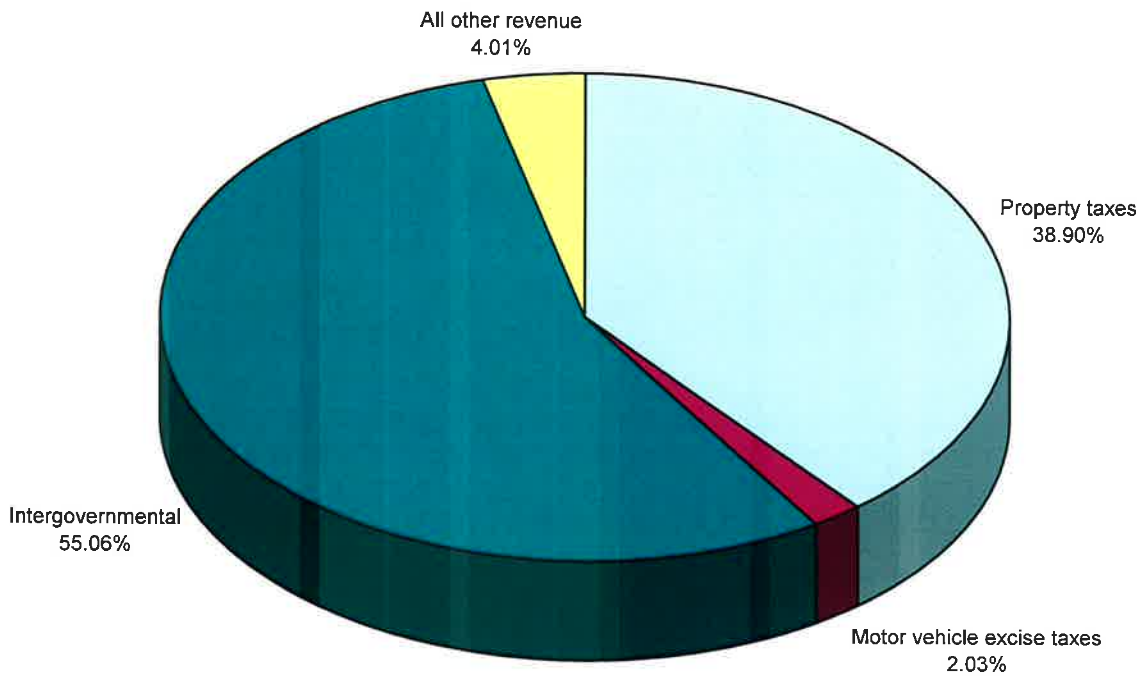


Table 8

CITY OF WORCESTER, MASSACHUSETTS

General Fund Revenues – Modified Accrual Basis of Accounting

Last Ten Fiscal Years

(Amounts expressed in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Property taxes	$ 140,712	148,322	156,942	163,706	171,484	177,781	189,419	197,777	204,832	216,370
Motor vehicle excise taxes	13,091	14,085	13,205	13,101	12,189	12,545	12,677	11,370	11,550	11,311
Other taxes and in-lieu payments	2,411	2,215	2,123	1,971	2,252	2,188	2,556	2,529	3,208	4,934
Penalties and interest on taxes	1,977	2,702	2,670	2,867	2,564	2,520	2,414	2,605	2,272	2,285
Licenses and permits	4,468	5,266	5,486	5,692	5,571	4,355	4,726	4,402	4,890	4,865
Intergovernmental (1) (2)	232,834	241,946	268,001	280,301	293,362	295,983	311,475	295,327	303,512	306,267
Charges for services	2,477	3,613	3,864	4,052	3,760	5,684	6,232	5,918	5,909	5,939
Fines and forfeitures	2,122	2,636	2,554	2,925	3,234	3,148	3,308	3,137	3,190	2,806
Investment earnings	1,321	664	476	1,170	2,140	2,349	1,806	462	105	68
Miscellaneous	1,257	895	733	1,079	852	1,093	773	790	1,438	1,429
Totals	$ 402,670	422,344	456,054	476,864	497,408	507,646	535,386	524,317	540,906	556,274

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

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

CITY OF WORCESTER, MASSACHUSETTS **Graph 3**

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

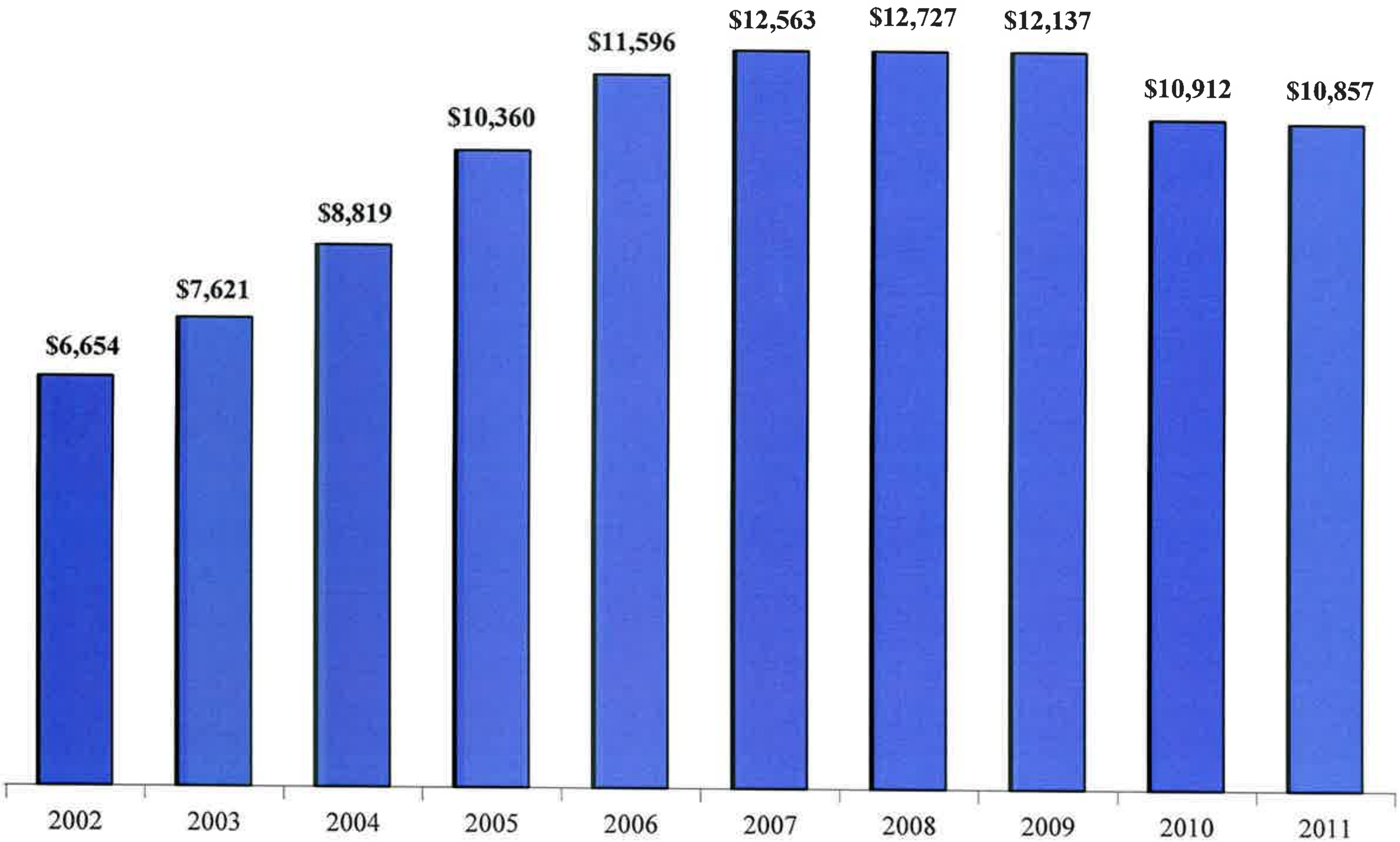


Table 9

CITY OF WORCESTER, MASSACHUSETTS

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

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

Fiscal Year	Assessed value: Residential Property	Assessed value: Commercial and Industrial Property	Assessed value: Personal Property	Assessed value: Total taxable Assessed Value	Total Direct tax Rate (1)	State Equalized Value	Ratio of Assessed to Equalized Value	Tax Exempt Real Property	Total Assessed Value	Ratio of Exempt property To total Assessed value
2002	$ 4,984,353	1,355,745	314,115	6,654,213	21.27	6,010,162	110.72	$ 1,830,384	8,484,597	21.57%
2003	5,912,081	1,382,048	326,949	7,621,078	19.59	7,248,688	105.14	2,110,469	9,731,547	21.69
2004	7,036,273	1,446,202	336,277	8,818,752	17.75	7,248,688	121.66	2,449,698	11,268,450	21.74
2005	8,498,913	1,549,889	311,287	10,360,089	15.77	9,694,618	106.86	2,445,616	12,805,705	19.10
2006	9,445,223	1,827,404	322,901	11,595,528	14.88	9,694,618	119.61	2,494,021	14,089,549	17.70
2007	10,312,441	1,914,173	336,437	12,563,051	14.47	12,654,572	99.28	2,768,326	15,331,377	18.06
2008	10,462,845	1,915,408	348,741	12,726,994	14.97	12,654,572	100.57	2,890,917	15,617,911	18.51
2009	9,816,042	1,933,249	387,967	12,137,258	16.41	13,827,180	87.78	3,004,042	15,141,300	19.84
2010	8,585,028	1,916,902	410,012	10,911,942	19.02	13,827,180	78.92	2,996,065	13,908,007	21.54
2011	8,495,190	1,936,409	425,263	10,856,862	20.10	11,928,304	91.02	2,960,659	13,817,521	21.43

(1) Per $1,000 of assessed value

Table 10

CITY OF WORCESTER, MASSACHUSETTS

Principal Taxpayers - Current Year and Nine Years Ago

June 30, 2011

(Amounts expressed in thousands)

		2011				2002			
Taxpayer	**Type of business**	**Assessed valuation**	**Rank**	**Fiscal 2011 tax bill**	**Percentage of tax levy**	**Assessed valuation**	**Rank**	**Fiscal 2002 tax bill**	**Percentage of tax levy**
Massachusetts Electric Co.	Electric utility	$ 143,843	1	$ 4,787	2.19%	$ 127,506	1	$ 4,011	2.83%
Verizon	Communications	55,532	2	1,848	0.85	55,839	2	1,757	1.24
Nstar	Gas utility	53,562	3	1,783	0.82	40,867	7	1,286	0.91
V3B SA LLC (Lincoln Plaza)	Shopping plaza	52,952	4	1,762	0.81	-	-	-	-
Hanover Insurance Group (Allmerica)	Insurance	50,347	5	1,676	0.77	48,631	4	1,561	1.10
VHS Acquisition (St Vincent Hospital)	Medical care	44,871	6	1,493	0.68	48,080	5	1,513	1.07
Abbott Bioreasearch	Biotechnology	42,479	7	1,414	0.65	39,648	8	1,247	0.88
Worcester Renaissance LLC (City Square)	Office/Shopping mall	35,084	8	1,168	0.54	49,610	3	1,561	1.10
Greendale Mall (Mayflower Greendale LLP)	Shopping mall	32,390	9	1,078	0.49	44,831	6	1,410	1.00
Charter Communications	Broadband cable services	25,186	10	838	0.38	17,589	12	553	0.39
Alexandria Real Estate Equities	Biotechnology park	-	-	-	-	33,700	9	1,060	0.75
Norton Company	Abrasives manufacturer	-	-	-	-	25,733	10	809	0.57
	Totals	$ 536,246		$ 17,847	8.17%	$ 532,034		$ 16,768	11.84%

Source: Assessor's department

Table 11

CITY OF WORCESTER, MASSACHUSETTS

Property Tax Levies and Collections

Last Seven 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%	$ 3,667	162,082	100.02%
2006	170,372	166,275	97.60	4,174	170,449	100.05
2007	179,059	173,398	96.84	5,916	179,314	100.14
2008	188,164	182,941	97.22	5,478	188,419	100.14
2009	197,102	191,875	97.35	5,188	197,063	99.98
2010	205,348	199,535	97.17	5,169	204,704	99.69
2011	216,293	210,277	97.22	-	210,277	97.22

* 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)

	Governmental activities		Business-type activities				
Fiscal Year	General Obligation Bonds	Section 108 Note	General Obligation Bonds	Sewer Note	Total Primary Government	Percentage of Personal Income (1)	Per Capita (2)
2002	$ 452,683	-	101,336	-	554,019	14.55	$ 3,209
2003	451,740	-	101,169	-	552,909	14.51	3,203
2004	491,164	5,800	109,380	1,168	607,512	15.46	3,519
2005	518,420	5,800	111,910	1,123	637,253	16.03	3,691
2006	489,146	5,800	103,808	991	599,745	15.03	3,474
2007	490,036	5,800	112,729	949	609,514	14.46	3,530
2008	507,329	5,800	133,942	906	647,977	14.49	3,753
2009	473,670	4,706	124,562	863	603,801	12.73	3,497
2010	463,085	4,608	126,287	819	594,799	12.80	3,257
2011	462,302	4,505	125,292	774	592,873	12.76	3,275

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

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

Table 13

CITY OF WORCESTER, MASSACHUSETTS

Ratio of Governmental Funds 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)
2002	$ 554,019	9.22%	$ 3,209
2003	552,909	7.63	3,203
2004	496,683	5.63	2,830
2005	527,518	5.09	3,001
2006	498,472	4.30	2,834
2007	499,298	3.97	2,846
2008	516,435	4.06	2,942
2009	481,671	3.97	2,638
2010	471,073	4.32	2,579
2011	470,193	4.33	2,597

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

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

Table 14

CITY OF WORCESTER, MASSACHUSETTS

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit (1)	$ 150,254	181,217	362,434	484,731	484,731	632,729	632,729	691,359	691,359	596,415
Total net debt applicable to limit	125,014	170,375	180,376	199,169	208,140	268,676	268,621	280,473	263,915	342,654
Legal debt limit	$ 25,240	10,842	182,058	285,562	276,591	364,053	364,108	410,886	427,444	253,761
Total net debt applicable to the limit as a percentage of debt limit	83.20%	94.02%	49.77%	41.09%	42.94%	42.46%	42.45%	40.57%	38.17%	57.45%

Legal Debt Margin Calculation for Fiscal Year 2011

Equalized valuation - real estate and personal property (January 1, 2010)	$ 11,928,304	-
Debt limit - 5% of equalized valuation		596,415
Total bonded debt (including authorized and unissued of $325,337)	$ 912,931	
Less bonded debt not included in computation of legal debt margin as defined by Massachusetts statutes	(440,861)	
Less bonded debt authorized but not yet issued which is outside the debt limit	(129,416)	342,654
Legal debt margin	$	253,761

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

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

Table 15

Fiscal Year	Population	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (2)	Median Age	Public School Enrollment (3)	Unemployment Rate (4)
2002	174,078 (1)	$ -	-	-	25,037	5.4%
2003	175,071 (1)	-	-	-	24,885	7.0
2004	175,495 (1)	-	-	-	24,363	7.0
2005	175,770 (1)	3,909,828	22,244	33.4	24,227	6.0
2006	175,898 (1)	3,989,327	22,680	-	23,404	5.7
2007	175,454 (1)	4,216,455	24,032	-	23,682	6.3
2008	175,521 (1)	4,471,694	25,704	-	22,844	5.7
2009	182,596 (1)	4,742,672	27,099	-	23,126	9.3
2010	182,635 (1)	4,646,364	26,549	-	23,281	9.6
2011	181,045 (2)	4,757,752	27,185	-	23,490	10.0

(1) Source: U.S. Department of Commerce estimates
(2) Source: U.S. Department of Commerce, Census for fiscal year 2011
(3) Source: Worcester School Department as of October 1 of each fiscal year
(4) Source: Massachusetts Department of Workforce Development

Table 16

CITY OF WORCESTER, MASSACHUSETTS

Full Time Employees

Last Ten Fiscal Years

		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General government		241	201	189	188	197	200	201	175	176	167
Public safety											
Police											
Officers		459	424	468	456	468	465	448	438	415	409
Civilians		56	39	45	47	53	54	51	49	49	49
Fire											
Officers		445	398	429	421	410	402	403	384	385	399
Civilians		11	12	16	10	10	11	11	9	8	8
Other public safety	(1)	56	105	95	98	86	89	97	116	110	105
Health and human services	(1)	206	89	89	92	102	96	94	56	53	54
Education		4,111	3,905	3,821	3,698	3,658	3,506	3,384	3,433	3,446	3,478
Public works		217	196	182	183	189	185	189	189	174	163
Culture and recreation		162	143	132	133	133	129	135	129	125	117
Water		120	117	114	112	111	106	105	111	109	102
Sewer		56	52	58	54	54	55	54	58	59	52
Airport		23	21	16	16	18	17	16	16	17	20
Golf course		3	3	2	3	3	3	2	2	2	2
Totals		6,166	5,705	5,656	5,511	5,492	5,318	5,190	5,165	5,128	5,125

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	2011 Employees	2011 Rank	2011 Percentage of total City Employment	2002 Employees	2002 Rank	2002 Percentage of total City Employment
UMass Memorial Health Care	Health care	13,466	1	17.97%	8,000	1	10.68%
University of Massachusetts Medical School	Education	5,914	2	7.89	5,200	3	6.94
City of Worcester	Government and education	5,125	3	6.84	6,383	2	8.52
Hanover Insurance Group	Insurance	1,850	4	2.47	3,340	4	4.46
Fallon Clinic	Health care	1,841	5	2.46	2,400	6	3.20
Saint Gobin	Abrasives manufacturer	1,800	6	2.40	1,925	7	2.57
St Vincent Hospital	Health care	1,728	7	2.31	2,416	5	3.22
Polar Beverages	Bottling company	1,400	8	1.87	N/A	N/A	N/A
Quinsigamond Community College	Education	1,119	9	1.49	N/A	N/A	N/A
Simplex Grinnell	Communication Systems	1,000	10	1.33	N/A	N/A	N/A
Massachsetts Electric Company	Utility	N/A	N/A	N/A	1,665	8	2.22
Seven Hills Foundation	Education	N/A	N/A	N/A	1,609	9	2.15
Price Chopper	Supermarket	N/A	N/A	N/A	1,198	10	1.60

Sources: 2011 - Worcester Business Journal
2002 - Worcester Area Chamber of Commerce

Table 18

CITY OF WORCESTER, MASSACHUSETTS

Operating Indicators by Function
Last Ten Fiscal/Calendar Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police (1), (2)										
Total arrests	7,759	8,033	6,482	7,014	7,853	8,581	9,360	8,658	7,183	6,546
Different individuals arrested	5,938	6,041	5,154	5,366	5,916	6,671	7,082	6,584	5,841	4,848
Arrests for selected charges										
Drug-related	2,403	2,792	1,611	1,638	2,829	2,668	2,574	2,582	1,758	1,240
Aggravated assault	579	667	633	540	679	571	679	704	778	338
Disorderly conduct, disturbing peace	1,654	1,679	1,357	1,351	1,071	1,201	1,291	1,210	1,222	839
Prostitution and related	204	230	195	234	232	178	214	223	131	140
Sexual assault, including rape	43	59	23	22	33	29	41	39	38	14
Armed robbery	54	52	73	73	57	66	70	43	62	55
Murder /manslaughter, attempted murder	33	46	24	46	7	14	6	12	6	7
Fire (1)										
Total Incidents	33,054	29,350	22,839	21,778	22,076	22,498	24,735	29,002	28,755	28,152
Selected incidents										
EMS	13,377	14,624	16,038	15,383	14,558	15,654	15,086	18,167	17,169	15,963
Structure fires	797	716	454	417	749	681	663	828	618	571
Arson fires	30	43	42	31	29	28	29	37	20	21
Vehicle fires	284	269	206	184	184	139	132	120	83	100
Good intent	2,201	3,658	1,019	1,149	1,322	1,514	1,452	1,665	1,013	1,013
False alarm	1,632	1,591	1,542	1,705	3,102	2,971	3,134	3,849	2,754	2,869
Highways and streets										
Streets and resurfacing (1), (3)	8	9	16	14	14	15	15	14	11	11
Potholes repaired	9,105	13,268	15,596	7,895	13,403	11,489	13,088	12,030	14,932	12,954
Sanitation										
Refuse collected (tons/day)	112.70	106.62	107.05	104.15	102.78	100.30	91.06	88.65	82.30	81.83
Recyclable collected (tons/day)	36.70	36.99	38.71	37.70	37.20	34.77	36.07	33.97	34.71	36.1
Water										
New connections	377	389	463	454	373	271	239	188	48	95
Water main breaks	199	61	65	76	50	56	55	72	52	74
Average daily consumption (thousands of gallons)	23,578	24,091	23,932	23,595	22,681	22,187	22,960	22,264	21,225	22,099
Wastewater										
Average daily sewage treatment (thousands of gallons)	33,195	31,944	27,743	31,364	30,156	33,200	31,700	34,600	31,160	26,550

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:
2002 - .93, 2003 - .14, 2004 - 1.56

Table 19

CITY OF WORCESTER, MASSACHUSETTS

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	12	12	11	11	11	11	11	10	10	10
Education:										
Schools	52	52	49	49	49	45	46	46	45	44
Libraries	3	3	3	3	3	3	3	3	3	3
Public works										
Streets:										
Streets (miles)	411	411	414	414	416	418	420	423	424	425
Sidewalks (miles)	606	606	473	473	478	480	483	487	487	489
Streetlights	12,752	12,772	12,972	12,994	13,238	13,275	13,321	13,321	13,759	13,759
Water:										
Main pipes (miles) (1)	659	614	592	592	592	582	582	584	585	586
Fire hydrants (2)	5,490	5,481	5,940	5,940	5,951	5,658	5,675	5,680	5,726	5,748
Reservoirs	10	10	10	10	10	10	10	10	10	10
Reservoir gallons of capacity (in thousands)	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938	7,379,938
Sewers:										
Sanitary sewers (miles)	381	387	389	390	392	392	393	396	396	397
Combined sewers (miles)	65	65	66	65	65	65	61	61	61	61
Surface sewers (miles)	353	358	361	362	364	364	368	370	371	371
Municipal parking garages:										
Capacity - cars										
Pearl Elm	800	800	800	800	800	800	800	800	800	800
Federal Plaza	511	511	511	511	511	511	511	511	511	511
Major Taylor Boulevard						981	981	981	981	981
Union Station									500	500
Culture and recreation										
Parks	52	53	54	54	56	60	60	60	60	60
Parks and playground acreage	1,285	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,316	1,328
DCU Center										
Seating capacities										
Center stage	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639	14,639
End stage	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751	14,751
Basketball	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500	13,500
Hockey with open curtain	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239	12,239
Hockey with closed curtain						6,880	6,880	6,880	7,230	7,230
Ice show	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297	12,297
Municipal cemeteries	1	1	1	1	1	1	1	1	1	1

Source: Various government departments

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