

**Comprehensive
Annual Financial Report**

of the

**City of Waterbury
Connecticut**

Fiscal Year Ended June 30, 2007

Prepared by:
Department of Finance
John J. Jedrzejczyk
Director of Finance

CITY OF WATERBURY, CONNECTICUT

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Introductory Section

CITY OF WATERBURY, CONNECTICUT

OFFICIALS

JUNE 30, 2007

Mayor Michael J. Jarjura

Town Clerk

City Clerk

City Sheriff

Antoinette C. Spinelli

Michael J. Dalton

Stephen M. Conway

BOARD OF ALDERMAN

J. Paul Vance, Jr.
Laurie Singer Russo
Paul Pernerewski, Jr.
Larry B. Butler
Martin J. Misset
Paul Nogueira
Anne Phelan
Sandra Ramirez

Cicero B. Booker, Jr.
Frank A. Burgio Sr.
Francis J. Caiazzo, Jr.
Paul V. Ciochetti
Arthur J. Denze, Sr.
Dennis Odle
Anthony Piccochi

ADMINISTRATION

Assessor
Budget Director
Building Official
City Planner
Corporation Counsel
Director of Audit
Director of Finance
Director of Health
Director of Libraries
Director of Human Resources, Provisional
Director of Information Technology
Director of Public Works
Director of Purchasing
Chief of Fire
Chief of Police
Water Dept Director
Water Pollution Control Director

David Dietsch
Ofelia Matos
E. Gil Graveline
James Seguin
Craig Sullivan
James Berthelson
John J. Jedrzejczyk
William J. Campbell
J. Emmett McSweeney
Peter H. Abare-Brown
Kimberly A. Diorio
John P. Lawlor
Rocco Orso
Michael A. Maglione
Neil M. O'Leary
Ken Skov
Lynn McHale

BOARD OF EDUCATION

Mayor Michael J. Jarjura, Chairman Ex-Officio

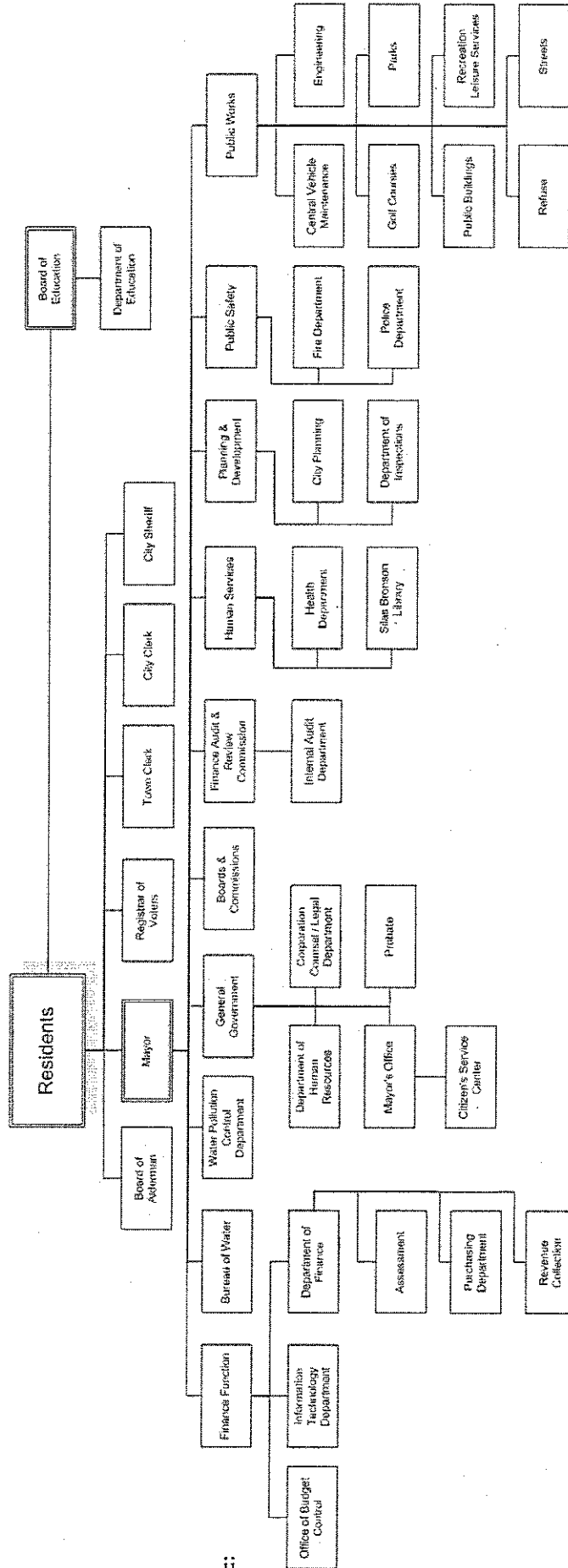
Mary S. White
Richard D. Geremia
Joyce H. Petteway
Charles L. Stango
John E. Theriault

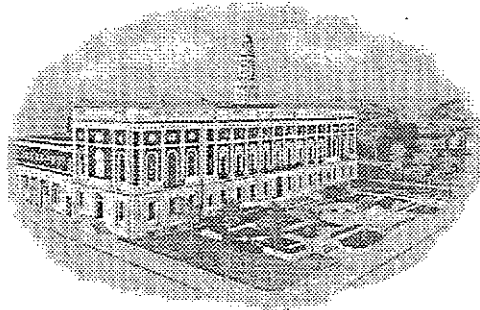
Coleen M. Flaherty-Merritt
Patrick J. Hayes, Jr.
Karen E. Harvey
Ann Marie Sweeney
James H. Uriano

Dr. David L. Snead, Superintendent of Schools

City of Waterbury

Table of Organization - Entire Enterprise





OFFICE OF THE DIRECTOR OF FINANCE
THE CITY OF WATERBURY
CONNECTICUT

December 26, 2007

Honorable Mayor and Board of Aldermen
City of Waterbury
Waterbury, Connecticut

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Waterbury (the "City") for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the City of Waterbury. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations". Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations are issued under separate cover and are not included in this report. The City is also required to undergo a State single audit. Information related to this State single audit is issued as a separate report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the MD&A. This letter of transmittal is designed to complement the 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.

REPORTING ENTITY

The City was founded in 1674, incorporated as a village in 1686 and as a city in 1853. Located in the west-central portion of the state, the City is 21 miles north of New Haven, 29 miles southwest of Hartford, and 24 miles east of Danbury. The City operates under a Mayor-Board of Aldermen form of government.

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, I-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, I-84 passes through Danbury and crosses the states of New York and Pennsylvania, with connections to the New York Thruway and Interstate 80. Route 8 south meets the Connecticut Turnpike (I-95) in Bridgeport, making all of southern Connecticut and Fairfield County easily accessible. To the north, Route 8 ultimately leads to the Massachusetts Turnpike.

Rail passenger and freight service in the area are operated by Metro North and Conrail, respectively. Daily passenger round trips are made between Waterbury and New York City, and freight service via New Haven makes shipments possible to any point in the country.

Waterbury serves as a center of higher education for the area, being the home of Post University, Naugatuck Valley Community Technical College, and a branch of the University of Connecticut. Graduate school needs are met by the Waterbury extensions of the University of Connecticut, University of New Haven and the University of Bridgeport.

The City's school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. The City has 20 elementary schools, including two magnet schools, three middle schools, and four high schools. Maloney Magnet School was completed in 1996, and Rotella Magnet School opened in October 2000. A third magnet school, the Waterbury Arts Magnet School, opened for grades 6-10 in September 2004. The magnet schools address a statewide mandate for greater social and ethnic diversity. Non-public schools include eleven elementary schools, three high schools and a vocational-technical high school.

Waterbury provides its residents with a variety of housing options in all price ranges. Single-family dwellings from modest to luxurious, multi-family homes, apartments and condominiums meet the needs of workers and residents. Waterbury provides special housing for senior citizens and for families in low- and middle-income groupings and assisted living facilities.

Public parks and recreation facilities offering tennis, swimming pools, ball fields, ice skating and recreational programs are located throughout the City. In addition, the City offers bathing, boating, and fishing facilities at Lakewood Park within the City and at Lake Quassapaug and Hitchcock Lake just outside the City limits. Also, two 18-hole City-owned golf courses and an acclaimed 18-hole private course are located in Waterbury, while several 9-hole golf courses are situated immediately adjacent to the City. Mattatuck State forest with its many trails and campsites is only four miles from the center of the City. Black Rock State Park, with swimming and picnic facilities available, is a short drive away.

The City's Palace Theater re-opened in November 2004 after a state funded \$30 million renovation. The Waterbury Symphony Orchestra, Seven Angels Theater, Waterbury Ballet, and the Mattatuck Historical Museum are other notable cultural institutions serving Waterbury area residents.

The Silas Bronson Library, the public library of the City of Waterbury, was established in 1869 by an endowment from Silas Bronson. The library is now jointly supported by the Silas Bronson endowment and public funds. There are 237,593 printed and 17,596 non-printed items along with 120 computer workstations in the main library available to the public.

Waterbury has the largest city-owned water system in the State. It encompasses 7,000 acres of City-owned watershed and has sufficient capacity to service 200,000 people. The system consists of two inactive and five active reservoirs with a total capacity of 7.54 billion gallons of water. The water treatment plant was completed in 1987 at a cost of approximately \$35.0 million. Average consumption for the fiscal year 2007 was 14.9 million gallons per day; average total capacity is 25 million gallons per day; design capacity of the system is 38 million gallons per day. The system serves customers located in Waterbury and neighboring communities and is a self-supporting enterprise fund of the City.

The City has approximately 320 miles of sanitary sewers, 20 pumping stations and an upgraded 27.5mgd average daily flow tertiary treatment plant costing in excess of \$100 million. The City's sewage treatment facility was put into operation in April of 2000 in accordance with a Consent Order between the City and State of Connecticut Department of Environmental Protection. The planning, design and construction phases of this upgrade were funded through the State of Connecticut Clean Water Fund program. Though the City is ultimately responsible to the State for repayment of the total cost of each phase of the upgrade, the City has agreements with the municipal users of the sewage treatment facility (Watertown, Wolcott, Cheshire and Prospect), whereby the municipal users are obligated to pay their allocable share of the costs for each phase of the upgrade.

The City is governed by an elected Mayor, who serves for a two-year term, and a Board of Aldermen made up of 15 members elected for two-year terms. A City Clerk, Sheriff, and the ten-member Board of Education are also elected. Other officials are appointed by the Mayor.

ECONOMIC DEVELOPMENT

Waterbury continues a transition from dependence on cyclical manufacturing business to more diverse endeavors. Niche manufacturing has held strong over the past several years, even though this sector of the national economy has faltered. While manufacturing is still an important aspect of Waterbury's economy, several areas have seen marked improvement. The health services industry has increased significantly. Waterbury has become a regional medical center destination and is served by two hospitals, Waterbury General and Saint Mary. Both hospitals collaborated to open a Cardiac Surgery Center as a joint venture. The Harold Leever Cancer Center continues to experience a growth in the number of patients its serves annually. Further, off site medical services are on the rise, with several new medical office buildings completed in the past year. Further, off-site medical services are on the rise with several new medical office buildings completed in the past year.

Retail development continues to be in demand. Several large box retail projects are in the development phase. Most recently, Target department store opened creating over 100 jobs in the region. Waterbury is also seeing an increase in distribution facilities. Several companies have recently relocated to Waterbury because of the ability to move product more quickly and efficiently.

The Waterbury real estate market is on the rise from the past several years after a decade of stagnant growth. This has impacted the commercial and residential markets. Waterbury continues to maintain strong homeownership statistics with forty-eight percent of homes owner occupied, second to Stamford in this category for Connecticut cities.

The Waterbury Development Corporation (the "WDC") oversees the City's economic development initiatives including all the program activities funded previously through the Office of Community Development. The transition of duties and responsibilities assisted with the development a "Strategic Vision for the City of Waterbury". The City has a comprehensive plan for business recruitment, expansion and retention. WDC publishes an Economic Resource Guide annually. Further, the WDC is managing several large infrastructure projects for the City in its Project Management Group. Moreover, WDC's Neighborhood Re-investment Group manages the City's Community Block Grant, HOME and Blight Initiative monies. Under the Blight Initiative program, WDC has continued a process of taking blighted properties by eminent domain. The re-use of these properties is dependent on the location; however, a comprehensive re-use plan has been developed with input from the business community as well as the impacted neighborhood.

Over the past several years, the Waterbury downtown Phase II Development Project has been gaining momentum. Various components of this project have been completed within the past two years. Its economic and social impact has been felt immediately. The Palace Theater just completed its third full season. It has exceeded all its business models. With over four million dollars in revenue and one hundred thousand patrons, the Palace has clearly become the cultural cornerstone for the City. Moreover, industry economic impact models indicate over two and half million dollars have been spent in the local economy due to the presence of the Palace.

Construction on the one hundred million dollar Yankee Liquefied Gas Storage Facility was completed the summer of 2007. Real estate taxes on the facility are scheduled to be phased-in over the seven year enterprise zone exemption period. Several local contractors worked and or supplied material to the project. Over five hundred tradesmen were utilized on the project, reflecting positively on the local restaurants and retail establishments in the area.

WDC is in the planning phase of a new Multi-Model Transportation Center. The project would call for the consolidation of transportation system. The Freight Street area has been identified as the best and most feasible location for the center. Preliminary information, site design and cost estimates have been developed through initial studies. The State of Connecticut Department of Economic and Community Development (DECD) has funded a study of the concept and retained the services of a consultant for evaluation purposes. DECD has provided WDC with a grant of \$2.2 million to develop a new bus system plan, site plan, design infrastructure modifications, coordinate and mitigate rail issues, perform necessary environmental and geo-technical analysis of the proposed site and an architectural design of the center. The plan would take local bus pulse point off the green and move it to the new center. This would free up the green for a plan to make the green a one-way traffic circle with slanted parking. The net effect will be a better utilization of the green and bringing added on-street parking to the downtown area. Further, a new transportation center will present the City with the transportation infrastructure it will need to compete economically.

Waterbury Regional Campus and Parking Facility

The University of Connecticut's Waterbury Regional Campus is located prominently downtown, directly across the street from the Palace Theater. The 97,000-square-foot campus opened in August of 2003. Enrollment has risen in excess of 1000 full and part-time students matriculated in graduate and undergraduate degree programs. The regional campus is a vital component of the newly formed arts cluster on East Main Street.

Waterbury Arts Magnet School

The Waterbury Arts Magnet School is a 220,000 square foot educational facility serving students in grades 6 to 11, consisting of two buildings connected by a skywalk spanning an extensive courtyard. The educational building houses a cafeteria, gymnasium, media center, art classrooms, scientific laboratories and traditional classrooms. The performing arts building has the capacity to accommodate a 229-seat apron stage, a 109-seat dance studio and an 89-seat recital hall. The building also contains a TV production studio, band, choral and dance practice rooms, prop, set, costume, and lighting design shops, etc., allowing for a comprehensive hands-on educational experience

Palace Theater

The renovated and restored Palace Theater concluded a successful and profitable third full season offering entertainment performances to the greater Waterbury region. The Theater is a transformed 1920 historic landmark to a state-of-the-art facility with a 5,000-square-foot stage, a 2,640-seat main hall, a VIP suite suitable for up to 80 for dinner and a Grand Stair Vestibule. The Theater is an important contributor to a vital downtown economy.

Scovill Street Parking Facility

This garage consists of six parking decks that accommodate 880 vehicles and services the Waterbury Arts Magnet School, Palace Theater and the surrounding offices and businesses. The City owns and operates the garage, which opened in August 2004.

OTHER CITY MANAGEMENT INITIATIVES

The City has now posted its sixth consecutive balanced budget due to financial vigilance, budgetary controls, professional management and other financial management initiatives. During 2006-2007, some specific highlights and initiatives included:

General Accounting

- In cooperation with City departments, initiated the practice of reviewing grant and other programs funded in special revenue and capital funds to determine whether the activity can be formally closed with any balance on hand transferred for future appropriation or remitted to the grantor. The benefit of the fund analysis is two fold; reduce the number of accounting units maintained in the financial system and resolve the use of any monies on hand.
- Monies were requested and approved by the Board of Aldermen for the preparation of a financial procedure manual covering all facets of financial management. The manual will include existing policies governing account payable, receivables, and investments along with developing policies for fund balance, debt issuance and working capital.
- Valuable experience was gained by department staff working for the second full year with the comprehensive financial and human resources system. The added system knowledge allows for more meaningful indoctrination of new employees and advanced in-house training for the experienced user. A user group has been formed and periodic meetings held to discuss system strengths and shortcomings and possible interim solutions.

- The fiscal 2007 appropriation to the Pension Fund included an additional \$1 million the monies to the recommended contribution of the plan actuary. The actuarially developed funding plan is designed to amortize the unfunded liability over thirty years commencing fiscal 2008.

Treasury Management

- Reduced the cost of banking service fees and charges by soliciting competitive proposals from the banking industry for the privilege of satisfying City treasury requirements. The task of transitioning from one banking institution to the successor bank was accomplished over a two month interval with minimal disruption to the vendor and payroll disbursement functions.
- Enhanced the timely deposit of tax monies by incorporating scheduled daily pick-up of monies via safe and secure armored service allowing for speedier deposit of monies and credit to City accounts.
- Improved yield on excess monies held by the City for investment purposes through active management by monitoring the interest rate environment and adjusting the daily investment portfolio from amongst the authorized banking institutions. The City only invests its general fund type monies in governmental money market products deemed secure and fully collateralized. It is the investment policy of the City for its operating accounts to be fully invested at all times and adjusting account balances daily as needs require. The City does not purchase individual securities for the operating accounts.
- Combined the engagement of the investment consultant serving the Pension and Internal Service Fund portfolios. The consultant reviewed the investment policy of the pension fund and assisted the Retirement Board with complying with its investment guidelines through increased diversification of assets held for investment. Investment performance for the fiscal year resulted in a composite return of 15.93%, far exceeding the actuarial target of 8.50%.
- The Board of Aldermen approved a modification to the Internal Service Fund investment policy in October 2006 by bringing into compliance the City's investment policy with Connecticut General Statutes Section 7-403a as amended. The change in policy allowed for the introduction of equity investments of up to 40% of the value of the portfolio. The mid-fiscal year asset diversification resulted in a composite portfolio return ranging from 4.51% (Health), 6.12% (General Liability), 4.87% (Heart & Hypertension) and 5.19% (Workers Compensation). The returns were for the period starting November 1, 2006 and exclude portfolio returns prior to the diversification date.

Debt Management

- A review of the City's outstanding debt was performed and a determination made that a certain portion of the previously un-refunded bonds originally issued in 2002 could be refinanced at a lower interest rate saving the City over \$1.2 million for the remaining years of the issue or until 2022. The debt issuance demonstrated the ability of the City to access the bond market for its financing at a very competitive interest rate and without the State's assistance.

- In the process of issuing the refunding bonds, the City's credit rating was upgraded by Moody's Investor Service from Baa2 to Baa1. The upgrade is viewed as the first step toward ultimately achieving a credit rating in the single A grouping which is more in line with Waterbury's peer Connecticut municipalities.
- A number of bond authorizations were approved during the course of the fiscal year demonstrating the administration's desire to address the capital needs of the community.

City Hall Renovation:

Bond authorization and appropriation was approved in the amount of \$35.9 million.

City-Wide Road Improvement:

Bond authorization and appropriation was approved in the amount of \$8.93 million enabling the Public Works department to repair streets and roadways in disrepair and to provide the monies for the reconstruction of Pearl Lake Road.

Elementary School Construction:

A previously approved bond authorization in the amount of \$101.5 million was amended to increase the appropriation to provide for the additional costs for the acquisition of land and property enabling the construction of two elementary schools. The additional funds of \$6.55 million will be defrayed through school construction grants from the State and by a City appropriation of \$1.4 million. The amended appropriation will not result in additional borrowing by the City. The City receives reimbursement of eligible costs for its school construction projects at a rate of 79.33%

- The underwriting costs associated with future borrowing of the City, given the number of projects authorized, has been fixed through the issuance of a Request for Proposal (RFP) and the selection of a bond underwriter. The per-bond or note charge at the time of issuance will remain the fixed for the next five years. Independent Financial advisory services in conjunction with future borrowings were made part of the Banking Services engagement thereby fixing that cost for a five year period.
- At mid-point in the fiscal year, the Board of Aldermen were presented a resolution identifying outstanding balances remaining in bond authorizations deemed to have been completed, therefore, cancelling the balance for each authorization was appropriate. Effectively, \$51 million in project balances were cancelled by resolution of the Board of Aldermen.

Risk Management

- The hiring of a Risk Manager has enabled the department to institute measures to reduce peril in certain aspects of municipal operations by offering safety programs and lectures for department supervisors and employees, motor vehicle record checks for prospective employees, blood borne pathogen testing and vaccinations for those employees at risk and regularly scheduled safety committee meetings.
- The insured excess general liability coverage was increased from \$4 million to \$7 million per occurrence.

Collector of Revenue

- For the third successive year, the collection efforts and strategies of this department resulted in a collection rate exceeding 96%. The FY2007 tax levy collection rate was 96.89%, comparing favorably to FY2006, 96.63% and FY2005, 96.40%.

Office of the Assessor

- The department is approaching concluding its work for the Revaluation of Real property scheduled for the October 1, 2007 Grand List. The City elected to conduct periodic inspections of a portion of real property each year thereby satisfying the State regulation for a full inspection of each parcel once every ten years.

Director of Purchases

- The office initiated and concluded the process of selecting a vendor through the request for proposal (RFP) process to structure a bulk electrical utility purchase bid for the requirements of both the City and Board of Education given the deregulated utility environment.
- The Director continues to take the lead for City departments by monitoring the volatility of the fuel commodity market and developing strategies for the most advantageous pricing policy for the fiscal year. A combination of short and long-term arrangements and selecting between fixed or variable pricing structures have brought stability to the operational budgets for those City departments dependent upon this commodity.

The positive impact of the above initiatives continues the trend of improving financial performance and the increase in the undesignated fund balance. However, the City is restricted by virtue of the covenants of the deficit financing of 2002 in its growth of fund balance with the provisions governing a 5 % cap on working capital. A financial correlation exists with the City's focus of generating operating surpluses thereby increasing its undesignated fund position and working capital. The City is obligated to redeem the amount of bonds deficit bonds outstanding by the amount of monies in excess of 5% working capital. In view of the capital and operating needs of the City and the appropriations made from anticipated operating surpluses for these purposes, it is unlikely deficit bonds will be redeemed in the foreseeable years.

FINANCIAL INFORMATION

The City's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to manage spending within prescribable budget limitations and for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The City's accounting records for general government are maintained on the modified accrual basis. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City's accounting records for enterprise funds, internal service funds, pension and nonexpendable trust funds are maintained on an accrual basis. Revenues are recognized when earned, and expenses recognized when incurred.

DEBT ADMINISTRATION

The City's general outstanding bonded indebtedness totaled \$106.2 million on June 30, 2007. Additionally, enterprise funds bonded debt totaled \$70.8 million.

An analysis of the City's key debt ratios at year end shows that they remain well within the acceptable limits of the municipal credit industry:

(thousands) Net Direct Bonded Debt	Percentage of Net Bonded Debt to Net Taxable <u>Assessed Value</u>	Net Bonded Debt per Capita	Percent Retired <u>in Ten Years</u>
\$106,163	3.05%	\$972	72%

CASH MANAGEMENT

During the year, idle cash was invested, temporarily, in legally permitted investments on a short-term basis. Connecticut statutes restrict the investment of municipal funds to direct and indirect securities of the United States Government and certificates of deposit issued by commercial banks located within the State. Bank CD's are a component of the City's short-term investment portfolio. However, the Short Term Investment Fund (STIF) operated by the Office of the State Treasurer as well as similar, fully collateralized, offerings from local banks comprise the major share of the City's short-term investments.

RISK MANAGEMENT

The City is self-insured for health benefits, general and auto liability, workers' compensation and heart and hypertension. Insured Stop Loss coverage has been secured for the employee health benefit program {\$500 thousands/individual} and Excess Liability coverage {\$7 million/City retention \$1 million}. Effective July 1, 2007, the excess liability policy coverage was increased to \$10 million. Actuarial reviews are conducted annually on the general and auto liability and the workers' compensation and heart and hypertension funds and a program of systematic funding and policies has been developed to ensure adequate future funding.

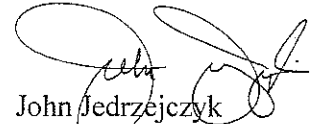
INDEPENDENT AUDIT

State Statute and the City Charter require an annual audit by an independent certified public accountant. The statute further prescribes that each municipality's annual report shall be prepared in accordance with accounting principles generally accepted in the United States of America. This report has been prepared according to these standards. The auditors' unqualified opinion is included in this report.

ACKNOWLEDGEMENT

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I should also like to thank the Mayor and Board of Aldermen for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted,



John Jedrzejczyk
Director of Finance

Financial Section

BlumShapiro

Report of Independent Accountants

To the Honorable Mayor and Board of Aldermen
City of Waterbury, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2007, 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of June 30, 2007, 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.

Management's discussion and analysis on pages 3 through 11 and budgetary comparison information on pages 52 through 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 26, 2007

CITY OF WATERBURY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

This discussion and analysis of the City of Waterbury, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

Financial Highlights

- The City's net assets increased \$28.1 million as a result of this year's operations. Net assets of our governmental activities increased \$26.6 million. Net assets of our business-type activities increased \$1.5 million.
- During the year, the City had governmental expenses that were \$26.6 million less than the \$419.2 million generated in tax, transfers, and other revenues for governmental activities.
- In the City's business-type activities, revenues decreased \$1.9 million (or 5.8 percent). Expenses increased by \$259 thousand.
- Total cost of all of the City's programs was \$421.5 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$19.9 million.
- The resources available for appropriation were \$3.6 million more than budgeted for the General Fund. Expenditures were kept within spending limits.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibit III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the City as a whole begins on Exhibits I and II. The statement of net assets and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors,

however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net assets and the statement of activities, we divide the City into three types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, human services, culture, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Bureau of Water Enterprise Fund and Water Pollution Control Enterprise Funds are reported here.
- *Component units* - The City includes the Waterbury Development Agency (blended presentation) in the City's basic financial statements.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by Charter. However, the City establishes many other funds to help control and manage financial activities for particular purposes to show that it is meeting legal responsibilities for using grants, and other money. The City's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits V, VI, and VII)* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities – such as the City's Self Insured Internal Service Funds.
- *Fiduciary funds (Exhibits VIII and IX)* – The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The City's combined net assets improved from a year ago increasing from \$265.8 million to \$293.9 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
NET ASSETS
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 143,504	\$ 143,575	\$ 47,134	\$ 47,194	\$ 190,638	\$ 190,769
Capital assets	<u>287,177</u>	<u>278,520</u>	<u>190,797</u>	<u>194,095</u>	<u>477,974</u>	<u>472,615</u>
Total assets	<u>430,681</u>	<u>422,095</u>	<u>237,931</u>	<u>241,289</u>	<u>668,612</u>	<u>663,384</u>
Long-term debt outstanding	265,731	282,469	76,761	81,828	342,492	364,297
Other liabilities	<u>22,302</u>	<u>23,583</u>	<u>9,932</u>	<u>9,733</u>	<u>32,234</u>	<u>33,316</u>
Total liabilities	<u>288,033</u>	<u>306,052</u>	<u>86,693</u>	<u>91,561</u>	<u>374,726</u>	<u>397,613</u>
Net assets:						
Invested in capital assets, net of debt	260,385	249,075	109,922	106,803	370,307	355,878
Restricted	9,068	10,147			9,068	10,147
Unrestricted	<u>(126,805)</u>	<u>(143,179)</u>	<u>41,316</u>	<u>42,925</u>	<u>(85,489)</u>	<u>(100,254)</u>
Total net assets	<u>\$ 142,648</u>	<u>\$ 116,043</u>	<u>\$ 151,238</u>	<u>\$ 149,728</u>	<u>\$ 293,886</u>	<u>\$ 265,771</u>

Net assets of the City's governmental activities increased by \$26.6 million, (\$142.6 million compared to \$116 million). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is a deficit of \$126.8 million at the end of this year compared with \$143.2 million at the end of last year.

The net assets of the City's business-type activities increased by \$1.5 million in 2007 (\$151.2 million compared to \$149.7 million). The City generally can only use these net assets to finance the continuing operations of the Bureau of Water and Water Pollution Control Enterprise Funds.

Table 2
CHANGES IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 12,185	\$ 11,412	\$ 28,153	\$ 30,591	\$ 40,338	\$ 42,003
Operating grants and contributions	169,743	166,050			169,743	166,050
Capital grants and contributions	8,103	3,327	609	583	8,712	3,910
General revenues:						
Property taxes	194,581	187,818			194,581	187,818
Grants and contributions not restricted to specific purposes	24,965	22,865			24,965	22,865
Unrestricted investment earnings	9,073	3,782	1,562	1,172	10,635	4,954
Other general revenues	513	689	144		657	689
Total revenues	<u>419,163</u>	<u>395,943</u>	<u>30,468</u>	<u>32,346</u>	<u>449,631</u>	<u>428,289</u>
Program expenses:						
General government	103,968	107,929			103,968	107,929
Public works	26,567	24,465			26,567	24,465
Public safety	45,781	45,754			45,781	45,754
Development and community affairs	5,779	1,313			5,779	1,313
Human services	4,370	7,203			4,370	7,203
Education	194,886	188,387			194,886	188,387
Culture and recreation	5,707	4,352			5,707	4,352
Interest on long-term debt	5,500	6,039			5,500	6,039
Bureau of Water			12,226	11,968	12,226	11,968
Water Pollution Control			16,732	16,731	16,732	16,731
Total program expenses	<u>392,558</u>	<u>385,442</u>	<u>28,958</u>	<u>28,699</u>	<u>421,516</u>	<u>414,141</u>
Excess before special items	26,605	10,501	1,510	3,647	28,115	14,148
Special items:						
Mutual release agreement billing adjustment				(4,663)		(4,663)
Increase in net assets	<u>\$ 26,605</u>	<u>\$ 10,501</u>	<u>\$ 1,510</u>	<u>\$ (1,016)</u>	<u>\$ 28,115</u>	<u>\$ 9,485</u>

The City's total revenues were \$449.6 million. The total cost of all programs and services was \$421.5 million. Our analysis below separately considers the operations of governmental and business-type activities. The \$26.6 million increase in governmental net assets was a result of a combination of positive factors. Some of those factors contributing to the increase in net assets included the use of current year tax revenue to pay down \$8.1 million of deficit bond obligations issued in previous years; the receipt of \$8.1 million of capital grants and contributions providing fund for, or direct additions to, the City's capitalized assets; \$5.4 million increase in the City's internal service funds principally driven by the investment income of \$3.7 million. Additionally the City received an additional property tax relief grant from the State of \$2.8 million reflected in the City's increase in operating grants and contributions compared with the previous year. The City's overall increase in program expenses of \$7.1 million was principally funded by \$6.8 million of additional tax revenue realized during 2007.

Governmental Activities

Table 3 presents the cost of each of the City's five largest programs – general government, general financial, public works, public safety, and education – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General government	\$ 103,968	\$ 107,929	100,105	\$ 98,586
Public works	26,567	24,465	22,709	20,940
Public safety	45,781	45,754	40,759	42,708
Development and community affairs	5,779	1,313	(726)	(168)
Education	194,886	188,387	30,838	30,495
All others	15,577	17,594	8,842	12,092
Totals	<u>\$ 392,558</u>	<u>\$ 385,442</u>	<u>202,527</u>	<u>\$ 204,653</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) decreased by 5.8 percent (\$30.5 million in 2007 compared to \$32.3 million in 2006) and expenses increased by \$259 thousand.

City Funds Financial Analysis

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$49.6 million. Included in this year's total change in fund balance, is an increase of \$382 thousand in the City's General Fund. General fund revenues exceeded budgetary estimates by \$3.6 million as investment income was \$1.5 million higher than projected and employee fringe benefit reimbursements from other funds exceeded budgetary estimates by \$1.1 million. The

City's General Fund expenditures were \$4.0 million less than budgeted. The budgetary savings was spread amongst many of the City's departments. The positive results of operations fully funded the appropriated budgeted use of \$7.2 million of fund balance.

Fund balance in other governmental funds decreased approximately \$3.3 million principally due to the use of local funding to complete various capital projects.

Proprietary Funds

The City's self-insured programs for Health Benefits, General Liability, Workers' Compensation, and Heart and Hypertension are reported as internal service funds of the City. The combined net assets deficit in the internal service funds of \$2.4 million, as reported in Exhibit V, represents a net asset increase of \$5.4 million from last year's net assets deficit of \$3.0 million.

General Fund Budgetary Highlights

The General Fund's fund balance increased \$382 thousand during the year. The City had anticipated the use of \$2.0 million of fund balance to fund budgeted expenditures at the start of the 2007 fiscal year. During the year, the City appropriated additional \$5.2 million from fund balance for the following purposes:

	(in thousands)
Capital Improvement Fund	\$1,000
Vehicle Replacement Fund	\$1,200
Elementary School Projects	\$1,599
City Hall Improvements Project	\$812
Municipal Stadium Project	\$625

Final actual revenues exceeded budgetary estimates by approximately \$3.6 million during the year and actual expenditures were \$4.0 million lower than the City's amended budget, fully funding the appropriated draw upon from fund balance projected at \$7.2 million for the year.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2007 the City had \$478 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges, and water and sewer facilities and lines – Table 4. This amount represents a net increase (including additions, deductions and depreciation) of \$5.4 million, or 1.1 percent, over last year.

TABLE 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Land and land improvements	\$ 14,759	\$ 14,796	\$ 1,773	\$ 1,773	\$ 16,532	\$ 16,569
Buildings, utility plant, and improvements	192,911	192,882	74,359	68,145	267,270	261,027
Infrastructure	41,055	42,759	61,791	62,832	102,846	105,591
Machinery and equipment	10,753	10,432	50,051	52,151	60,804	62,583
Vehicles	3,509	3,558	352	441	3,861	3,999
Construction in progress	24,190	14,093	2,471	8,753	26,661	22,846
Totals	<u>\$ 287,177</u>	<u>\$ 278,520</u>	<u>\$ 190,797</u>	<u>\$ 194,095</u>	<u>\$ 477,974</u>	<u>\$ 472,615</u>

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2007 the City had \$177.0 million in bonds and notes outstanding versus \$193.9 million last year – as shown in Table 5.

TABLE 5
OUTSTANDING DEBT, AT YEAR-END
(In Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General obligation bonds (Backed by the City)	\$ 106.2	\$ 118.4	\$ 70.8	\$ 75.5	\$ 177.0	\$ 193.9

The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$1.36 billion state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's budget setting and on-going monitoring systems have been developed to the level that the City can react quickly to revenue shortfalls or expenditure variances thereby insuring a positive operating result at fiscal year end. The budget appropriation process is precise in its detail yet considers variables that may be encountered in the course of operations. The fiscal year 2008 budget has been crafted in a manner which takes into account creative use of budgeted by departmental officials with the expectation of improvement service delivery. The City develops its revenue estimates on the basis of achievable objectives and realism as a means to limit income deficiencies and thereby strengthening the likelihood of continuing increases to the undesignated fund balance.

The fiscal year 2008 budget calls for \$365.9 million in revenues and expenditures, an approximate 5.01 percent increase over fiscal year 2007. On the revenue side, the fiscal year 2008 mill rate did not increase and remained at 55.49 mills on a net taxable grand list that increased by \$59.2 million over the previous year. About three quarters of the \$17.5 million increase in fiscal year 2008 revenues vs. 2007 budgeted revenue estimates is due to higher State education grant monies. The financial progress realized in the past six years now favorably depict Waterbury with peer Connecticut municipalities. The property tax collection rate continues to increase which is a credit to the taxpaying residents of Waterbury but also the forceful methods of delinquent tax collection by the Collector of Revenue. In fact, the 2008 tax collections for the current year levy are anticipated to exceed its budgeted estimated revenue based on projections as of this date.

The remainder of the increase in the 2008 budgeted revenues as compared to fiscal year 2007 is principally estimated to be received from local sources on income. Altogether, approximately 38.7 percent of the City's General Fund revenues are received from the State. Although the State fiscal year 2008 budget appears stable with projections of a modest surplus ranging between \$88-100 million (OPM & St. Treasurer's Office estimate through October 2007), the State is projecting a surplus for fiscal year 2009. Should projection hold true, it may potentially favorably impact the City's fiscal year 2009 budget.

The City's unemployment rate is reported at 6.8 percent. The local metropolitan area unemployment rate is 5.5. The State's unemployment rate is 4.5 percent compared with the national rate of 4.7 percent. To date in fiscal year 2008, tax collections and other revenues that are dependent on the local economy have not appeared to be materially impacted by the State or local economies.

On the expenditure side, the City has not implemented any significant new programs or services but expenditures increased and continue to trend upward in fiscal year 2008. The total budgeted increase in expenditures for fiscal year 2008 is \$ 17.5 million. Employee Healthcare and contributions to self-funded risk activities increased by \$7.36 million and monies to the Board of Education increased over \$7.0 million. The remainder of the increase was largely due to general wage inflation. As the City begins to prepare its fiscal year 2009 budget, it does so with the knowledge that there will continue to be pressure on many of these fixed expenses.

Bonds in the amount of \$27.9 million were issued in February 2007 to advance refund the portion of the 2002 bond issue not refunded in 2004. The refunding generated annual budgetary savings for remaining life of the issue (2022) of \$1.3 million. Two bond authorizations were approved during fiscal 2007, \$35.9 million for renovations to City Hall and City-Wide Roadway Improvements in the amount of \$8.93 million. A Bond Anticipation Note was issued by the City in September of 2007 in the amount of \$10 million to defray construction costs for the two projects along with monies for previously authorized Board of Education projects. The Note issue was assigned a rating of "MIG 1" by Moody's Investor Service which once again demonstrates the City's successful direction to upgrade its underlying rating from Baal to a rating more commensurate with its peer Connecticut municipalities. More recently, Fitch Ratings upgraded its underlying rating on approximately \$80.6 million general obligation bonds to BBB+, stable.

In the City's business-type activities, the Bureau of Water charges for water consumption increased by three percent for fiscal 2008. The Department has a number of projects it intends to finance through current resources over the course of the coming years. The Water Pollution Control fees remained unchanged for fiscal year 2008, although increases are likely for fiscal year 2009 and beyond. Each department has aggressively pursued and implemented energy conservation measures given their operational requirements in an effort to stabilize fees.

Contacting the City's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of Waterbury, 236 Grand Street, Waterbury, Connecticut 06702.

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**Basic Financial
Statements**

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2007

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 63,119	\$ 32,414	\$ 95,533
Investments	41,048		41,048
Receivables, net	38,063	14,568	52,631
Internal balances	227	(227)	-
Deferred charges	866		866
Other current assets	181	379	560
Capital assets:			
Assets not being depreciated	37,147	4,244	41,391
Assets being depreciated, net	250,030	186,553	436,583
Total assets	<u>430,681</u>	<u>237,931</u>	<u>668,612</u>
Liabilities:			
Accounts payable and accrued expenses	18,437	2,535	20,972
Unearned revenue	2,697		2,697
Unamortized bond premiums	1,168		1,168
Deferred credits		7,397	7,397
Noncurrent liabilities:			
Due within one year	33,990	5,594	39,584
Due in more than one year	231,741	71,167	302,908
Total liabilities	<u>288,033</u>	<u>86,693</u>	<u>374,726</u>
Net Assets:			
Invested in capital assets, net of related debt	260,385	109,922	370,307
Restricted for trust purposes:			
Trust purposes	1,330		1,330
Debt service	7,738		7,738
Unrestricted	(126,805)	41,316	(85,489)
Total Net Assets	<u>\$ 142,648</u>	<u>\$ 151,238</u>	<u>\$ 293,886</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 103,968	\$ 3,668	\$ 195	\$	(100,105)	\$	(100,105)
Public works	26,567	640	3,218		(22,709)		(22,709)
Public safety	45,781	3,190	1,528	304	(40,759)		(40,759)
Development and community affairs	5,779	2,050	4,455		726		726
Human services	4,370	225	2,663		(1,482)		(1,482)
Education	194,886	1,067	156,082	6,899	(30,838)		(30,838)
Culture and recreation	5,707	1,345	1,797	705	(1,860)		(1,860)
Interest on long-term debt	5,500				(5,500)		(5,500)
Total governmental activities	392,558	12,185	169,743	8,103	(202,527)		(202,527)
Business-type activities:							
Bureau of Water	12,226	10,834		61		(1,331)	(1,331)
Waste Treatment	16,732	17,319		548		1,135	1,135
Total business-type activities	28,958	28,153		609		(196)	(196)
Total	\$ 421,516	\$ 40,338	\$ 169,743	\$ 8,712	(202,527)	(196)	(202,723)
General revenues:							
Property taxes					194,581		194,581
Grants and contributions not restricted to specific programs					24,965		24,965
Unrestricted investment earnings					9,073	1,562	10,635
Miscellaneous					513	144	657
Total general revenues					229,132	1,706	230,838
Change in net assets					26,605	1,510	28,115
Net Assets, July 1, 2006					116,043	149,728	265,771
Net Assets, June 30, 2007					\$ 142,648	\$ 151,238	\$ 293,886

CITY OF WATERBURY, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 23,849	\$ 11,271	\$ 19,134	\$ 54,254
Investments			963	963
Receivables, net	27,189		10,854	38,043
Due from other funds	5,832			5,832
Other			181	181
	<u>56,870</u>	<u>11,271</u>	<u>31,132</u>	<u>99,273</u>
Total Assts	\$ 56,870	\$ 11,271	\$ 31,132	\$ 99,273
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 11,136	\$	\$ 5,635	\$ 16,771
Due to other funds			285	285
Deferred revenue	25,858		6,712	32,570
Total liabilities	<u>36,994</u>	<u>-</u>	<u>12,632</u>	<u>49,626</u>
Fund balances (deficit):				
Reserved		7,738	33,052	40,790
Unreserved, reported in:				
General Fund	19,876			19,876
Special Revenue Funds		3,533	4,949	8,482
Capital Project Funds			(19,501)	(19,501)
Total fund balances	<u>19,876</u>	<u>11,271</u>	<u>18,500</u>	<u>49,647</u>
Total Liabilities and Fund Balances	\$ 56,870	\$ 11,271	\$ 31,132	

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	287,177
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	30,739
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities	2,375
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	<u>(227,290)</u>

Net Assets of Governmental Activities (Exhibit I) \$ 142,648

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	General	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 194,680	\$	\$	\$ 194,680
Intergovernmental	141,738		56,730	198,468
Investment income	4,207	993	195	5,395
Charges for services	8,920		4,113	13,033
Reimbursements	11,089			11,089
Other	986		1,631	2,617
Total revenues	<u>361,620</u>	<u>993</u>	<u>62,669</u>	<u>425,282</u>
Expenditures:				
Current:				
General government	8,455		485	8,940
Public works	17,307		10	17,317
Public safety	42,440		2,150	44,590
Development and community affairs	884		4,488	5,372
Human services	3,080		2,725	5,805
Education	153,285		40,621	193,906
Culture and recreation	1,760		1,816	3,576
General financial	109,777			109,777
Capital outlay			20,604	20,604
Debt service:				
Principal		12,503		12,503
Interest		5,723		5,723
Bond issuance costs		503		503
Total expenditures	<u>336,988</u>	<u>18,729</u>	<u>72,899</u>	<u>428,616</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,632</u>	<u>(17,736)</u>	<u>(10,230)</u>	<u>(3,334)</u>
Other Financing Sources (Uses):				
Transfers in		17,528	6,822	24,350
Transfers out	(24,250)		(226)	(24,476)
Refunding bond premium		959		959
Refunding bonds issued		27,055		27,055
Refunded bond payment to escrow agent		(27,511)		(27,511)
Total other financing sources (uses)	<u>(24,250)</u>	<u>18,031</u>	<u>6,596</u>	<u>377</u>
Net Change in Fund Balances	382	295	(3,634)	(2,957)
Fund Balance (Deficit), July 1, 2006	<u>19,494</u>	<u>10,976</u>	<u>22,134</u>	
Fund Balance (Deficit), June 30, 2007	<u>\$ 19,876</u>	<u>\$ 11,271</u>	<u>\$ 18,500</u>	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

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 as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	6,319
In the statement of activities, the loss on the sale or disposal of capital assets is reported, whereas in the governmental funds, the transaction is not reported. Thus, the change in net assets differs from the change in fund balances by the loss on assets disposed.	(367)
Governmental funds do not report donations of capital assets. However, in the statement of activities, the value of donated capital assets is reported as a capital contribution.	2,705
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(536)
Bond proceeds and capital leases provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds.	13,329
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.	2,725
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit V).	5,387

Change in net assets of governmental activities (Exhibit II) \$ 26,605

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
(In Thousands)

	Business-Type Activities			Governmental
	Bureau of Water Enterprise Fund	Water Pollution Control Enterprise Fund	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 5,488	\$ 26,926	\$ 32,414	\$ 8,865
Investments				40,085
Receivables, net	6,149	8,419	14,568	20
Due from other funds				227
Inventories	379		379	
Total current assets	12,016	35,345	47,361	49,197
Noncurrent assets:				
Capital assets, net	51,625	139,172	190,797	
Total assets	63,641	174,517	238,158	49,197
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	1,221	1,314	2,535	169
Due to other funds	227		227	5,547
Capital lease obligations		429	429	
Bonds and serial notes payable		4,940	4,940	
Compensated absences	141	84	225	
Deferred credit		551	551	
Risk management claims				16,034
Total current liabilities	1,589	7,318	8,907	21,750
Noncurrent liabilities:				
Capital lease obligations		4,998	4,998	
Bonds and notes payable		65,852	65,852	
Compensated absences	264	53	317	
Deferred credit		6,846	6,846	
Risk management claims				25,072
Total noncurrent liabilities	264	77,749	78,013	25,072
Total liabilities	1,853	85,067	86,920	46,822
Net Assets:				
Invested in capital assets, net of related debt	51,625	58,297	109,922	
Unrestricted	10,163	31,153	41,316	2,375
Total Net Assets	\$ 61,788	\$ 89,450	\$ 151,238	\$ 2,375

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Business-Type Activities			Internal Service Funds
	Bureau of Water Enterprise Fund	Water Pollution Control Enterprise Fund	Total	
Operating revenues:				
Operations	\$ 10,834	\$ 17,319	\$ 28,153	\$
Employer premiums			-	62,855
Charges for services			-	7,822
Other	83	61	144	432
Total operating revenues	<u>10,917</u>	<u>17,380</u>	<u>28,297</u>	<u>71,109</u>
Operating expenses:				
Operations	7,803	7,447	15,250	
Administration and general	2,997	3,790	6,787	
Depreciation	1,426	4,044	5,470	
Benefits, claims, and administration			-	69,526
Total operating expenses	<u>12,226</u>	<u>15,281</u>	<u>27,507</u>	<u>69,526</u>
Operating income (loss)	<u>(1,309)</u>	<u>2,099</u>	<u>790</u>	<u>1,583</u>
Nonoperating income (loss):				
Capital grants	61	548	609	
Investment income (loss)	351	1,211	1,562	3,678
Interest expense		(1,451)	(1,451)	
Total nonoperating income (loss)	<u>412</u>	<u>308</u>	<u>720</u>	<u>3,678</u>
Income (loss) before transfers	<u>(897)</u>	<u>2,407</u>	<u>1,510</u>	<u>5,261</u>
Transfers in			-	126
Change in net assets	<u>(897)</u>	<u>2,407</u>	<u>1,510</u>	<u>5,387</u>
Total Net Assets at Beginning of Year	<u>62,685</u>	<u>87,043</u>	<u>149,728</u>	<u>(3,012)</u>
Total Net Assets at End of Year	<u>\$ 61,788</u>	<u>\$ 89,450</u>	<u>\$ 151,238</u>	<u>\$ 2,375</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Business-Type Activities			Governmental
	Bureau of Water Enterprise Fund	Water Pollution Control	Total	Internal
		Enterprise Fund		Service Funds
Cash Flows from Operating Activities:				
Cash received from operations	\$ 10,395	\$ 18,149	\$ 28,544	\$ -
City's contribution			-	62,628
Cash received from employees and other			-	8,349
Cash paid to employees for services	(5,727)	(4,838)	(10,565)	
Cash paid to vendors	(3,915)	(6,292)	(10,207)	(70,293)
Net cash provided (used) by operating activities	<u>753</u>	<u>7,019</u>	<u>7,772</u>	<u>684</u>
Cash Flows from Capital and Related Financing Activities:				
Capital grants	61	548	609	
Acquisition and construction of capital assets	(1,604)	(568)	(2,172)	
Principal Payment - bonds, notes, and leases		(5,888)	(5,888)	
Interest paid on bonds and notes		(1,463)	(1,463)	
Net cash provided (used) by capital and related financing activities	<u>(1,543)</u>	<u>(7,371)</u>	<u>(8,914)</u>	<u>-</u>
Cash Flows From (to) Noncapital Financing Activities:				
Transfers in from other funds			-	126
Advances from other funds			-	5,547
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,673</u>
Cash flows from investing activities:				
Net purchases and sales of investments			-	720
Income on investments	351	1,211	1,562	
Net cash provided (used) from investing activities	<u>351</u>	<u>1,211</u>	<u>1,562</u>	<u>720</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(439)	859	420	7,077
Cash and cash equivalents, July 1, 2006	<u>5,927</u>	<u>26,067</u>	<u>31,994</u>	<u>1,788</u>
Cash and Cash Equivalents, June 30, 2007	<u>\$ 5,488</u>	<u>\$ 26,926</u>	<u>\$ 32,414</u>	<u>\$ 8,865</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (1,309)	\$ 2,099	\$ 790	\$ 1,583
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	1,426	4,044	5,470	
Amortization of deferred credit		(548)	(548)	
(Increase) decrease in receivables	(522)	769	247	95
(Increase) decrease in due from other funds				(227)
(Increase) decrease in inventory	6		6	
Increase (decrease) in accounts payable and accrued expenses	903	626	1,529	48
Increase (decrease) in due to other funds	227		227	
Increase (decrease) in compensated absences	22	29	51	
Increase (decrease) in risk management claim liabilities			-	(815)
Net Cash Provided by Operating Activities	<u>\$ 753</u>	<u>\$ 7,019</u>	<u>\$ 7,772</u>	<u>\$ 684</u>
Noncash investing, capital, and financing activities:				
Increase in value of investments				<u>\$ 3,678</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2007

(In Thousands)

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 20,263	\$ 465
Investments:		
Common stock and equities	<u>39,672</u>	
Total assets	<u>59,935</u>	<u>\$ 465</u>
Liabilities:		
Accounts payable and accrued liabilities	10	\$
Deposits held for others		<u>465</u>
Total liabilities	<u>10</u>	<u>\$ 465</u>
Net Assets:		
Held in trust for pension benefits	<u>\$ 59,925</u>	

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Additions:		
Contributions:		
Employer		\$ 43,345
Plan members		5,846
Total contributions		<u>49,191</u>
Investment income:		
Net appreciation in fair value of investments	\$ 5,852	
Interest and dividends	<u>1,896</u>	
Total investment income		<u>7,748</u>
Total additions		56,939
Deductions:		
Benefits	43,568	
Refunds	623	
Administration	<u>260</u>	
Total deductions		<u>44,451</u>
Net Increase		12,488
Net Assets Held in Trust for Pension Benefits, Beginning of Year		<u>47,437</u>
Net Assets Held in Trust for Pension Benefits, End of Year		<u><u>\$ 59,925</u></u>

The accompanying notes are an integral part of the financial statements

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CITY OF WATERBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waterbury (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

A. Reporting Entity

Waterbury was founded in 1674, incorporated as a village in 1686 and became a City in 1853. The City operates under a Mayor-Board of Aldermen form of government with officials elected at regular biennial elections. Included in the services provided by the City are public safety, highways and streets, sanitation, health and social services, culture, recreation, education, public improvement, planning and zoning, and general administrative services.

Special Act 01-1 of the State of Connecticut General Assembly (the "Act"), as amended by Special Act 01-2 of the June 2001 Special Legislative Session, established the City of Waterbury Financial Planning and Assistance Board (the "WFPAB"). The WFPAB was established by the Act to review the financial affairs of the City, to assist the City in achieving access to public credit markets, and to assist the City in funding its accumulated deficits and restoring its financial stability. *In January 2007, the Waterbury Financial Planning and Assistance Board was dissolved by the State, at which time all oversight responsibilities pertaining to the City of Waterbury were concluded.*

Blended Component Unit

Waterbury Development Agency

The Waterbury Development Agency (WDA) was established in 1949 to administer various programs including urban renewal and economic development, central relocation and housing development. Within the WDA are included the activities of the Waterbury Housing Assistance Program, Inc. which administers similar types of activities. The WDA is principally funded by land sales and grants.

Related Organizations

The City has designated the Waterbury Development Corporation, among other designations, as the City's economic development agency, housing site development agency, and community development agency. Under a sub-recipient agreement between the City and the Corporation, the Corporation has assumed certain City responsibilities and obligations to administer grants and programs on behalf of the City. The City provides pass-through grant reimbursements to the Waterbury Development Corporation from the City's Community Development Block Grant. The Mayor sits on the Board of the Waterbury Development Corporation and is responsible for ultimate appointment of 10 members of the 25 member Board.

The Mayor is responsible for appointing board members to the City's Housing Authority and the Naugatuck Valley Development Corporation. The City's accountability for these organizations extends beyond making these appointments. The City is liable for any environmental liabilities associated with NVDC's Brass Mill Center Project.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The various types included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed.

General Fund - the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service, and interest income.

Special Revenue Funds - account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary funds.

Debt Service Fund - accounts for the payment of principal and interest on general long-term debt of the City.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the City's proprietary funds:

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Bureau of Water Fund and Water Pollution Control Fund are the City's two enterprise funds.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The Health Benefits, General Liability, Workers' Compensation, and Heart and Hypertension Fund are the City's four internal service funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Fund - accounts for the Waterbury Retirement System.

Agency Funds - are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The school system Student Activity Fund is the City's only agency fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The Debt Service Fund accounts for financial resources transferred in from other funds to fund debt service obligations. In addition, the Debt Service Fund is used to account for the special reserve for debt service required by Special Act 01-1.

The City reports the following major proprietary funds:

The Bureau of Water Enterprise Fund accounts for the operation of the City's water distribution system.

The Water Pollution Control Fund accounts for the operation of the sewage treatment plant and collection systems.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the City's risk management function.

The Pension Trust Fund accounts for the activities of the City of Waterbury Retirement System, which accumulates resources for pension benefit payments to qualified City employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

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 of the Bureau of Water and Water Pollution Control enterprise funds, and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City and the component units to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4.

Investments for the City, as well as for its component units, are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$7,303 is equal to 21.2% of outstanding property taxes at June 30, 2007.

Real, personal and motor vehicle property taxes are levied on the assessed value at the rate enacted by the Board of Aldermen in the annual budget ordinance.

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year and are billed on the following July 1 and January 1. Taxes are overdue on August 1 and February 1. Interest at the rate of 1-1/2% per month accrues on all overdue taxes. If taxes are unpaid as of June 30, following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value.

Property tax revenues are recognized when they become measurable and available. Available means due, or past due and collectible within 60 days of the end of the current period. The amount of property taxes receivable but not recorded as revenue is recorded as a deferred revenue. Deferred revenue resulting from the accounting for property taxes is \$16,753.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings	50
Other structures	25
Infrastructure	10-65
Machinery and equipment	5-20
Vehicles	8

H. 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.

Accumulated vacation and sick time is recognized as a liability of the City.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of this \$227,960 difference are as follows:

Bonds payable	\$ 106,163
Less: deferred charges on refunding (to be amortized as interest expense)	(1,798)
Accrued interest payable	1,497
Capital leases payable	824
Landfill postclosure liability	1,610
Compensated absences	29,219
Net pension obligation	81,800
Retired Employee Obligations	6,807
Unamortized bond premiums	<u>1,168</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>227,290</u>

Another element of the reconciliation states "long-term assets that are not available to pay for current period expenditures are deferred in the governmental funds". The details of this \$30,739 difference are as follows:

Property taxes	\$ 16,753
Accrued interest on property taxes	8,655
Housing assistance loans receivable	4,465
Deferred charges	<u>866</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u>30,739</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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". The details of this \$6,319 difference are as follows:

Capital outlay	\$ 17,134
Depreciation expense	<u>(10,815)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>6,319</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) 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 effect 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”. The details of this \$13,329 difference are as follows:

Amortization of:	
Deferred amount on refunding	\$ (19)
Bond issuance costs	(58)
Bond premiums	78
Principal repayments:	
General obligation debt	12,614
Capital leases	<u>714</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 13,329</u>

Another element of that reconciliation states that “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”. The details of this \$2,725 difference are as follows:

Compensated absences	\$ (483)
Pension obligation	1,063
Accrued interest	111
Landfill closure	70
Retired employee obligations	<u>1,964</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,725</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget for the General Fund is authorized annually by the Board of Aldermen. During the period under which the City operates with a State oversight board the City must also seek the approval of the Waterbury Financial Planning and Assistance Board. *In January 2007, the Waterbury Financial Planning and Assistance Board was dissolved by the State, at which time all oversight responsibilities pertaining to the City of Waterbury were concluded.* The procedures for establishing the budgetary data reflected in the basic financial statements are as follows:

- The Mayor submits to the Board of Alderman a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- The Board of Alderman holds two public hearings and adjusts the proposed budget to incorporate taxpayer comments, as considered necessary. The adjusted budget is submitted to the Waterbury Financial Planning and Assistance Board (WFPAB).
- The budget is legally enacted, subject to WFPAB approval, through a Board of Aldermen resolution.

- The WFPAB, also through a resolution, indicates its final approval of the City’s Board of Alderman adopted budget.
- At any time, in any fiscal year, upon recommendation of the Mayor and approval of the Board of Aldermen, the City may transfer any unexpended balance or any part thereof of any specific appropriation as made for that year, to such other department or for such other purposes as the Board of Aldermen may designate. The WFPAB must also approve all budget transfers.
- At any time, in any fiscal year, upon recommendation of the Mayor and approval of the Board of Aldermen, the City may increase the amount of any specific appropriation as made for that year, to such department or for such purpose as the Board of Aldermen may designate. Any increased appropriation must be reconciled by an accompanying increase in revenue. The WFPAB must also approve all additional appropriations.
- During Fiscal Year 2006/07 the Mayor recommended, and the Board of Alderman and the WFPAB approved, additional appropriations in the amount of \$5.2 million.

Budgetary data for special revenue funds are established by the respective program directors and are subject to a similar approval process. It is not practicable for the City to report budgetary information for special revenue funds on a combined basis.

The budgets are administered on a modified accrual basis of accounting except for encumbrances. The control level on which expenditures may not legally exceed appropriations is the fund level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Deficit Fund Equity

The following funds had deficit net asset balances as of June 30, 2007:

	<u>Amount</u>
Nonmajor Funds:	
Internal Service Funds:	
Workers’ Compensation	10,029*
Special Revenue Funds	
Recreational Programs	337**

* Deficit balances will be systematically funded based on annual actuarial valuations.

** Deficit will be reduced in future years when additional revenues are realized.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank”, as defined by the Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Cash and Cash Equivalents

The following is a summary of the City's cash and cash equivalents at June 30, 2007:

Deposits:	
Demand accounts	\$ 6,949
Certificates of deposit	326
Money market and other savings accounts	<u>24,739</u>
Total deposits	32,014
Petty cash	1
Cash equivalents:	
State Short-Term Investment Fund (STIF)	63,371
State Tax Exempt Bond Proceeds Fund (TEPF)	1,162
Victory Gradison Government Money Funds	19,704
Dreyfus Treasury Prime Cash Management	<u>9</u>
Total Cash and Cash Equivalents	<u>\$ 116,261</u>

Deposits

At June 30, 2007, the carrying amount of the City's deposits was \$32,014 and the bank balance was \$40,491.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's formal deposit policy includes sections regarding safekeeping and custody of deposits to mitigate custodial credit risk. Of the June 30, 2007 bank balance, \$1,267 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$4,024, based on June 30, 2007 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the City's name). The balance of deposits of \$35,200 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2007, the City's cash equivalents amounted to \$84,246. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm
Victory Gradison Government Money Fund	AAAm
State Tax Exempt Proceeds Fund (TEPF)	*
Dreyfus Treasury Prime Cash Management	*

*Not rated by rating organization

B. Investments

Investments as of June 30, 2007 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
Corporate bonds	\$ 12,565	4.76
Corporate asset backed securities	879	31.29
U.S. government agencies	6,247	3.45
Government asset backed	4,371	11.94
U.S. treasury obligations	2,637	5.23
Other Investments:		
Common stock	53,646	
Open-end mutual funds	<u>375</u>	
Total	<u>\$ 80,720</u>	

Portfolio weighted average maturity for interest bearing investments 6.55

Interest Rate Risk – The City's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments - As indicated above, State Statutes limit the investment options of cities and towns. The City’s investment policy further limits its investment choices including prohibiting investments in derivatives. The following table provides a summary of the City’s investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor’s</u>	<u>Moody’s Investor Service</u>
Corporate bonds	AAA to BBB+	Aaa to A3
Corporate asset backed securities	AAA	Aaa
U.S. government agencies*	AAA	Aaa

*Includes individual securities that have not been rated

Concentration of Credit Risk – The City’s investment policy does not allow for an investment in securities that are not readily marketable, other than those securities or deposits that mature within seven days, in any one issuer that is in excess of five percent of the City’s total investments.

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), 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 individual investments in equities, corporate bonds, corporate asset backed securities, U.S. government securities and U.S. treasury obligations are uninsured and unregistered securities held by a counterparty, or by its trust department or agent that are not in the City’s name. The City’s other investments are held in open-end mutual funds which, because they are pooled investments rather than separate identifiable securities, are not subject to custodial risk determination. The City’s formal investment policy includes sections regarding safekeeping and custody of investments to mitigate custodial credit risk.

5. RECEIVABLES

Receivables as of year end for the City’s individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Bureau of Water</u>	<u>Water Pollution Control</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 25,200				\$ 25,200
Accrued interest on taxes	15,615				15,615
Service fees		9,552	11,296		20,848
Unbilled revenue		1,615	2,023		3,638
Intermunicipal fees			1,173		1,173
Intergovernmental			54	6,477	6,531
Loans and accrued interest on loans				4,257	4,257
Accounts and other	2,014	260	651	523	3,448
Gross receivables	<u>42,829</u>	<u>11,427</u>	<u>15,197</u>	<u>11,257</u>	<u>80,710</u>

	<u>General</u>	<u>Bureau of Water</u>	<u>Water Pollution Control</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Less:					
Allowance for uncollectibles:					
Taxes	\$ (7,303)	\$	\$	\$	\$ (7,303)
Accrued interest on taxes	(6,960)				(6,960)
Service fees and accrued interest		(5,218)	(6,778)		(11,996)
Loans and accrued interest				(337)	(337)
Accounts	(1,377)	(60)		(46)	(1,483)
Total allowance	<u>(15,640)</u>	<u>(5,278)</u>	<u>(6,778)</u>	<u>(383)</u>	<u>(28,079)</u>
Net total receivables	<u>27,189</u>	<u>6,149</u>	<u>8,419</u>	<u>10,874</u>	<u>52,631</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund:			
Delinquent property taxes	\$ 16,753	\$	\$ 16,753
Accrued interest on delinquent property taxes	8,655		8,655
Other accounts receivable	341		341
Advance tax collections		10	10
Other deferred revenue		99	99
Nonmajor funds and other funds:			
Grant drawdowns prior to meeting all eligibility requirements		2,588	2,588
Housing loans and accrued interest	3,920		3,920
Other accounts receivable	204		204
Total deferred/unearned revenue for governmental funds	<u>\$ 29,873</u>	<u>\$ 2,697</u>	<u>\$ 32,570</u>

6. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 12,719	\$ 238	\$	\$ 12,957
Construction in progress	<u>14,093</u>	<u>17,225</u>	<u>(7,128)</u>	<u>24,190</u>
Total capital assets not being depreciated	<u>26,812</u>	<u>17,463</u>	<u>(7,128)</u>	<u>37,147</u>
Capital assets, being depreciated:				
Land improvements	8,091		(614)	7,477
Buildings and improvements	257,022	5,263	(232)	262,053
Infrastructure	124,428	454		124,882
Machinery and equipment	27,602	2,742	(638)	29,706
Vehicles	<u>10,344</u>	<u>1,045</u>	<u>(428)</u>	<u>10,961</u>
Total capital assets being depreciated	<u>427,487</u>	<u>9,504</u>	<u>(1,912)</u>	<u>435,079</u>
Less accumulated depreciation for:				
Land improvements	(6,014)	(217)	556	(5,675)
Buildings and improvements	(64,140)	(5,039)	37	(69,142)
Infrastructure	(81,669)	(2,158)		(83,827)
Machinery and equipment	(17,170)	(2,389)	606	(18,953)
Vehicles	<u>(6,786)</u>	<u>(1,012)</u>	<u>346</u>	<u>(7,452)</u>
Total accumulated depreciation	<u>(175,779)</u>	<u>(10,815)</u>	<u>1,545</u>	<u>(185,049)</u>
Total capital assets, being depreciated, net	<u>251,708</u>	<u>(1,311)</u>	<u>(367)</u>	<u>250,030</u>
Governmental activities capital assets, net	<u>\$ 278,520</u>	<u>\$ 16,152</u>	<u>\$ (7,495)</u>	<u>\$ 287,177</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,773	\$	\$	\$ 1,773
Construction in progress	<u>8,753</u>	<u>1,755</u>	<u>(8,037)</u>	<u>2,471</u>
Total capital assets, not being depreciated	<u>10,526</u>	<u>1,755</u>	<u>(8,037)</u>	<u>4,244</u>
Capital assets, being depreciated:				
Utility plant	89,460	8,037		97,497
Infrastructure	96,005			96,005
Machinery and equipment	71,905	115	(12)	72,008
Vehicles	<u>1,790</u>	<u>302</u>	<u>(44)</u>	<u>2,048</u>
Total capital assets being depreciated	<u>259,160</u>	<u>8,454</u>	<u>(56)</u>	<u>267,558</u>
Less accumulated depreciation for:				
Utility plant	(21,315)	(1,823)		(23,138)
Infrastructure	(33,173)	(1,041)		(34,214)
Machinery and equipment	(19,754)	(2,215)	12	(21,957)
Vehicles	<u>(1,349)</u>	<u>(391)</u>	<u>44</u>	<u>(1,696)</u>
Total accumulated depreciation	<u>(75,591)</u>	<u>(5,470)</u>	<u>56</u>	<u>(81,005)</u>
Total capital assets, being depreciated, net	<u>183,569</u>	<u>2,984</u>		<u>186,553</u>
Business-type activities capital assets, net	<u>\$ 194,095</u>	<u>\$ 4,739</u>	<u>\$ (8,037)</u>	<u>\$ 190,797</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 729
Public works (including parks)	2,808
Public safety	2,458
Human services	20
Education	3,795
Culture and recreation	<u>1,005</u>
Total depreciation expense – governmental activities	<u>\$ 10,815</u>

Business-type activities:

Water	\$	1,426
Water Pollution Control		<u>4,044</u>
Total depreciation expense – business-type activities	\$	<u><u>5,470</u></u>

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2007 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 285
General Fund	Internal Service	5,547
Internal Service	Enterprise	<u>227</u>
		<u><u>\$ 6,059</u></u>

Interfund transfers:

A summary of interfund transfers is presented below:

	<u>Transfer In</u>			
	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	<u>Total</u>
Transfers out:				
General Fund	\$ 17,528	\$ 6,722	\$	\$ 24,250
Nonmajor Governmental		<u>100</u>	<u>126</u>	<u>226</u>
General Fund	<u>\$ 17,528</u>	<u>6,822</u>	<u>\$ 126</u>	<u>\$ 24,476</u>

Transfers from the General Fund to the Debt Service and Nonmajor Governmental Funds are in accordance with budgetary appropriations authorizing the transfer of funds for designated purposes.

8. DEFERRED CREDITS – WATER POLLUTION CONTROL ENTERPRISE FUND

The State of Connecticut Department of Environmental Protection has provided Clean Water Financing in the form of serial notes for the City's sewage treatment plant. Pursuant to certain inter-municipal agreements, a portion of the plant financing agreement will be paid for by other municipalities in exchange for guaranteed capacity for those towns. The serial notes are not reflected on the City's statement of net assets since the obligations are directly financed by the participating municipalities. Deferred credits are reflected as of June 30, 2007 amounting to \$7,397 and will be amortized and recorded as revenue as the contributing municipalities make payments to the State of Connecticut.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Deferred Credit</u> <u>Amortization</u>
2008	\$ 551
2009	554
2010	557
2011	560
2012-2020	<u>5,175</u>
Total	<u>\$ 7,397</u>

9. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 118,357	\$ 27,055	\$ 39,249	\$ 106,163	\$ 9,934
Less deferred amount on refunding	<u>(1,397)</u>	<u>(420)</u>	<u>(19)</u>	<u>(1,798)</u>	
Total bonds payable	116,960	26,635	39,230	104,365	9,934
Capital leases	1,538		714	824	559
Accrued compensated absences	28,736	4,958	4,475	29,219	4,522
Retired employee obligations	8,771	536	2,500	6,807	2,871
Net pension obligation	82,863		1,063	81,800	
Landfill post-closure	1,680		70	1,610	70
Risk management	<u>41,921</u>	<u>69,526</u>	<u>70,341</u>	<u>41,106</u>	<u>16,034</u>
Government activity long-term liabilities	<u>\$ 282,469</u>	<u>\$ 101,655</u>	<u>\$ 118,393</u>	<u>\$ 265,731</u>	<u>\$ 33,990</u>

A schedule of governmental activities bonds and serial notes outstanding at June 30, 2007 is presented below:

Description	Date of Issue	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2007
General purpose bonds payable:				
General Improvement	11/15/98	4.75	\$ 18,004	\$ 1,841
Special Capital Reserve Funds	04/01/02	4.0-5.5	82,075	21,055
Special Capital Reserve Funds	04/01/02	4.0-5.5	15,390	4,600
Refunding Bond	05/01/03	2.5-5.0	7,749	1,746
Refunding Bond - Parking Authority	05/01/03	2.5-5.0	653	148
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	17,833	16,678
Refunding Bond - Special Capital	10/01/04	2.0-5.0	462	25,305
Reserves				
Refunding Bond - Special Capital Reserves	02/15/07	3.8-4.5	27,055	27,055
State of Connecticut serial note payable:				
Washington Ave Bridge	07/01/98	6.00	3,795	47
Total general purpose				<u>98,475</u>
School bonds payable:				
Schools	11/15/98	4.25-5.25	3,950	390
Refunding Bond	05/01/03	2.5-5.0	6,286	890
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	540	6,286
Total school obligations				<u>7,566</u>
Urban renewal bonds payable				
Refunding Bond	05/01/03	2.5-5.0	237	122
Total				<u>\$ 106,163</u>

A schedule of governmental activities bonds outstanding at June 30, 2007 is presented below:

Due During Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 9,934	\$ 5,003	\$ 14,937
2009	7,090	4,375	11,465
2010	7,161	4,034	11,195
2011	7,217	3,717	10,934
2012	7,272	3,388	10,660
2013-2017	37,500	11,979	49,479
2018-2022	29,989	3,785	33,774
Total	<u>\$ 106,163</u>	<u>\$ 36,281</u>	<u>\$ 142,444</u>

Capital Leases

The City has entered into various multi-year capital lease agreements as lessee for financing the acquisition of equipment and other capital assets.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2007

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 621
2009	<u>243</u>
Minimum Lease Payments	864
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(40)</u>
Present Value of Minimum Lease Payments	<u>\$ 824</u>

Compensated Absences

Employees can accumulate unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provides for payments to vested employees net of provisions to exchange selected amounts of accumulated sick time for pension service years.

The following is a summary of management's estimate of vested and non-vested potential liability for lump sum payments to employees.

	<u>June 30, 2007</u>
Vested:	
Sick	\$ 17,543
Vacation	3,316
Non-vested:	
Sick	<u>8,360*</u>
Total	<u>\$ 29,219</u>

*Based on estimated percentage of total non-vested obligation that potentially will vest in future years.

Retired Employee Obligations

City

City obligations to retired employees of \$60 consist of amounts due retired employees for unused compensated absences for which payments are withheld until the employee qualifies for payment of pension benefits.

Board of Education

Board of Education obligations to retired employees of \$6,747, consists of amounts due retired employees for unused compensated absences that are amortized over various years as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 2,871
2009	2,608
2010	716
2011	299
2012	193
2013-2015	<u>60</u>
Total	\$ <u>6,747</u>

Net Pension Obligation

Refer to Note 14D

Landfill Post Closure Care Costs

The City received a consent order from the State of Connecticut Department of Environmental Protection requiring as of October 9, 1994 that its landfill no longer accept any solid waste and that by October 31, 1996 the facility be capped. The City has closed and capped the landfill and is in the fifth year of a thirty (30) required post closure monitoring period. Governmental Accounting Standard Board ("GASB") Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, requires a liability related to closure and postclosure care to be estimated and recorded based on landfill capacity used to date. The City has estimated \$1,610 for the postclosure monitoring liability as of June 30, 2007. However, due to changes in technology, laws or regulations these costs may change in the future.

Business Type Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond and serial notes					
Payable	\$ 75,501	\$ 770	\$ 5,479	\$ 70,792	\$ 4,940
Capital leases	5,836		409	5,427	429
Accrued compensated absences	<u>491</u>	<u>266</u>	<u>215</u>	<u>542</u>	<u>225</u>
Business-type activity long-term liabilities	\$ <u>81,828</u>	\$ <u>1,036</u>	\$ <u>6,103</u>	\$ <u>76,761</u>	\$ <u>5,594</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2007 is presented below:

Description	Date of Issue	Interest Rate (%)	Amount of Original Issue	Balance Outstanding June 30, 2007
Business Type Activities:				
Water Pollution Control:				
Bonds payable:				
Platts Mill	11/15/98	4.25-5.25	\$ 1,326	\$ 135
Refunding Bond	05/01/03	2.5-5.0	438	99
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	2,076	1,946
Serial notes payable - State of Connecticut:				
Clean Water Act	08/30/95	2.0	4,008	1,277
Clean Water Act	07/31/97	2.0	6,448	2,803
Clean Water Act	12/31/00	2.0	69,647	49,373
Clean Water Act	10/30/02	2.0	11,547	8,906
Clean Water Act	11/30/03	2.0	2,424	2,038
Clean Water Act	05/30/04	2.0	2,953	2,535
Clean Water Act	06/30/04	2.0	1,138	952
Clean Water Act	11/30/05	2.0	544	502
Clean Water Act	06/29/07	2.0	226	226
Total				\$ <u>70,792</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2007 is presented below:

Due During Fiscal Year Ending June 30,	Principal	Interest	Total
2008	\$ 4,940	\$ 1,415	\$ 6,355
2009	4,939	1,310	6,249
2010	5,031	1,209	6,240
2011	5,130	1,105	6,235
2012	5,232	999	6,231
2013-2017	26,976	3,337	30,313
2018-2022	18,235	713	18,948
2023	309	3	312
Total	\$ <u>70,792</u>	\$ <u>10,091</u>	\$ <u>80,883</u>

Capital Leases

The City has entered into a twenty-year capital lease agreement for a sewage sludge incinerator facility that became operational in January 1997 and is operated by Synagro Technologies, Inc. The City's annual sludge disposal fee includes a capital cost component payable through 2017.

The following is a schedule of future capital lease payments, together with the net present value as of June 30, 2007.

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 707
2009	707
2010	707
2011	707
2012-2017	<u>4,241</u>
Minimum Lease Payments	7,069
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(1,642)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,427</u>

Refunding

On February 15, 2007, the City issued \$27,055 in general obligation bonds with interest rates of 3.8%-4.5% to advance refund \$26,635 of outstanding governmental Special Capital Reserve Fund bonds with interest rates of 4.9%-5.1%. The net proceeds of \$28,180 (after payment of \$503 in underwriters fees and other issuance costs) plus \$959 of original issue premium and local funding of \$669, were used to purchase U.S Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide selected debt service payments on the refunded bonds. The City advance refunded the bonds to take advantage of lower market borrowing rates resulting in a cash flow savings of \$1,283 and a net present value savings of \$924. As a result, the above referenced refunded bonds are considered defeased and the liability for those bonds has been removed as a long-term debt of the City.

Defeasance of Debt

The City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2007, the following refunded bonds outstanding are considered defeased:

<u>Original Issue</u>	<u>Date Refunded</u>	<u>Refunded Amount</u>	<u>Defeased Balance</u>
April 1, 2002	02/15/2007	\$ 26,635	\$ 26,635
November 15, 1998	10/01/2004	13,970	13,970
February 1, 2000	10/01/2004	11,065	9,645
April 1, 2002	10/01/2004	25,015	24,635

Debt Limitations

The City's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 438,532	\$ 99,013	\$ 339,519
Schools	877,064	7,566	869,498
Sewers	730,886	95,750	635,136
Urban renewal	633,435	122	633,313
Pension deficit	584,709		584,709

The total of the City's net statutory indebtedness of \$202.5 million does not exceed the legal debt limitation of \$1.36 billion (seven times the base for debt limitation computation).

Bonds and serial notes authorized/unissued used in the calculation of net indebtedness are net of estimated grants received under the State's school building grant program and clean water fund grant program.

10. RISK MANAGEMENT

The City is self-insured in most areas of risk. Self-insured risks include general and auto liability, workers' compensation, unemployment and employee health claims. The City's Legal Counsel defends the City in any lawsuits that arise from the normal course of operations.

The City purchases commercial insurance for individual stop loss insurance coverage of \$500 thousand for self-insured medical benefits. Additionally, the City purchases commercial insurance for excess coverage for self-insured general liability claims set at \$7 million with a City retention of \$1 million.

The City has an Anthem Blue Cross/Blue Shield medical plan for which payments are based upon actual claims (versus premium payments). In this case, Anthem Blue Cross/Blue Shield acts as a claims processor and a transfer of risk does not occur.

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund to pay claims, claim reserves and administrative costs of the program. During the fiscal year ended June 30, 2007, \$56.5 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$4.5 million have been accrued as a liability based upon information supplied by the City's Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

An actuarial study estimates the present value of general liability outstanding losses including case reserves for known claims and incurred but not reported claims at \$4.8 million as of June 30, 2007.

An actuarial study estimates the present value of workers' compensation claims liabilities, including case reserves for known claims and incurred but not reported claims, at \$20.9 million as of June 30, 2007.

The present value of future costs to current eligible recipients subject to Heart and Hypertension benefits is estimated at \$11 million as of June 30, 2007. The actuarial estimate is based on the present value of seven times current year paid benefits.

Changes in the reserve amounts in fiscal years 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Beginning of year	\$ 41,921	\$ 40,616
Fiscal year claims incurred and changes in prior years' estimates	69,526	69,977
Fiscal year claims payments	<u>(70,341)</u>	<u>(68,672)</u>
End of year	<u>\$ 41,106</u>	<u>\$ 41,921</u>

11. OPERATING LEASES

Lease Agreements as Lessor

The City entered into a twenty year lease commencing on November 10, 2004 with the Palace Theater Group to have them serve as the sole and exclusive manager of the Theater and to provide any maintenance to the Theater as needed. The Palace Theater Group makes annual payment in the lieu of taxes to the City. Annual payments of \$250 are anticipated over the course of the lease in addition to any increases stipulated by the City.

Lease Agreements as Lessee

The City entered into a two year lease commencing on March 19, 2007 for the rental of office and storage space from Waterbury Commons, LLC for municipal business offices. In addition, there is an option to extend the lease term for one additional year commencing on March 19, 2009 and terminating on March 18, 2010. Payments made for the fiscal year ended June 30, 2007 was \$109. Future minimum lease payments, including the extension, are projected as follows:

2008	\$ 384
2009	387
2010	297

The City entered into a two year lease commencing on January 1, 2006 for the rental of office and storage space from Waterbury Commons, LLC for municipal business offices. In addition, there is an option to extend the lease term for one additional year commencing on January 1, 2008 and terminating on December 31, 2008. Payments made for the fiscal year ended June 30, 2007 was \$384. Future minimum lease payments, including the extension, are projected as follows:

2008	\$ 384
2009	198

The City entered into a five year lease with Northern Expansion, LLC. commencing on January 31, 2007 for the rental of a building at 49 Leavenworth Street for the use of the Probate Court office. In addition to the base rent, the City pays additional rent for its proportionate share of any increase in real property taxes assessed against the property, over the assessed amount on the Grand List of October 1, 2005. Payments made for the fiscal year ended June 30, 2007 was \$9. Future minimum lease payments are projected as follows:

2008	\$ 112
2009	112
2010	123
2011	123
2012	130

The City has entered into various other operating leases related to the rental of property for City office space, storage, and Board of Education instructional use. Payments made for the fiscal year ended June 30, 2007 was \$651. Future minimum lease payments are projected as follows:

2008	684
2009	724
2010	245

12. FUND EQUITY

The following is a description of various reserve accounts used to indicate that a portion of equity is legally segregated for a specific purpose and is unavailable for appropriation:

A. Fund Balance

Reserved for Encumbrances and Commitments - represents outstanding purchase orders at year end on contracts.

Reserved Debt Service - represents funds reserved for the payment of principal, purchase of, payment of interest, or redemption of premium on outstanding bonds and serial notes.

Reserved for Trusts - represents the amount of funds accumulated in Other Governmental Funds to pay for specific endowment activities.

Reserved for Inventory - the balance of inventory accounts has been reserved to indicate that the portion of fund balance represented is not available for appropriation or expenditure.

Fund balance reserves are as follows:

	Debt Service Fund	Other Governmental Funds
Encumbrances	\$	\$ 31,541
Debt Service	7,738	
Inventory		181
Trusts		1,330
Total	\$ 7,738	\$ 33,052

B. Fund Balance - Designations

General Fund

The City follows a policy whereby a portion of audited unreserved fund balance may be used for balancing the budget during the next fiscal year. The amount of \$2,958 has been designated to balance the General Fund budget for the 2007-2008 fiscal year.

Capital Project Funds

Capital Project Funds with fund balances are designated for specific capital project purposes.

13. OTHER POSTEMPLOYMENT BENEFITS

Postemployment Benefits

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. The Government Accounting Standards Board (GASB) has issued statements to establish financial reporting, liability calculation, along with the requirement to disclose the government's funding strategy and progress.

The following is the current census of City benefit participants:

Active members	3,041
Retirees	<u>3,871</u>
Total	<u>6,912</u>

Postemployment benefit payments for the year ended June 30, 2007 for the 3,900 retirees, net of retiree and other contributions, amounted to approximately \$23.5 million.

Although the City has not established a trust fund, as of June 30, 2007, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines, an actuarial valuation was prepared to value the estimated accrued liability, as of June 30, 2007, and the annual required contribution (ARC) for the subsequent year ending June 30, 2008.

The following reflects the assumptions and results of the actuarial report:

Valuation date	July 1, 2006
Projected liability	July 1, 2007
Actuarial cost method	Projected Unit Credit
Remaining amortization period	30 year – level dollar
Actuarial assumptions:	
Investment rate of return	7.5%
Benefit cost trend	10.0%
	(reducing by 1% until 2012)
Actuarial accrued liability:	
Retirees	\$540,242
Active – hired before July 1, 2004	63,356
Active – hired after June 30, 2004	<u>685</u>
Total	<u>\$604,283</u>
Annual Required Contribution (ARC)	
Fiscal year ending June 30, 2008	
Retirees	\$45,195
Active participants	<u>11,874</u>
Total	<u>\$57,069</u>

The City's current strategy is to fund postemployment obligations based upon the following distinct characteristics of benefits and status of recipient:

- Retirees, which represent the largest element of both the actuarial accrued liability and ARC, will be funded on a pay-as-you-go basis. This method, in time, will eliminate the unfunded status of this group;
- Active members, hired prior to July 1, 2004, will be funded based on normal cost, with no amortization of the actuarial accrued liability;
- Active members, hired after June 30, 2004, will be funded in accordance with the actuarially determined ARC, which includes both normal cost and the amortization of the accrued liability. The benefits of this employee group are substantially less than the benefits negotiated for employees hired prior to July 1, 2004.

As of June 30, 2007, the funding and payment of postemployment benefits are accounted for in an internal service fund. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of a trust fund and internal service fund control structure may be used, the City anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. The City's budget for 2007-2008 includes \$30.0 million to partially fund the ARC; \$2.0 million more than the estimated net claim and other payments due during the budgetary period.

14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Waterbury Retirement System

A. Plan Description

The City is the administrator of the City of Waterbury Retirement System, a single-employer public employee retirement system ("PERS") established and administered by the City to provide pension benefits for its non-teacher employees. The PERS is considered to be part of the City of Waterbury's financial reporting entity and is included in the City's financial reports as a pension trust fund.

Membership as of July 1, 2007 of the PERS consisted of the following:

	<u>Number of Employees</u>
Retirees and Beneficiaries Currently Receiving Benefits	2,106
Terminated Employees Not Yet Receiving Benefits	89
Current Active Members	<u>1,664</u>
Total	<u><u>3,859</u></u>

Members are required to contribute to the Plan and the City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Charter and Union negotiation.

Refer to the PERS actuarial valuation report for summaries of specific plan provisions and actuarial assumptions and for eligibility and benefit exception provisions applicable to employees based on pre-existing hire dates and years of services. The following is a brief summary of current plan provisions:

	Retirement Eligibility	Benefit	Employee Vesting	Contribution
Police	25 Yrs.	2% of Final Average Compensation Max. 70%	10 Yrs.	9.5%
Fire	25 Yrs.	2%/Yr. Max. 70%	10 Yrs.	9.5%
Blue Collar	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr. Max. 70%	10 Yrs.	7.5%
White Collar	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	7.5%
Nurses	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2% of FABC/ Yrs. of Service	10 Yrs.	7%
WMAA	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	9%
SAW	Age 65	1%/Yr.	None	3% (1% member and 2% by Board)
Development	Age 60	2%/Yr.	10 Yrs.	8%

Payments for medical benefits for retirees are provided from the General Fund.

B. Significant Accounting Policies and System Assets

The Plan follows the accrual basis of accounting. The investments of the PERS are valued at fair value.

C. Funding Status and Progress

Employees are required to contribute various percentages of their earnings to the PERS (See A above). If an employee leaves employment or dies before meeting the vesting requirements, accumulated employee contributions and interest are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined by its actuaries; the current rate is 60.2% of annual covered payroll. Benefits and employee contributions are fixed by contract and may be amended subject to union negotiations.

D. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the PERS for the current year were as follows:

Annual required contribution	\$ 42,345
Interest on net pension obligation	7,044
Adjustment to annual required contribution	<u>(7,107)</u>
Annual pension cost	42,282
Contributions made	<u>43,345</u>
Increase (decrease) in net pension obligation	(1,063)
Net pension obligation beginning of year	<u>82,863</u>
Net pension obligation end of year	<u>\$ 81,800</u>

The following is a summary of certain significant actuarial assumptions and other PERS information:

Actuarial valuation date	July 1, 2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	30 years-closed
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases*	4.5%
Cost-of-living adjustments	n/a
*Inflation rate included	4%

E. Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 40,569	102%	\$ 84,481
6/30/06	40,380	104	82,863
6/30/07	42,282	103	81,800

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2002	\$ 30,719	114%
2003	30,719	117
2004	38,979	100
2005	40,374	103
2006	40,257	104
2007	42,345	102

Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets (a)	(2) Actuarial Accrued Liability(AAL) (b)	(3) Unfunded AAL (UAAL) (b-a)	(4) Funded Ratio (a-b)	(5) Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/02	\$ 19,717	\$ 451,973	\$ 432,256	4.4%	\$ 66,515	\$ 649.9%
6/30/03	24,826	470,813	445,987	5.3	68,223	653.7
6/30/04	32,655	483,955	451,301	6.7	66,159	682.1
6/30/05	41,621	507,434	465,813	8.2	63,992	727.9
6/30/06	47,405	515,860	468,455	9.2	69,555	673.5
6/30/07	59,935	522,177	462,242	11.5	70,371	656.9

State of Connecticut Teachers' Retirement System

Certified teachers employed by the City of Waterbury Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System. This system is a cost-sharing multi-employer defined benefit PERS with the State acting as a non-employer contributor, which is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). The State of Connecticut Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Full-time certified staff who are employed for an average of at least one-half of a school day are required to participate. A member who completes 10 years of service in Connecticut public schools is eligible for a vested benefit commencing at age 60. Members are required to contribute 7.25% of their annual salary while the contributions by the State are determined on an actuarial reserve basis described in CGS Sections 10-1831 and 10-183z. During fiscal year 2007, members contributed \$6.7 million.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not contribute to the Connecticut Teachers' Retirement System nor has any legal obligation for benefits. For the year ended June 30, 2007, the City has recorded in the General Fund, revenues and expenditures in the amount of \$11.7 million as payments made by the State of Connecticut on-behalf of the City.

15. CONTINGENT LIABILITIES

The City is contingently liable in connection with litigation involving general liability, automobile liability, professional liability, law enforcement liability, employment practice liability, and other related miscellaneous suits and unasserted claims. These claims are estimated to total \$4.8 million and the City has recorded a provision for these claims in the General Liability Internal Service Fund. The City is also contingently liable in connection with litigation involving contractual liability, tax appeals, and environmental liability. There is no specific provision for these claims as the City currently does not expect probable losses. The City intends to vigorously defend these actions, however, there can be no assurance that the City will prevail.

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**Required Supplementary
Information**

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Property taxes:				
Current property taxes	\$ 182,784	\$ 182,784	\$ 185,041	\$ 2,257
Prior year property taxes	6,500	6,500	4,143	(2,357)
Supplemental auto list	2,520	2,520	2,484	(36)
Interest and penalties prior year	2,520	2,520	1,981	(539)
Interest and penalties current year	1,000	1,000	1,031	31
Total property taxes	<u>195,324</u>	<u>195,324</u>	<u>194,680</u>	<u>(644)</u>
Intergovernmental:				
Exemptions for elderly	987	987	895	(92)
Veterans additional exemption	194	194	181	(13)
Grant abatement for elderly housing	230	230	194	(36)
State bond proceeds	145	145	87	(58)
Manufacturing equipment incentive	1,773	1,773	1,929	156
Pequot - State properties	4,827	4,827	4,713	(114)
Civil preparedness - matching funds	1	1		(1)
PILOT - State owned properties	4,466	4,466	4,440	(26)
PILOT - Private tax exempt property	8,791	8,791	8,802	11
PILOT - Housing Authority	15	15		(15)
PILOT - Vessels	14	14	14	-
Property tax relief	2,754	2,754	2,754	-
Industrial incentive program	384	384	296	(88)
Education equalization	97,808	97,808	97,811	3
Nonpublic school transportation	302	302	345	43
Public school transportation	2,065	2,065	2,387	322
Nonpublic school medical services	335	335	550	215
Special Education - excess cost and agency placement	3,037	3,037	3,204	167
Special Education - Medicaid	245	245	341	96
Education services for the blind	900	900	963	63
Special revenue - Federal grants	25	25	30	5
Special revenue - State grants	105	105	141	36
Total intergovernmental	<u>129,403</u>	<u>129,403</u>	<u>130,077</u>	<u>674</u>
Investment income:				
Income from investments	<u>2,750</u>	<u>2,750</u>	<u>4,207</u>	<u>1,457</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Charges for services:				
Probate court costs - Wolcott/Md	\$ 34	\$ 34	\$ 36	\$ 2
Proceeds - off track revenue	140	140	143	3
Deed transfer and recording fees	833	833	727	(106)
Real estate conveyance tax	2,500	2,500	2,483	(17)
Vital statistics and fees	148	148	162	14
Dog pound fees and licenses	12	12	18	6
Zoning appeal fees	12	12	15	3
Refuse disposal charge	105	105	120	15
Sewer permits	120	120	189	69
False alarm fines	55	55	36	(19)
Parking violation fees	700	700	479	(221)
Garage and Meters Parking Fees	850	850	771	(79)
Marriott Ramp Garage Payment	18	18		(18)
Building permits	625	625	885	260
Electrical work permits	170	170	252	82
Heating etc. permits	120	120	437	317
Plumbing permits	100	100	88	(12)
Restaurant license permits	150	150	130	(20)
Outside tuition	425	425	613	188
Building Rental Fees	60	60	66	6
Departmental charges	176	176	145	(31)
Other permits, licenses & fees	600	600	1,125	525
Total charges for services	<u>7,953</u>	<u>7,953</u>	<u>8,920</u>	<u>967</u>
Reimbursements:				
Employee fringe benefit contribution	5,500	5,500	6,560	1,060
Park Department	400	400	233	(167)
Bureau of Water	2,452	2,452	2,452	-
Waste Treatment	1,844	1,844	1,844	-
Total reimbursements	<u>10,196</u>	<u>10,196</u>	<u>11,089</u>	<u>893</u>
Other:				
Telephone access lines	585	585	552	(33)
Miscellaneous sources	161	161	434	273
Total other	<u>746</u>	<u>746</u>	<u>986</u>	<u>240</u>
Total	<u>\$ 346,372</u>	<u>\$ 346,372</u>	349,959	<u>\$ 3,587</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut "on-behalf" contributions to the Connecticut State Teachers'
Retirement System for City teachers are not budgeted11,661Total revenues and other financing sources as reported on the statement of revenues
expenditures, and changes in fund balances - governmental funds - Exhibit IV\$ 361,620

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Government:				
Office of the Mayor	\$ 530	\$ 536	\$ 515	\$ 21
Board of Alderman	77	77	61	16
Legal Department	1,483	1,558	1,470	88
Town Clerk	769	813	771	42
Department of Human Resources	826	805	768	37
Registrar of Voters	301	311	297	14
City Sheriff	12	12	10	2
Probate Court	30	67	40	27
Finance Department	1,199	1,229	1,141	88
Department of Assessment	774	779	761	18
Collector of Revenue	1,044	1,129	1,074	55
Department of Purchases	202	209	198	11
Department of Audit	143	146	126	20
Department of Budget Control	179	179	173	6
Department of Information Technology	1,124	1,124	1,050	74
Total	8,693	8,974	8,455	519
Public Works:				
Public Works	395	395	346	49
Engineering	955	992	918	74
Public Works Services	4,968	5,031	4,739	292
Public Works Operations	11,892	11,818	11,304	514
Total Public Works	18,210	18,236	17,307	929
Public Safety:				
Police Department	25,196	25,317	24,745	572
Fire Department	17,682	18,028	17,695	333
Total Public Safety	42,878	43,345	42,440	905
Planning and Development:				
Office of the City Plan	329	329	260	69
Department of Inspections	651	651	624	27
Total Planning and Development	980	980	884	96
Human Services:				
Department of Health	3,084	3,166	3,080	86
Education:				
Department of Education	142,000	142,120	141,624	496
Culture and Recreation:				
Silas Bronson Library	1,843	1,843	1,760	83

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Financial:				
Contractual Services	\$ 1,103	\$ 1,123	\$ 838	\$ 285
Employee Benefits	4,739	4,739	4,576	163
Health Benefits	47,476	47,476	47,476	-
Pension	43,499	43,499	43,423	76
Legal - General Liability	1,975	1,975	1,975	-
Heart and Hypertension	3,370	3,370	3,370	-
Workers Compensation	7,077	7,077	7,077	-
Municipal Groups	892	1,042	1,042	-
Contingency and other	1,550	167	-	167
Total General Financial	<u>111,681</u>	<u>110,468</u>	<u>109,777</u>	<u>691</u>
Total expenditures	<u>329,369</u>	<u>329,132</u>	<u>325,327</u>	<u>3,805</u>
Other Financing Uses:				
Transfers Out:				
Debt Service Fund	17,528	17,528	17,528	-
Special revenue programs	225	268	43	225
Capital Improvement	1,250	6,679	6,679	-
Total Other Financing Uses	<u>19,003</u>	<u>24,475</u>	<u>24,250</u>	<u>225</u>
Total	<u>\$ 348,372</u>	<u>\$ 353,607</u>	<u>349,577</u>	<u>\$ 4,030</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut "on-behalf" payments to the Connecticut State Teachers'
Retirement System for City teachers are not budgeted.11,661Total expenditures and other financing sources as reported on the statement of
revenues, expenditures, and changes in fund balances - governmental funds -
Exhibit IV\$ 361,238

**Combining and Individual
Fund Statements and Schedules**

General Fund

GENERAL FUND

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specific funds. The General Fund accounts for the normal recurring activities of the City (i.e., police, fire, education, recreation, public works, general government, etc.). These activities are funded principally by property taxes on individuals and businesses, and grants from other governmental units.

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2007

(In Thousands)

	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	\$ 23,849	\$ 25,888
Investments		4,233
Receivables:		
Property taxes receivable, net	17,897	18,298
Property taxes accrued interest receivable, net	8,655	8,556
Accounts receivable, net	637	976
Due from other funds	<u>5,832</u>	
Total Assets	<u>\$ 56,870</u>	<u>\$ 57,951</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable and accrued liabilities	\$ 11,136	\$ 12,257
Due to other funds		78
Deferred revenue	<u>25,858</u>	<u>26,122</u>
Total liabilities	<u>36,994</u>	<u>38,457</u>
Fund balance:		
Unreserved:		
Designated for subsequent budget	2,958	2,000
Undesignated	<u>16,918</u>	<u>17,494</u>
Total fund balance	<u>19,876</u>	<u>19,494</u>
Total	<u>\$ 56,870</u>	<u>\$ 57,951</u>

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are established in the City of Waterbury pursuant to State Statutes or local ordinances and resolutions. The criteria for the creation of a Special Revenue Fund are generally the desire or need to conspicuously segregate revenues, which are to be utilized for special and specific purposes, or expenditures incurred for the performance of specific activities, or both.

Fund	Funding Source	Function
Public Safety Grants and Programs	State and federal grants and charges for services	Public safety activities and police services - private duty
Health Grants and Programs	State and federal grants and charges for services	General public assistance programs
Labor Grants and Programs	State and federal grants	Workforce development and training
Housing Grants and Programs	Federal grants and loan repayments	Community development and housing assistance
Recreational Programs	Charges for services	Recreation Department programs and municipal golf courses
Miscellaneous Grants and Programs	Various	Miscellaneous activities
Special Projects	General Fund transfers	Nonrecurring special purpose projects
Waterbury Development Agency	State and federal grants	Development
Educational Grants	State and federal grants	Education programs not included in general fund budget
Food Service	Sale of food and grants	School lunch and breakfast programs
Silas Bronson Library	Charges for services, contributions and grants	City library operations
Expendable Trust Funds	Trust and investment Income	Various specified purposes and activities

Capital Projects Funds

Capital Projects Funds are established in the City of Waterbury pursuant to local resolutions authorizing specific capital projects. Funding sources are generally comprised of City appropriated transfers from the General Fund, the receipt of intergovernmental grants and proceeds from the sale of bonds. Expenditures relate to the expansion, improvement or replacement of the City's capital assets.

Permanent Funds

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

CITY OF WATERBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2007

	Special Revenue					
	Public Safety Grants and Programs	Health Grants and Programs	Labor Grants and Programs	Housing Grants and Programs	Recreational Programs	Miscellaneous Grants and Programs
ASSETS						
Cash and cash equivalents	\$ 665	\$ 370	\$ 196	\$ 597	\$ 2	\$ 30
Investments						
Intergovernmental receivables	145			312		104
Accounts receivable, net	204	226				
Loans receivable				3,920		
Inventory						
Total Assets	\$ 1,014	\$ 596	\$ 196	\$ 4,829	\$ 2	\$ 134
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable and accrued liabilities	\$ 8	\$ 237	\$ 1	\$ 376	\$ 54	\$ 31
Due to other funds					285	
Deferred revenue	550	85		3,920		
Total liabilities	558	322	1	4,296	339	31
Fund Balance (deficit):						
Reserved:						
Encumbrances						
Inventory						
Trust purposes						
Unreserved:						
Designated	456	274	195	533	(337)	103
Undesignated						
Total fund balance (deficit)	456	274	195	533	(337)	103
Total Liabilities and Fund Balance	\$ 1,014	\$ 596	\$ 196	\$ 4,829	\$ 2	\$ 134

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2007

	Special Projects	Waterbury Development Agency	Special Revenue					Total
			Educational Grants	Food Service	Silas Bronson Library	Expendable Trust Funds		
ASSETS								
Cash and cash equivalents	\$ 1,631	\$ 100	\$ 398	\$ 1,211	\$ 963	\$ 232	\$ 5,432	
Investments							963	
Intergovernmental receivables			1,407	905		27	2,873	
Accounts receivable, net							457	
Loans receivable							3,920	
Inventory				181			181	
Total Assets	\$ 1,631	\$ 100	\$ 1,805	\$ 2,297	\$ 963	\$ 259	\$ 13,826	
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable and accrued liabilities	\$ 5	\$ -	\$ 1,216	\$ 66	\$ 3	\$ 2	\$ 1,999	
Due to other funds							285	
Deferred revenue			189				4,744	
Total liabilities	5	-	1,405	66	3	2	7,028	
Fund Balance (deficit):								
Reserved:								
Encumbrances	451						451	
Inventory				181			181	
Trust purposes					960	257	1,217	
Unreserved:								
Designated		100	400	2,050			4,949	
Undesignated								
Total fund balance (deficit)	1,626	100	400	2,231	960	257	6,798	
Total Liabilities and Fund Balance	\$ 1,631	\$ 100	\$ 1,805	\$ 2,297	\$ 963	\$ 259	\$ 13,826	

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2007

	Capital Projects			Total	Permanent Trust Funds	Total Nonmajor Governmental Funds
	General Capital Improvement	Education Capital Improvement	-			
ASSETS						
Cash and cash equivalents	\$ 11,837	\$ 1,752	\$ 13,589	\$ 113	\$ 19,134	
Investments			-		963	
Intergovernmental receivables	1,033	2,571	3,604		6,477	
Accounts receivable, net					457	
Loans receivable			-		3,920	
Inventory			-		181	
Total Assets	<u>\$ 12,870</u>	<u>\$ 4,323</u>	<u>\$ 17,193</u>	<u>\$ 113</u>	<u>\$ 31,132</u>	
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable and accrued liabilities	\$ 2,410	\$ 1,226	\$ 3,636	\$ -	\$ 5,635	
Due to other funds			-		285	
Deferred revenue	146	1,822	1,968		6,712	
Total liabilities	<u>2,556</u>	<u>3,048</u>	<u>5,604</u>	<u>-</u>	<u>12,632</u>	
Fund Balance (deficit):						
Reserved:						
Encumbrances	4,388	26,702	31,090		31,541	
Inventory			-		181	
Trust purposes			-	113	1,330	
Unreserved:						
Designated	5,926		5,926		5,926	
Undesignated		(25,427)	(25,427)		(20,478)	
Total fund balance (deficit)	<u>10,314</u>	<u>1,275</u>	<u>11,589</u>	<u>113</u>	<u>18,500</u>	
Total Liabilities and Fund Balance	<u>\$ 12,870</u>	<u>\$ 4,323</u>	<u>\$ 17,193</u>	<u>\$ 113</u>	<u>\$ 31,132</u>	

CITY OF WATERBURY, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2007
 (In Thousands)

	Special Revenue					
	Public Safety Grants and Programs	Health Grants and Programs	Labor Grants and Programs	Housing Grants and Programs	Recreational Programs	Miscellaneous Grants and Programs
Revenues:						
Intergovernmental	\$ 643	\$ 2,248	\$ -	\$ 3,561	\$ -	\$ 470
Investment income	4			5		
Charges for services	1,646	8			1,248	47
Other	30			839	100	32
Total revenues	2,323	2,256	-	4,405	1,348	549
Expenditures:						
General government						84
Public works	2,150			4,409		462
Public safety						
Development and community affairs					1,671	
Human services		2,263				
Education						
Culture and recreation						
Capital outlay						
Total expenditures	2,150	2,263	-	4,409	1,671	546
Excess (Deficiency) of Revenues over Expenditures	173	(7)	-	(4)	(323)	3
Other Financing Sources (Uses):						
Transfers in						
Transfers out						
Total other financing sources (uses)						
Net Change in Fund Balances	173	(7)	-	(4)	(323)	3
Fund balance (deficit), July 1	283	281	195	537	(14)	100
Fund balance (deficit), June 30	456	274	195	533	(337)	103

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Capital Projects			Total	Permanent Trust Funds	Total Nonmajor Governmental Funds
	General Capital Improvement	Education Capital Improvement				
Revenues:						
Intergovernmental	\$ 5,080	\$ 5,394	\$ 10,474	\$	\$	56,730
Investment income			-		1	195
Charges for services	74		74			4,113
Other	516		516			1,631
Total revenues	5,670	5,394	11,064		1	62,669
Expenditures:						
General government						485
Public works						10
Public safety						2,150
Development and community affairs						4,488
Human services						2,725
Education						40,621
Culture and recreation						1,816
Capital outlay	12,808	7,796	20,604			20,604
Total expenditures	12,808	7,796	20,604			72,899
Excess (Deficiency) of Revenues over Expenditures	(7,138)	(2,402)	(9,540)		1	(10,230)
Other Financing Sources (Uses):						
Transfers in	5,210	1,469	6,679			6,822
Transfers out	(226)		(226)			(226)
Total other financing sources (uses)	4,984	1,469	6,453			6,596
Net Change in Fund Balances	(2,154)	(933)	(3,087)		1	(3,634)
Fund balance (deficit), July 1	12,468	2,208	14,676		112	22,134
Fund balance (deficit), June 30	10,314	1,275	11,589		113	18,500

CITY OF WATERBURY, CONNECTICUT
GENERAL CAPITAL IMPROVEMENT FUND

STATEMENT OF CHANGES IN PROJECT FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Accounting Unit	Fund Balance (Deficit) July 1, 2006	Capital Grants	Charges For Services	Other Income	Capital Outlay Expenditures	Transfers In	Transfers (Out)	Fund Balance (Deficit) June 30, 2007
Capital Projects and Programs:								
Infrastructure Improvements Brass Mills	\$ 56	\$	\$	\$	48			8
Close North End Disposal	16				8			8
City Road Repairs and Improvement	3,261		1,081					2,180
Brass Mill Trails (STEA) Project	8	24		51	83			-
Park Improvements	188				61			127
Telecommunications System	17							17
Computer Upgrades for Year 2000	126						(126)	-
Safety Improvement	60076	147			163			(16)
Town Aid Road	60085	545			103			772
Local Capital Improvement Program	60106	2,090			2,090			-
Capital Revolving Fund - City Hall and Chase	60115			355	1,233	812		593
DOT Traffic Safety Improvement	60125				6			(6)
Paving Improving City Roads	60135				15			-
Capital Reserve Fund/Police Environmental	60145							35
Capital Budget	60180			65	1,060	1,948	(100)	3,760
Emergency Street Damage	60181				1,195			96
Road Improvement Program	60182				1,478			(1,478)
Vehicle Replacement Fund	60185			45	1,735	2,450		2,567
Town Clerk - Public Act	60221		74					132
Technology Lawson Financial	60225				5			336
Technology HRIS/Payroll Project	60226				192			1,084
Operations and Fire Safety	60231	25			1			1
Fire Prevention - Firefighting Equipment	60232	42			34			-
Restoration Area Improvement Park 98-10	61000	318			42			-
River Baldwin Renovations	61001	729			287			-
America the Beautiful	61002	1			729			31
Fairlawn Park	61004	150			1			-
East Mountain Golf CUAP 2002	61005	357			150			-
Town Plot Park	61009	13			357			-
Municipal Stadium Complex	61010	98			13			-
Western Hills CUAP	61011	178			98			-
East Mountain Golf CUAP 2005	61012	363			178			-
Schofield Park - NOW	61035	3			363			-
Miscellaneous Improvements	61050	64						64
Total	\$ 12,468	\$ 5,080	\$ 74	\$ 516	\$ 12,808	\$ 5,210	\$ (226)	\$ 10,314

CITY OF WATERBURY, CONNECTICUT

EDUCATION CAPITAL IMPROVEMENT FUND

STATEMENT OF CHANGES IN PROJECT FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

Accounting Unit	Fund Balance (Deficit) July 1, 2006	Capital Grants	Capital Outlay Expenditures	Transfers In	Transfers (Out)	Fund Balance (Deficit) June 30, 2007
Capital Projects and Programs:						
School Improvement Code Compliance	\$ (499)	\$ 2,257	\$ 3,656	\$	\$	\$ (1,898)
Education Parks Improvement	28	92	120			-
Kennedy Media Expansion	910	255	329			836
Crosby School	1,531	462	596			1,397
Wilby Addition	1,526	446	575			1,397
School Building Maintenance Program	136					136
Consolidated Construction Grant	(1,320)	461	595			(1,454)
New Elementary School #1	(37)	403	521	621		466
New Elementary School #2	(30)	246	353	848		711
New Elementary School #3	(30)	390	539			(179)
Crosby/Wallace School	(7)	382	492			(117)
Kitchen Renovations			20			(20)
Total	\$ 2,208	\$ 5,394	\$ 7,796	\$ 1,469	\$ -	\$ 1,275

Internal Service Funds

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Health Benefits - A fund used to pay health insurance claims and to purchase administrative services and stop loss insurance for the health care plans.

General Liability - To account for the receipt of General Fund contributions to fund general and auto liability claims.

Workers' Compensation - Accounts for the receipt of General Fund contributions to fund incurred Workers' Compensation claims. Contribution amounts are based on projections from an actuarial valuation.

Heart and Hypertension - To account for the receipt of General Fund contributions to fund heart and hypertension claims and settlements.

CITY OF WATERBURY, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2007

(In Thousands)

	Health Benefits	General Liability	Workers' Compensation	Heart and Hypertension	Total
ASSETS					
Cash and cash equivalents	\$ 2,322	\$ 4,740	\$ 311	\$ 1,492	\$ 8,865
Investments	14,247	3,649	12,611	9,578	40,085
Receivables - other	18		2		20
Due from other funds			227		227
Total Assets	16,587	8,389	13,151	11,070	49,197
LIABILITIES					
Current:					
Accounts payable	20	68	76	5	169
Due to other funds	3,323		2,224		5,547
Risk management claim liabilities:					
Current	4,480	1,316	7,738	2,500	16,034
Noncurrent		3,480	13,142	8,450	25,072
Total Liabilities	7,823	4,864	23,180	10,955	46,822
NET ASSETS					
Unrestricted	\$ 8,764	\$ 3,525	\$ (10,029)	\$ 115	\$ 2,375

CITY OF WATERBURY, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Health Benefits	General Liability	Workers' Compensation	Heart and Hypertension	Total
Operating revenues:					
Employer premiums	\$ 49,536	\$ 2,075	\$ 7,874	\$ 3,370	\$ 62,855
Charges for services:	7,822				7,822
Other	166	64	202		432
Total operating revenues	<u>57,524</u>	<u>2,139</u>	<u>8,076</u>	<u>3,370</u>	<u>71,109</u>
Operating expenses:					
Benefits, claims, and administration:					
Paid	57,147	1,717	8,886	2,592	70,342
Claims incurred reported/unreported	(680)	(119)	1,897	(1,914)	(816)
Total operating expenses	<u>56,467</u>	<u>1,598</u>	<u>10,783</u>	<u>678</u>	<u>69,526</u>
Operating income (loss)	1,057	541	(2,707)	2,692	1,583
Nonoperating income (loss):					
Investment income (loss)	1,252	349	1,198	879	3,678
Income (loss) before transfers	2,309	890	(1,509)	3,571	5,261
Transfers-in		126			126
Change in net assets	2,309	1,016	(1,509)	3,571	5,387
Total net assets, July 1, 2006	6,455	2,509	(8,520)	(3,456)	(3,012)
Total net assets, June 30, 2007	<u>\$ 8,764</u>	<u>\$ 3,525</u>	<u>\$ (10,029)</u>	<u>\$ 115</u>	<u>\$ 2,375</u>

CITY OF WATERBURY, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2007
 (In Thousands)

	Health Benefits	General Liability	Workers' Compensation	Heart and Hypertension	Total
Cash Flows From Operating Activities:					
Employer premiums	\$ 49,536	\$ 2,075	\$ 7,647	\$ 3,370	\$ 62,628
Cash received from users and other	8,085	64	200		8,349
Cash paid to suppliers and other	(57,146)	(1,713)	(8,846)	(2,588)	(70,293)
Net cash provided (used) by operating activities	<u>475</u>	<u>426</u>	<u>(999)</u>	<u>782</u>	<u>684</u>
Cash Flows From Noncapital Financing Activities:					
Transfers in from other funds		126			126
Advances (to)/from other funds	1,445	3,172	930		5,547
Net cash from noncapital financing activities	<u>1,445</u>	<u>3,298</u>	<u>930</u>	<u>-</u>	<u>5,673</u>
Cash Flows From Investing Activities:					
Net purchases and sales of investments	224	76	260	160	720
Net Increase (Decrease) in Cash and Cash Equivalents	2,144	3,800	191	942	7,077
Cash and cash equivalents, July 1, 2006	178	940	120	550	1,788
Cash and Cash Equivalents, June 30, 2007	<u>\$ 2,322</u>	<u>\$ 4,740</u>	<u>\$ 311</u>	<u>\$ 1,492</u>	<u>\$ 8,865</u>
Reconciliation of Operating Income (Loss) To Net Cash Provided by (Used in) Operating Activities					
Operating Income (loss)	\$ 1,057	\$ 541	\$ (2,707)	\$ 2,692	\$ 1,583
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in receivables	97		(2)		95
(Increase) decrease in due from other funds			(227)		(227)
Increase (decrease) in accounts payable		4	40	4	48
Increase (decrease) in risk management claim liabilities	(679)	(119)	1,897	(1,914)	(815)
Total adjustments	<u>(582)</u>	<u>(115)</u>	<u>1,708</u>	<u>(1,910)</u>	<u>(899)</u>
Net cash provided (used) by operating activities	<u>\$ 475</u>	<u>\$ 426</u>	<u>\$ (999)</u>	<u>\$ 782</u>	<u>\$ 684</u>
Noncash investing, capital, and financing activities:					
Net increase (decrease) in value of investments	<u>\$ 1,252</u>	<u>\$ 349</u>	<u>\$ 1,198</u>	<u>\$ 879</u>	<u>\$ 3,678</u>

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Fiduciary Funds

FIDUCIARY FUNDS

Agency Funds

Student Activities - to account for the collection and payment of expenses for education extra-curricular activities at the high school, middle school and elementary schools.

CITY OF WATERBURY, CONNECTICUT

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ 455	\$ 1,179	\$ 1,169	\$ 465
Liabilities:				
Deposits held for others	\$ 455	\$ 1,179	\$ 1,169	\$ 465

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**Capital Assets Used in the
Operation of Governmental Funds**

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

The following schedules present only the capital asset balances related to governmental funds. The assets are reported at historical cost or estimated historical cost.

The City's capitalization policy requires the recording of capital assets, including infrastructure, with original cost of \$10,000 or more. Provision for depreciation is not included in the schedules.

CITY OF WATERBURY, CONNECTICUT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

COMPARATIVE SCHEDULE BY SOURCE

JUNE 30, 2007 AND 2006
(In Thousands)

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets:		
Land and land improvements	\$ 20,434	\$ 20,810
Buildings and improvements	262,053	257,022
Infrastructure	124,882	124,428
Machinery and equipment	29,706	27,602
Vehicles	10,961	10,344
Construction in progress	<u>24,190</u>	<u>14,093</u>
Total	<u>\$ 472,226</u>	<u>\$ 454,299</u>
Investment in governmental funds capital assets	<u>\$ 472,226</u>	<u>\$ 454,299</u>

CITY OF WATERBURY, CONNECTICUT
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2007
 (In Thousands)

	Total	Land	Land Improvements	Buildings and Improvements	Infrastructure	Machinery and Equipment	Vehicles	Construction In Progress
General government	\$ 19,248	\$ 5,739	\$ 268	\$ 79	\$ 7,195	\$ 5,967		
Public works	141,748	218	115	6,092	124,605	3,152	4,931	2,635
Public safety	54,363	1,392	533	31,867	277	14,118	4,135	2,041
Human services	128					128		
Education	205,774	1,880	2,290	186,048		3,171	1,300	11,085
Culture and recreation	50,965	3,728	4,539	37,778		1,942	516	2,462
Total	\$ 472,226	\$ 12,957	\$ 7,477	\$ 262,053	\$ 124,882	\$ 29,706	\$ 10,961	\$ 24,190

CITY OF WATERBURY, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Governmental Funds Capital Assets <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets <u>June 30, 2007</u>
General government	\$ 17,274	\$ 2,023	\$ 49	\$ 19,248
Public works	138,836	3,010	98	141,748
Public safety	51,320	3,583	540	54,363
Human services	128			128
Education	198,141	8,761	1,128	205,774
Culture and recreation	<u>48,600</u>	<u>2,462</u>	<u>97</u>	<u>50,965</u>
Total	<u>\$ 454,299</u>	<u>\$ 19,839</u>	<u>\$ 1,912</u>	<u>\$ 472,226</u>

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Supplementary Data

CITY OF WATERBURY, CONNECTICUT
 SCHEDULE OF CHANGES IN BONDS AND SERIAL NOTES
 FOR THE YEAR ENDED JUNE 30, 2007
 (In Thousands)

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2006	Issued	Refunded	Retired	Balance Outstanding June 30, 2007
GENERAL									
General Purpose:									
Revenue intercept	02/01/97	08/15/06	4.375-5.5	\$ 26,305	\$ 3,260	\$	\$	\$ 3,260	\$ -
Washington Ave Bridge*	07/01/98	04/01/08	6.00	462	94			47	47
General Improvement	11/15/98	02/15/09	4.75	18,004	2,702			861	1,841
Special Capital Reserve Funds	04/01/02	04/01/22	4.0-5.5	82,075	48,900		26,635	1,210	21,055
Special Capital Reserve Funds	04/01/02	04/01/09	4.0-5.5	15,390	8,235			3,635	4,600
Refunding Bond	05/01/03	02/01/08	2.5-5.0	7,749	3,409			1,663	1,746
Refunding Bond - Parking Authority	05/01/03	02/01/08	2.5-5.0	653	287			139	148
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	17,833	17,333			655	16,678
Refunding Bond - Special Capital Reserves	10/01/04	04/01/17	2.0-5.0	25,365	25,305				25,305
Refunding Bond - Special Capital Reserves	02/15/07	02/15/22	3.8-4.5	27,055		27,055			27,055
Total				109,525	11,470	27,055	26,635	11,470	98,475
Schools:									
Schools	11/15/98	02/15/09	4.25-5.25	3,795	570			180	390
Refunding Bond	05/01/03	02/01/08	2.5-5.0	3,950	1,739			849	890
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	6,286	6,286				6,286
Total				8,595				1,029	7,566
Urban Renewal:									
Refunding Bond	05/01/03	02/01/08	2.5-5.0	540	237			115	122
Total general government bond and serial note indebtedness				118,357	11,807	27,055	26,635	12,614	106,163
BUSINESS TYPE ACTIVITIES									
Bureau of Waste Water Treatment:									
Platts Mill	11/15/98	02/15/09	4.25-5.25	1,326	198			63	135
Refunding Bond	05/01/03	02/01/08	2.5-5.0	438	192			93	99
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	2,076	2,021			75	1,946
Clean Water Act**	08/30/95	08/31/15	2.0	4,008	1,634			357	1,277
Clean Water Act**	07/31/97	07/31/16	2.0	6,448	3,540			737	2,803
Clean Water Act**	12/31/00	06/30/20	2.0	69,647	52,667			3,294	49,373
Clean Water Act**	10/30/02	04/30/22	2.0	11,547	9,418			512	8,906
Clean Water Act**	11/30/03	04/30/23	2.0	2,424	2,146			108	2,038
Clean Water Act**	05/30/04	04/30/23	2.0	2,953	2,670			135	2,535
Clean Water Act**	06/30/04	07/31/20	2.0	1,138	1,015			63	952
Clean Water Act**	11/30/05	04/30/23	2.0	544		544		42	502
Clean Water Act**	06/29/07	07/31/20	2.0	226		226			226
Total business-type bond and serial note indebtedness				75,501		770		5,479	70,792
TOTAL BOND AND SERIAL NOTES INDEBTEDNESS - PRIMARY GOVERNMENT				\$ 193,858	\$ 27,825	\$ 27,825	\$ 26,635	\$ 18,093	\$ 176,955

* State of Connecticut serial notes payable - Bridge Program Loan Repayment
 ** State of Connecticut serial notes payable - Clean Water Act

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Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

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

TABLE 1

CITY OF WATERBURY, CONNECTICUT

NET ASSETS BY COMPONENT

LAST SIX FISCAL YEARS
(In Thousands)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
Governmental Activities:						
Invested in capital assets, net of related debt	\$ 260,385	\$ 249,075	\$ 246,269	\$ 144,847	\$ 133,948	\$ 132,832
Restricted	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted	(126,805)	(143,179)	(151,240)	(165,476)	(160,977)	(177,422)
Total governmental activities net assets	142,648	116,043	105,542	(9,811)	(16,102)	(33,506)
Business-type activities:						
Invested in capital assets, net of related debt	109,922	106,803	106,155	104,785	100,080	111,721
Unrestricted	41,316	42,925	44,589	44,767	42,091	19,837
Total business-type activities net assets	151,238	149,728	150,744	149,552	142,171	131,558
Primary government:						
Invested in capital assets, net of related debt	370,307	355,878	352,424	249,632	234,028	244,553
Restricted	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted (deficit)	(85,489)	(100,254)	(106,651)	(120,709)	(118,886)	(157,585)
Total Primary Government Net Assets	\$ 293,886	\$ 265,771	\$ 256,286	\$ 139,741	\$ 126,069	\$ 98,052

NOTES:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 2

CITY OF WATERBURY, CONNECTICUT

CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS
(In Thousands)

	2007	2006	2005	2004	2003	2002
Expenses:						
Governmental activities:						
General government	\$ 103,968	\$ 107,929	\$ 107,452	\$ 108,402	\$ 100,559	\$ 95,564
Public works	26,567	24,465	23,167	22,473	22,137	13,401
Public safety	45,781	45,754	45,350	49,359	47,735	46,905
Development and community affairs	5,779	1,313	845			
Human services	4,370	7,203	5,593	6,115	6,469	10,608
Education	194,886	188,387	173,965	173,080	165,286	153,266
Culture and recreation	5,707	4,352	3,440	3,537	4,798	8,562
Interest on long-term debt	5,500	6,039	6,465	7,488	7,910	6,885
Total governmental activities expenses	392,558	385,442	366,277	370,454	354,894	335,191
Business-type activities:						
Bureau of Water	12,226	11,968	11,516	11,818	9,625	10,579
Water Pollution Control	16,732	16,731	16,122	16,081	14,333	16,359
Total business-type activities expenses	28,958	28,699	27,638	27,899	23,958	26,938
Total expenses	421,516	414,141	393,915	398,353	378,852	362,129
Program Revenues:						
Governmental activities:						
Charges for services	12,185	11,412	10,698	10,051	8,282	7,583
Operating grants and contributions	169,743	166,050	158,881	156,973	155,407	154,593
Capital grants and contributions	8,103	3,327	3,208	3,062	3,826	8,082
Total governmental activities program revenues	190,031	180,789	172,787	170,086	167,515	170,258
Business-type activities:						
Charges for services	28,153	30,591	27,521	33,300	33,023	34,480
Capital grants and contributions	609	583	742	1,777	1,388	1,049
Total business-type activities program revenues	28,762	31,174	28,263	35,077	34,411	35,529
Total program revenues	218,793	211,963	201,050	205,163	201,926	205,787
Net (expense)/revenue:						
Governmental activities	(202,527)	(204,653)	(193,490)	(200,368)	(187,379)	(164,933)
Business-type activities	(196)	2,475	625	7,178	10,453	8,591
Total net cost of services	(202,723)	(202,178)	(192,865)	(193,190)	(176,926)	(156,342)

CITY OF WATERBURY, CONNECTICUT

CHANGES IN NET ASSETS

LAST SIX FISCAL YEARS
(In Thousands)

	2007	2006	2005	2004	2003	2002
General revenues and other changes in net assets:						
Governmental activities:						
Property taxes	\$ 194,581	\$ 187,818	\$ 181,973	\$ 178,227	\$ 179,980	\$ 164,403
Grants and contributions not restricted to specific programs	24,965	22,865	23,269	21,120	22,360	27,572
Unrestricted investment earnings	9,073	3,782	3,885	1,825	2,165	2,454
Other general revenues	513	689	917	428	278	3,164
Special item - State capital asset contributions			98,799	5,059		
Special item - Consolidation of Parking Authority						
Total governmental activities	229,132	215,154	308,843	206,659	204,783	197,593
Business-type activities:						
Unrestricted investment earnings	1,562	1,172	567	203	160	217
Other general revenues	144					
Special item - Mutual release agreement billing adjustment		(4,663)				
Total business-type activities	1,706	(3,491)	567	203	160	217
Total general revenues and other charges	230,838	211,663	309,410	206,862	204,943	197,810
Changes in Net Assets:						
Governmental activities	26,605	10,501	115,353	6,291	17,404	32,660
Business-type activities	1,510	(1,016)	1,192	7,381	10,613	8,808
Total	\$ 28,115	\$ 9,485	\$ 116,545	\$ 13,672	\$ 28,017	\$ 41,468

Notes:

(1) Schedule prepared on the accrual basis of accounting.

(2) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 3

CITY OF WATERBURY, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST SIX FISCAL YEARS
(In Thousands)

	2007	2006	2005	2004	2003	2002
General Fund:						
Fund Balance Unreserved:						
Designated	\$ 2,958	\$ 2,000	\$ 4,112	\$ 7,222	\$ 8,860	\$ 8,250
Unreserved	16,918	17,494	12,000	11,000	10,000	5,800
Total General Fund	<u>\$ 19,876</u>	<u>\$ 19,494</u>	<u>\$ 16,112</u>	<u>\$ 18,222</u>	<u>\$ 18,860</u>	<u>\$ 14,050</u>
All other governmental funds:						
Reserved	\$ 40,790	\$ 33,731	\$ 20,066	\$ 14,959	\$ 16,137	\$ 12,289
Unreserved, reported in:						
Special revenue funds	8,482	6,082	5,965	6,621	5,084	4,428
Capital projects funds	<u>(19,501)</u>	<u>(6,703)</u>	<u>10,483</u>	<u>16,126</u>	<u>21,314</u>	<u>23,007</u>
Total All Other Governmental Funds	<u>\$ 29,771</u>	<u>\$ 33,110</u>	<u>\$ 36,514</u>	<u>\$ 37,706</u>	<u>\$ 42,535</u>	<u>\$ 39,724</u>

Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
(2) Data has not been presented for years prior to the implementation of GASB Statement 34 in 2002.

CITY OF WATERBURY, CONNECTICUT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST SIX FISCAL YEARS
(In Thousands)

	2007	2006	2005	2004	2003	2002
Revenues:						
Property taxes	\$ 194,680	\$ 188,416	\$ 180,545	\$ 180,371	\$ 177,721	\$ 159,134
Intergovernmental	198,468	185,327	173,029	170,683	170,979	180,062
Investment income	5,395	3,855	2,242	1,405	1,551	1,718
Charges for services	13,033	12,349	11,402	9,986	7,234	6,688
Reimbursements	11,089	11,199	10,123	9,336	9,911	8,914
Other	2,617	1,630	2,330	2,832	3,192	3,471
Total revenues	<u>425,282</u>	<u>402,776</u>	<u>379,671</u>	<u>374,613</u>	<u>370,588</u>	<u>359,987</u>
Expenditures:						
General government	8,940	8,923	8,317	8,669	8,017	8,929
Public works	17,317	18,288	17,438	19,808	14,374	14,408
Public safety	44,590	43,493	45,592	47,702	44,358	45,439
Development and community affairs	5,372	1,313	845			
Human services	5,805	6,901	5,796	6,405	8,313	10,617
Education	193,906	182,797	170,880	171,271	165,833	151,732
Culture and recreation	3,576	3,330	3,433	3,546	5,185	5,833
General financial	109,777	105,434	101,458	94,568	89,358	85,708
Library and other					4,277	5,846
Capital outlay	20,604	14,041	10,285	10,549	5,883	5,816
Debt service:						
Principal	12,503	12,047	12,119	11,384	14,361	10,921 *
Interest	6,226	6,231	6,810	7,534		
Total expenditures	<u>428,616</u>	<u>402,798</u>	<u>382,973</u>	<u>381,436</u>	<u>359,959</u>	<u>345,251</u>
Excess of Revenues Over/Under Expenditures	<u>(3,334)</u>	<u>(22)</u>	<u>(3,302)</u>	<u>(6,823)</u>	<u>10,629</u>	<u>14,736</u>
Other Financing Sources (Uses):						
Transfers in	24,330	24,057	22,399	20,871	24,050	25,861
Transfers out	(24,476)	(24,057)	(22,399)	(20,871)	(27,058)	(38,188)
Bonds issued						97,465
Multi-year lease purchase agreements				1,356		
Refunding bonds issued	27,055		49,484		13,330	
Refunding bonds - payment to refunding bond escrow agent	(27,511)		(52,626)		(13,906)	
Bonds/Refunding bonds - net original issue premium	959		4,010		884	1,558
Bonds/Refunding bonds - cost of issuance and other bonding costs			(868)		(308)	(1,156)
Total Other Financing Sources (Uses)	<u>377</u>			<u>1,356</u>	<u>(3,008)</u>	<u>85,540</u>
Net Change in Fund Balances	<u>(2,957)</u>	<u>(22)</u>	<u>(3,302)</u>	<u>(5,467)</u>	<u>7,621</u>	<u>100,276</u>
Fund Balances (deficit), Beginning	<u>52,604</u>	<u>52,626</u>	<u>55,928</u>	<u>61,395</u>	<u>53,774</u>	<u>(46,502)</u>
Fund Balances, Ending	<u>\$ 49,647</u>	<u>\$ 52,604</u>	<u>\$ 52,626</u>	<u>\$ 55,928</u>	<u>\$ 61,395</u>	<u>\$ 53,774</u>
Debt Service as a % of Noncapital Expenditures	<u>4.58%</u>	<u>4.70%</u>	<u>5.08%</u>	<u>5.10%</u>	<u>4.06%</u>	<u>3.22%</u>

Notes:

(1) Schedule prepared on the modified accrual basis of accounting.

(2) Data has not been presented for years prior to the implementation of GASB Statement 34 in 2002.

* Debt service principal and interest is not reported separately prior to 2003.

TABLE 5

CITY OF WATERBURY, CONNECTICUT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (In Thousands)

Fiscal Year	Grand List	Real Property			Motor Vehicle	Gross Taxable Grand List	Less Tax Exempt Property	Net Taxable Grand List	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
		Residential	Commercial Residential and Industrial	Personal Property						
2007	2005	\$ 2,059,673	\$ 828,849	\$ 327,271	\$ 341,500	\$ 3,557,293	\$ 78,397	\$ 3,478,896	\$ 4,969,850	70%
2006	2004	1,896,635	960,205	315,531	321,038	3,493,409	83,147	3,410,262	4,871,803	70
2005	2003	1,843,847	985,444	309,025	295,291	3,433,607	90,368	3,343,239	4,776,056	70
2004	2002	1,832,201	999,069	318,043	307,671	3,456,984	103,271	3,353,713	4,791,019	70
2003	2001	1,720,167	1,020,610	331,191	307,535	3,379,303	111,796	3,267,707	4,668,153	70
2002	2000	730,238	426,716	333,874	294,595	1,785,423	104,462	1,680,961	2,401,373	70
2001	1999	724,140	433,081	308,592	287,553	1,753,366	103,368	1,649,998	2,357,140	70
2000	1998	638,024	512,098	266,963	261,925	1,679,010	106,163	1,572,847	2,246,924	70
1999	1997	638,713	511,861	267,345	261,090	1,679,009	106,862	1,572,147	2,245,924	70
1998	1996	636,744	475,585	243,703	274,415	1,630,447	93,072	1,537,375	2,196,250	70

Source: City of Waterbury, Assessor's Office, M-13 Report

Notes:

(1) 2001 Real property grand list is adjusted to reflect statutory revaluation

(2) Assessed Value is 70% of Estimated Actual Value

CITY OF WATERBURY, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

October 1, 2005 and October 1, 1996
(In Thousands)

Taxpayer	Nature of Business	October 1, 2005				October 1, 1996			
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value		
G G P Brass Mill Inc.	Retail	\$ 83,969	1	2.41%					
Conn. Light & Power Co.	Utility	42,565	2	1.22%	\$ 29,122	1	1.89%		
Inland Southeast Naugatuck LLC	Retail	32,665	3	0.94%					
Yankee Gas Co.	Utility	26,472	4	0.76%	16,779	2	1.09%		
Waterbury VF LLC	Retail	13,279	5	0.38%					
Olin Corp.	Leasing	11,625	6	0.33%	8,276	7	0.54%		
Thomaston Ave. Ctr LLC	Retail	11,031	7	0.32%					
Galileo Waterbury LLC	Retail	10,628	8	0.31%					
Clydel Mfg. Co.	Manufacturing	9,076	9	0.26%	7,063	9	0.46%		
Costco Wholesale Corp.	Retail	8,446	10	0.24%					
Center Bank	Bank				13,012	3	0.85%		
Catabrese, Joe	Real Estate				9,691	4	0.63%		
MacDermid	Chemicals				9,071	5	0.59%		
Webster Bank	Bank				8,881	6	0.58%		
Allegheny Ludlum Corp.	Manufacturing				7,470	8	0.49%		
Truelove & Maclean Inc.	Manufacturing				6,711	10	0.44%		
Total		\$ 249,756		7.18%	\$ 116,076		7.55%		

Source: City of Waterbury Assessor's Office

TABLE 7

CITY OF WATERBURY, CONNECTICUT
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST EIGHT FISCAL YEARS
 (In Thousands)

Fiscal Year Ended June 30,	Grand List Year	Net Taxable Grand List	Mill Rate	Adjusted Tax Levy	Collected Within the Fiscal Year of Levy		Tax Collections in subsequent Years	Total Collections To Date	
					Amount	Percentage of Levy		Amount	Percentage of Levy
2007	2005	\$ 3,478,895	\$ 55.49	\$ 194,064	\$ 187,525	96.63	\$	187,525	96.63
2006	2004	3,410,262	53.96	185,542	179,493	96.74	3,133	182,626	98.43
2005	2003	3,343,239	53.31	179,388	172,713	96.28	4,465	177,178	98.77
2004	2002	3,353,713	53.31	178,397	170,072	95.33	6,226	176,298	98.82
2003	2001	3,267,707	54.86	178,846	168,809	94.39	7,669	176,478	98.68
2002	2000	1,680,961	97.78	166,225	152,670	91.85	9,810	162,480	97.75
2001	1999	1,649,998	80.52	134,701	124,883	92.71	7,606	132,489	98.36
2000	1998	1,572,847	74.64	121,225	114,401	94.37	5,961	120,362	99.29

TABLE 8

CITY OF WATERBURY, CONNECTICUT
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS
 (in Thousands)

Fiscal Year	Governmental Activities					Business-Type Activities					Total	Ratio of Net Bonded Debt to Taxable Assessed Value	Net Bonded Debt Per Capita
	General Obligation Bonds					General Obligation Bonds							
	General Purpose	Schools	Urban Renewal	Capital Leases	Water	Sewer	Clean Water Fund Serial Notes	Water	Sewer	Clean Water Fund Serial Notes			
2007	\$ 98,475	\$ 7,566	\$ 122	\$ 824	\$	\$ 2,180	\$ 68,612	\$	\$	\$	177,779	3.05%	\$ 972
2006	109,525	8,594	238	1,538		2,411	73,090				195,396	3.40%	1,084
2005	120,478	9,578	348	2,220		2,575	77,633				212,832	3.75%	1,194
2004	130,330	10,325	455	2,872	1,000	2,665	82,090				229,737	4.06%	1,292
2003	140,196	11,105	540	2,537	2,000	2,833	79,748				238,959	4.36%	1,391
2002	145,516	11,997	642	3,436	3,000	3,008	72,392				239,991	4.55%	1,448
2001	53,025	12,795	731	4,709	4,000	3,170	75,862				154,292	1.91%	609
2000	57,650	13,872	816	2,629	6,000	3,289	89,995				174,251	2.08%	662
1999	40,196	25,197	898	5,541	8,000	2,055	63,603				145,490	1.91%	607
1998	39,773	8,076	975	5,104	10,000	792	32,101				96,821	1.40%	447

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

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2007

(In Thousands)

Total tax collections (including interest and penalties)	\$ 194,884
State reimbursement for:	
Tax relief for elderly - freeze	<u>19</u>
Total	<u>\$ 194,903</u>

<u>Debt Limitation</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Factor multiplied times:					
2-1/4	\$ 438,532	\$	\$	\$	\$
4-1/2		877,064			
3-3/4			730,886		
3-1/4				633,435	
3					584,709
Total debt limitation	<u>438,532</u>	<u>877,064</u>	<u>730,886</u>	<u>633,435</u>	<u>584,709</u>
Debt as defined by Statute:					
Bonds and notes payable	98,475	7,566	70,792	122	
Bonds authorized – unissued	<u>538</u>		<u>24,958</u>		
Total indebtedness	<u>99,013</u>	<u>7,566</u>	<u>95,750</u>	<u>122</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 339,519</u>	<u>\$ 869,498</u>	<u>\$ 635,136</u>	<u>\$ 633,313</u>	<u>\$ 584,709</u>

In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$1.36 billion.

TABLE 10

CITY OF WATERBURY, CONNECTICUT
OUTSTANDING BOND AUTHORIZATIONS
JUNE 30, 2007
(In Thousands)

<u>Project Description</u>	<u>Date Authorized</u>	<u>Total Authorized</u>	<u>Bonds and Notes Issued</u>	<u>Paydowns</u>	<u>Grants Received</u>	<u>Authorized Unissued</u>
General Purpose:						
Road Improvement Projects	08/09/06	\$ 8,930	\$	\$	\$	8,930
City Hall Improvements	05/31/07	35,900				35,900
Bridge Program	01/26/98	3,000	962	1,500		538
Education:						
Alternative & Special Education Facilities**	05/16/06	31,091				31,091
New Elementary School #1*	06/25/04	31,900			405	31,495
New Elementary School #2*	06/25/04	31,900			467	31,433
New Elementary School #3*	06/25/04	31,900			465	31,435
Crosby Media Center*	06/25/04	5,800			275	5,525
Water Pollution Control:						
Phase IV Sanitary Sewer Collection System	05/09/05	4,000				4,000
Waste Treatment Plant	04/24/00	16,550	5,377		1,503	9,670
	11/25/94	138,000	92,156		30,556	15,288
Total		\$ 338,971	\$ 98,495	\$ 1,500	\$ 33,671	\$ 205,305

* The City expects to receive approximately 77.50% of eligible project costs from the State in the form of progress payments.

** The City expects to receive 100% of the project costs from the State in the form of progress payments for magnet schools.

TABLE 11

CITY OF WATERBURY, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

(In Thousands)

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt Limit	\$ 1,364,321	\$ 1,322,804	\$ 1,265,096	\$ 1,263,360	\$ 1,251,838	\$ 1,108,660	\$ 907,291	\$ 816,574	\$ 834,300	\$ 820,436
Total net debt applicable to limit	202,451	217,598	232,660	248,086	276,677	294,048	275,404	96,495	102,473	54,348
Legal debt margin	\$ 1,161,870	\$ 1,105,206	\$ 1,032,436	\$ 1,015,274	\$ 975,161	\$ 814,612	\$ 631,887	\$ 720,079	\$ 731,827	\$ 766,088
Total net debt applicable to the limit as a percentage of debt limit	14.84%	16.45%	18.39%	19.64%	22.10%	26.52%	30.35%	11.82%	12.28%	6.62%

CITY OF WATERBURY, CONNECTICUT
 DEMOGRAPHIC AND EMPLOYMENT STATISTICS
 LAST TEN CALENDAR YEARS
 (In Thousands)

Calendar Year	Population (1)	Enrollment (2)	Income (3)	Labor Force		City of Waterbury	Percentage Unemployed (4)		United States
				Employed (4)	Unemployed (4)		Waterbury Labor Market	State of Connecticut	
2007	109,192	18,312	18,117	47,433	3,443	6.8%	5.5%	4.5%	4.7%
2006	109,192	18,211	18,117	46,495	3,396	6.8	5.5	4.3	4.6
2005	108,487	18,102	17,701	46,066	3,940	7.9	6.3	4.9	4.9
2004	108,130	17,915	17,701	45,838	3,829	7.7	6.3	4.6	5.8
2003	107,883	17,714	17,701	48,684	4,907	9.2	7.3	5.5	6.5
2002	107,413	17,411	14,209	48,917	4,076	7.7	6.0	4.3	5.4
2001	107,413	16,762	14,209	48,303	3,095	6.0	4.6	3.3	4.7
2000	107,271	16,280	14,209	50,159	1,908	3.7	2.8	2.3	3.8
1999	104,263	15,782	14,209	49,553	2,507	4.8	3.8	3.2	4.3
1998	105,346	15,351	14,209	49,553	2,507	4.8	3.8	3.2	4.5

Sources:

- (1) U.S. Department of Commerce, Bureau of Census
 (2) Waterbury Board of Education
 (3) U.S. Department of Commerce, Bureau of Census
 (4) State of Connecticut, Department of Labor

TABLE 13

CITY OF WATERBURY, CONNECTICUT
 PRINCIPAL EMPLOYERS
 CALENDAR YEAR 2007 AND 1998

Business Name	Nature of Business	2007			1998		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Waterbury	Government	3,739	1	7.88%	2,928	1	5.91%
Waterbury Hospital	Medical	1,541	2	3.25%	1,650	2	3.33%
St Mary's Hospital	Medical	1,279	3	2.70%	1,340	4	2.70%
State of Connecticut	Government	1,225	4	2.58%	1,574	3	3.18%
SBC	Communications	400	5	0.84%	514	5	1.04%
Naugatuck Valley Community College	Education	384	6	0.81%			
United States Postal Service	Government	270	7	0.57%	450	6	0.91%
Webster Bank	Financial	256	8	0.54%			
Waterbury Republican	Newspaper Publisher	252	9	0.53%	266	10	0.54%
MacDermid Inc	Chemicals	217	10	0.46%	315	9	0.64%
Voltarc Technologies	Electrical				324	7	0.65%
VNA Healthcare	Health Care				320	8	0.65%
Total		9,563		20.16%	9,681		19.55%

TABLE 14

CITY OF WATERBURY, CONNECTICUT
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST SIX FISCAL YEARS

Function/Program	2007	2006	2005	2004	2003	2002
General Government	1,194	1,211	1,140	1,152	1,333	1,347
Board of Education	2,231	2,231	2,193	2,164	2,132	2,173
Grant Funded	346	353	379	423	335	233
Total	3,771	3,795	3,712	3,739	3,800	3,753

TABLE 15

CITY OF WATERBURY, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST SIX FISCAL YEARS

Function/Program	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
General government:						
Building permits issued	1,280	1,313	1,335	1,406	1,087	696
Value of permits issued (thousands)	\$45,131	\$56,413	\$28,491	\$29,874	\$25,936	\$27,994
Public works:						
Refuse collection:						
Trash collected (tons per day)	192	183	N/A	N/A	N/A	N/A
Cost per ton	\$70	\$70	N/A	N/A	N/A	N/A
Recyclables collected (tons per day)	21.16	16.4	N/A	N/A	N/A	N/A
Other public works:						
Street resurfacing (miles)	5.7	18.3	N/A	N/A	N/A	N/A
Public safety:						
Police:						
Physical arrests	9,842	9,127	9,793	10,260	11,273	10,798
Fire:						
Emergency responses	4,688	4,688	5,707	5,316	4,656	4,222
Fires extinguished	443	443	397			
Inspections	2,663	2,663	2236	2,445	1,898	1,669
Library:						
Total Print Items	237,593	259,486	258,328	N/A	N/A	N/A
Total Non-Print Items	17,596	16,542	16,988	N/A	N/A	N/A
Bureau of Water:						
Total Daily Capacity (millions of gallons)	38	38	38	38	38	38
Average Daily Demand (millions of gallons)	14.9	15.6	15.4	16.3	19	15.1
Peak Hour Demand (millions of gallons)	25.4	24.8	27.5	28.2	24.7	34.2
Water Pollution Control:						
Design Average Daily Flow (millions of gallons)	27.05	27.05	N/A	N/A	N/A	N/A
Average Daily Flow Treated (millions of gallons)	24	24.3	N/A	N/A	N/A	N/A
Maximum Daily Flow Treated (millions of gallons)	55	55	N/A	N/A	N/A	N/A

CITY OF WATERBURY, CONNECTICUT
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 LAST SIX FISCAL YEARS

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
Public Works:						
Parking garages	10	10	10	10	10	10
Public Safety	3	3	3	3	3	3
Police:						
Stations	1	1	1	1	1	1
Training Facility	1	1	1	1	1	1
Fire:						
Firefighting/ rescue vehicles	22	22	22	22	21	21
Fire stations	9	9	9	9	9	9
Education:						
School buildings	26	26	26	26	25	25
Administrative buildings	1	1	1	1	1	1
Parks and Recreation:						
Number of Parks	30	30	30	30	30	30
Number of basketball courts	37	37	37	37	37	37
Number of football fields	6	6	6	6	6	6
Number of golf courses	2	2	2	2	2	2
Number of playgrounds	22	22	22	22	22	22
Number of soccer fields	17	17	17	17	17	17
Number of ball fields	62	62	62	62	62	62
Number of tennis courts	64	64	64	64	64	64
Number of swimming pools	3	3	3	3	3	3
Number of recreation centers	3	3	3	3	3	3
Bureau of Water:						
Active Reservoirs	5	5	5	5	5	5
Inactive Reservoirs	2	2	2	2	2	2
Water Pollution Control:						
Miles of Sanitary sewers	320	320	N/A	N/A	N/A	N/A
Pump Stations	20	20	N/A	N/A	N/A	N/A

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