

City of Waterbury Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

Comprehensive Annual Financial Report

of the

City of Waterbury Connecticut

Fiscal Year Ended June 30, 2009

Prepared by:
Department of Finance
Michael J. LeBlanc, CPA
Director of Finance

CITY OF WATERBURY, CONNECTICUT

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Introductory Section

CITY OF WATERBURY, CONNECTICUT

OFFICIALS

JUNE 30, 2009

Mayor Michael J. Jarjura

Town Clerk City Clerk City Sheriff

Antoinette C. Spinelli Michael J. Dalton Stephen M. Conway

BOARD OF ALDERMEN

J. Paul Vance, Jr.
Antonio Paulo Pinto
Paul Pernerewski, Jr.
Joyce Petteway
Martin J. Misset
Paul Nogueira
Anne Phelan
Alberto Negron

Cicero B. Booker, Jr.
Frank A. Burgio Sr.
Michael Telesca
Paul V. Ciochetti
Arthur J. Denze, Sr.
Anthony Piccochi
Carlo Pallodino

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,
Director of Information Technology
Director of Public Works
Director of Purchasing
Chief of Fire
Chief of Police
Superintendent of Water
General Manager of Water Pollution Control

David Dietsch
Ofelia Matos
E. Gil Graveline
James Seguin
Craig Sullivan
James Berthelson
Michael J. LeBlanc
Roseann Wright
J. Emmett McSweeney
Peter H. Abare-Brown
Daniel Iarrpino
John P. Lawlor
Rocco Orso
Michael A. Maglione
Michael J. Gugliotti
Ken Skov
Denis Cuevas

BOARD OF EDUCATION

Mayor Michael J. Jarjura, Chairman Ex-Officio

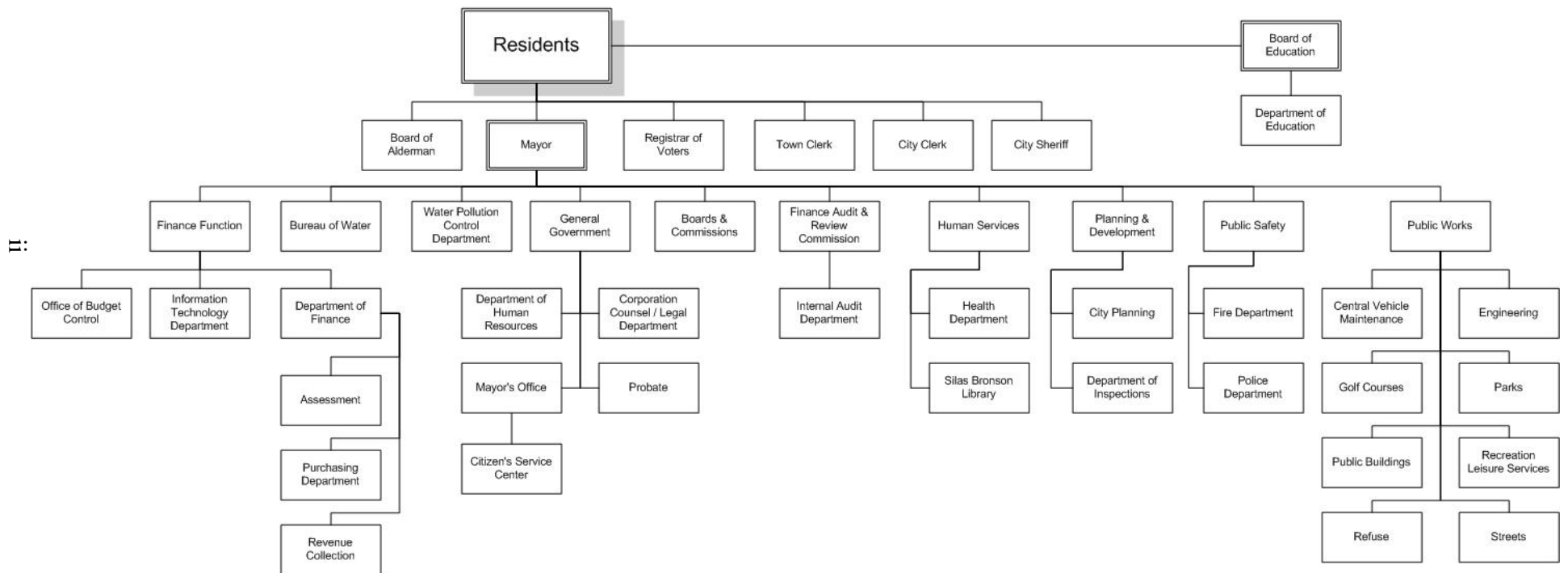
Mary S. White
Neil M. O'Leary
Stephen Laconne
Charles L Stango
John E. Theriault

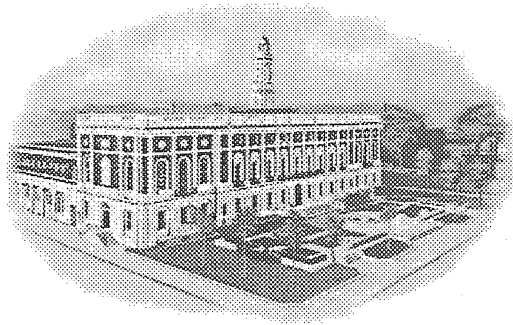
Coleen M. Flaherty-Merritt
Patrick J. Hayes, Jr.
Karen E. Harvey
Ann Marie Sweeney
Paul D. D'Angelo

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 21, 2009

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, 2009. 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 of Connecticut, 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 University of Connecticut's Waterbury campus offers a Master of Business Administration (MBA) program and the Teachers Certification Program. Graduate programs leading to a Master's of Social Work (MSW) and Master's Degree in Nursing (MS) are also available.

Public City school facilities include four high schools, one of which is a magnet school with grades 6-12, three middle schools and twenty elementary schools, inclusive of two magnet schools. Three new elementary schools are currently under construction within the City. In addition, the City recently secured State assistance funding commitments for construction of a new middle school, an intradistrict technical and arts magnet school, and a fourth elementary school. There are eleven private or parochial elementary schools, three private or parochial high schools and one vocational-technical high school. Waterbury's schools are considered "racially balanced" by the State of Connecticut Department of Education.

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. Two 18-hole golf courses that are owned and operated by the City and an acclaimed 18-hole private course are located in Waterbury. In addition, 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 from the City.

The City's Palace Theater, The Waterbury Symphony Orchestra, Seven Angels Theater, Waterbury Ballet, and the Mattituck Historical Museum are just a few of the additional 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.

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 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. 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 grant and loan program.

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

In the past several years, Waterbury has made significant strides in transitioning from its reliance on cyclical manufacturing business to a more diverse business and service driven economy.

Niche manufacturing, although struggling in the current recession, continues to perform well, with a number of businesses expressing interest in expansion – particularly those tied to the City's Waterbury Industrial Commons (WIC) project. The WIC project includes a \$15 million, federally funded cleanup of a WWII era munitions plant. That environmental cleanup and reconstruction will result in expanded pad sites to accommodate niche manufacturing, distribution and a consolidated campus for the City's Department of Public Works.

The City of Waterbury also is emerging as a retail power center for the entire region with particularly strong growth on the far East End of the City where a Kohl's store opened late last year, complementing the existing consumer wholesale, big box retail developments. Additional expansion in that corridor is planned or underway, including more mid-sized strip retail and the potential for another big box power center.

The distribution and warehousing sector, long identified as a potential strength of the City based on its geographic position along the Route 8/Interstate 84 corridor, continues to grow with the arrival last year of a Portmeirion houseware distribution facility and a major olive oil importer. Significant changes to the State's brownfields regulations and a pilot cleanup program have allowed for the remediation and expansion of an idled industrial park on Cherry Street where two plumbing and heating distributors plan to expand once a \$650,000 State-funded cleanup is completed.

Health care and health services remain as a significant economic engine for the area. Waterbury is served by two hospitals, Waterbury General and Saint Mary's. Both hospitals collaborated to open a Cardiac Surgery Center as a joint venture and that facility has outperformed most of its State-mandated objectives. The Harold Leever Cancer Center continues to experience a growth in the number of patients it serves annually. Further, off-site medical services are on the rise, with several new medical office buildings completed in the past year.

The Waterbury real estate market suffered less than other areas in the region because its properties are still a good value relative to other neighboring communities. Although the sub-prime foreclosures affected Waterbury, there are signs of significant redevelopment on the horizon, particularly with the infusion of \$3.2 million in federal Neighborhood Stabilization Program funds that are being used to renovate existing housing stock for low-to-moderate income home ownership within the City. Despite the national climate, 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 WDC recently shepherded through the Connecticut General Assembly an expansion of the State’s Enterprise Zone into the Central Business district. That tax incentive program triggered the construction of a \$3 million office building on Meadow Street near the Interstate 84 off-ramp. The package also prompted the complete renovation of 70 Bank Street, an underutilized building downtown, into 20 units of market rate housing with a modern restaurant space on the ground level.

The WDC is currently managing several large infrastructure projects for the City in its Project Management Group, including the \$36 million renovation of the City’s historic City Hall. The WDC’s Neighborhood Re-investment Group manages the City’s Community Block Grant, HOME and Blight Initiative monies. The re-use of 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.

The Waterbury Phase II Development Project continues to bring dividends to the City of Waterbury. The Waterbury UConn campus is at full capacity and likely will need to expand to a residential campus within the next several years. The Palace Theater just completed its fifth full season. 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 three and half million dollars have been spent in the local economy due to the presence of the Palace.

Construction is nearly complete on a \$120 million peak-demand gas-fired turbine generator in the South End. Several local contractors are working and/or supplying material to the project. Over five hundred tradesmen will have been utilized on the project, reflecting positively on the local restaurants and retail establishments in the area. That facility complements the previously constructed \$58 million Yankee Gas liquefied natural gas plant completed in October 2007.

WDC is in the planning phase of a new Multi-Modal Transportation Center. The project would call for the consolidation of transportation systems. 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 and 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 continue to compete economically.

CITY MANAGEMENT FINANCIAL INITIATIVES

The City has now posted its eighth consecutive balanced budget due to financial vigilance, budgetary controls, professional management and other financial management practices. During 2008-2009, some specific highlights and initiatives included:

General Accounting

- The City submitted its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2008 to the Government Finance Officers Association (GFOA) for certification. For the second consecutive year the City's CAFR was awarded the "Certificate of Achievement for Excellence in Financial Reporting."
- The City revitalized its commitment to the LAWSON Financial and Human Resource Suites' software through the successful implementation of an upgrade to the latest application release LAWSON 9.0.1 and the latest environment LSF9, completed in May 2009.
- Developed an administrative policy for funding the actuarial liability developed for the very first time associated with Other Post Employment Benefits (OPEB). The strategy separates the funding methodology for active employees and retired beneficiaries in a manner blending future expectations of active employee costs and declining retiree expenses.
- Adopted a Fund Balance Policy designed to balance the concerns of the bond rating agencies, bond investors, and financial institutions to maintain sufficient resources to meet unexpected emergencies with the taxpayers' desire to have a reasonable tax levy. The policy's general goals include maintaining an unreserved general fund balance equal to 5% to 8% of budgetary expenditures and a limitation to designate no more than 1% of prior year's budgetary based actual expenditures as a revenue source during the budget development and approval process for the subsequent budget year.

Defined Benefit Pension Plan

- The Board of Aldermen approved a Pension Obligation Bond in the amount of \$350 million on February 11, 2008. The Finance Department compiled and updated supporting documentation for a potential POB Issue and made formal submissions of the POB plan to the State Office of Policy and Management and the State Treasurer as required by Statute. In September 2009, following the City's bond rating upgrade to "A status", the City issued a \$313 million pension obligation bond to provide for a 70% funding of the Pension Plan's actuarial accrued liability. The objective of issuing pension obligation bonds was to generate budgetary savings realized from the low taxable interest rate environment when compared to the actuarial funding plan with an internal cost of return assumption of 8.5%. The issuance of the pension obligation bonds is estimated to generate a budgetary savings to the City in excess of \$150 million over the next 30 years when comparing the City's required contributions to the plan and debt service on the bonds with the City's projected required contributions to the plan had the pension obligation bonds not been issued.

- During 2009 the City contributed \$44.5 million to the Pension Trust representing 107% of the actuarially determined annual required contribution of \$41.6 million for the fiscal year ending June 30, 2009. As of July 1, 2008 the Pension Plan had an actuarial accrued pension benefit liability of \$527.9 million. The deposit of pension obligation bond proceeds of \$311 million into the Pension Trust, in September 2009, increased the funding status of the actuarially accrued pension liability from 13% to 70%. The actuarially developed funding plan is designed to amortize the remaining unfunded liability over 30 years.

Other Post Employment Benefits (OPEB)

- The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the City and the various unions representing the City employees as are the employees and retirees contribution requirements for medical benefits. The City pays the full cost of life insurance premiums. Postemployment retiree benefits paid by the City for the year ended June 30, 2009, net of retiree and other contributions, amounted to \$30.8 million.
- In the July 1, 2008 OPEB actuarial valuation the unfunded actuarial accrued liability for retiree benefits was estimated at \$770.4 million. 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 City has not established a trust fund, as of June 30, 2009, 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. The establishment of such a trust will be further evaluated during FY2010.

Collector of Revenue

- Despite an economic recession and the downward spiral in the National and State housing economy and the potential consequences it represented in the collection of tax payments, the Department's aggressive collection strategies resulted in a 97.06% collection rate on the 2009 fiscal year adjusted levy compared to the fiscal year 2008 collection rate of 96.42%.
- On July 1, 2009 the Collector of Revenue introduced a new on-line tax payment method for the City's taxpayers. Taxpayers now have the option to make on-line electronic tax payments to the City by ACH payment or by credit card. Via the City's website, the taxpayer can obtain current tax account balance information and link directly to the on-line payment link system to process an on-line payment.

Office of the Assessor

- The assessed value of real property resulted in a net taxable grand list for October 1, 2008 of \$5.3 billion, an increase of .9%. The grand list assessed values formed the basis for setting the taxable mill rate for the 2010 fiscal year. Assessment appeals filed to date on the October 1, 2007 revaluation are in line with previous valuation cycles with no material adjustments anticipated by the Department. The City's administrative strategy of conducting periodic inspections of a portion of real property each year has proven to be a sound approach with valuation methodology, compliance with State regulations and avoiding the high cost of vendor contracted services made past of the revaluation cycle.

Director of Purchases

- The Director continues to take the lead for City departments by monitoring the volatility of the fuel and electric markets and developing strategies for the most advantageous pricing policy for each fiscal year.

The positive impact of the above and other continued initiatives mentioned further along continues the trend of improving the City's financial performance and the increase in the undesignated fund balance. The City's overall growth in undesignated fund balance is restricted by virtue of the capital restriction bond covenants from the City's deficit financing issued 2002. The capital restriction provisions govern a 5% cap on working capital. A financial correlation exists with the City's focus of generating operating surpluses thereby increasing its undesignated fund balance position and working capital. The City would be obligated to redeem the amount of 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 early 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 prescribed budget limitations and for the preparation of financial statements in conformity with generally accepted accounting principles. The City's 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 & MANAGEMENT

The City's general outstanding bonded indebtedness totaled \$89.1 million on June 30, 2009. Additionally, the Water Pollution Control (WPC) bonded and clean water fund serial note debt totaled \$60.9 million on June 30, 2009. The water enterprise fund has no long-term outstanding debt obligations. Bond anticipation notes totaling \$35.1 million are outstanding as of June 30, 2009 providing temporary financing for the City's and Water Department's capital improvement programs.

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 (in thousands):

Net Direct Bonded Debt <u>(in millions)</u>	Percentage of Net Bonded Debt to Net Taxable Assessed Value	Net Bonded Debt per Capita	Percent Retired in Ten Years
\$89.1	1.70%	\$820	82%

The City's credit rating was upgraded by two municipal credit agencies to "A-" in the course of preparing for the issuance of general obligation capital bonds in the summer of 2009 and subsequently re-affirmed on the City's issuance of pension obligation bonds in September 2009. The higher credit rating translates into reduced debt issuance and long-term interest costs associated with current bonding issuances as well as for future bonding requirements to fund the City's construction and improvements to the City's education and general government facilities and various infrastructure improvements.

The S&P credit report assigned a rating of "Strong" to the City's financial management as part of their evaluation referred to as Financial Management Assessment.

A number of bond authorizations were approved during the course of the past fiscal year demonstrating the administration's continued desire to address the capital needs of the community. New project authorizations approved during the year included:

Library HVAC Improvements: The Board of Aldermen approved at its meeting held on October 6, 2008, an appropriation in the amount of \$2.4 million for the replacement of the Silas Bronson Library's heating and air conditioning system.

Division Street Drainage: The Board of Aldermen approved at its meeting held on September 3, 2008, an appropriation in the amount of \$900 thousand for Division Street design and construction. The project and bond authorization was amended by the Board of Aldermen on October 20, 2008 to reflect an increase in the appropriation to \$1.2 million.

Chase Avenue Reconstruction: The Board of Aldermen approved at its meeting held on September 3, 2008, an appropriation in the amount of \$8.2 million for the reconstruction of Chase Avenue and Homer Street.

Wachovia Building Purchase: The Board of Aldermen approved at its meeting held on May 26, 2009, an appropriation in the amount of \$5.0 million for the acquisition of the Wachovia Building on South Main Street.

Water Department Capital Projects: The Board of Aldermen approved at its meeting held on October 20, 2008 financing for previously approved appropriations by issuing bonds or notes in the amount not to exceed \$5.2 million for various capital projects of the Water Department's Capital Improvement Program.

Chlorine Feed System Replacement: The Board of Aldermen approved at its meeting held on October 6, 2008, an appropriation in the amount of \$460 thousand for the replacement of the chlorine feed system at the water treatment plant, including planning, engineering, construction and/or installation, scales and chlorine leak detection alarm system.

Rehabilitation of Water Mains: The Board of Aldermen approved at its meeting held on October 6, 2008, an appropriation in the amount of \$910 thousand for the cleaning, lining and rehabilitation of water mains and pre-stressed concrete cylinder pipe, including planning, engineering, construction, materials and equipment.

TREASURY & CASH MANAGEMENT

During the year, idle cash is 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.

It is the investment strategy of the City to be fully invested at all times within the limitations of maintaining required minimum balances at the primary City banking institution. Therefore, cash accounts have been aggregated into a central pooled operating account with any excess monies on hand above the minimum, invested in governmental pooled money market type products. Investment earnings are allocated to each respective fund based on available cash on hand.

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 thousand/individual} and Excess Liability coverage {\$10 million/City retention \$1 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.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterbury for its comprehensive annual financial report for the fiscal year ended June 30, 2008.

In order to receive the Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

Respectfully submitted,



Michael J. LeBlanc, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waterbury Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

Financial Section

BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

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, 2009, 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, 2009 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 51 through 54 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

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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 21, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 21, 2009

CITY OF WATERBURY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2009

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, 2009. 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 decreased \$9.2 million as a result of this year's operations. Net assets of our governmental activities decreased \$13.5 million. Net assets of our business-type activities increased \$4.3 million (Table 2).
- During the year, the City had governmental expenses that were \$14.5 million more than the \$452.1 million generated in taxes and other revenues used to fund governmental activities.
- In the City's business-type activities, expenses of \$31 million, including depreciation expense of \$5.6 million, were \$5.3 million less than the \$36.3 million generated in user fees, capital grants and other revenues.
- Total cost of all of the City's programs was \$497.6 million with no new programs added this year.
- The General Fund reported a total fund balance this year of \$21.1 million representing an increase of \$2.1 million. The General Fund unreserved and undesignated component of fund balance increased \$66 thousand to \$18.1 million as of June 30, 2009.
- The resources available for appropriation were \$723 thousand more than budgeted for the General Fund. General Fund budgetary based expenditures were \$4.4 million less than the final amended appropriated expenditure budget. The budgetary surplus funded \$2.1 million in additional expenditure appropriations from fund balance and provided for a \$3.0 million designation of fund balance in the 2010 budget for mill rate relief.

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 Exhibits 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 the City reports the following 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.

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 included with 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 decreased from a year ago decreasing from \$279.6 million to \$270.4 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)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 158,878	\$ 143,767	\$ 39,401	\$ 40,370	\$ 198,279	\$ 184,137
Capital assets	330,151	308,829	193,524	190,205	523,675	499,034
Total assets	<u>489,029</u>	<u>452,596</u>	<u>232,925</u>	<u>230,575</u>	<u>721,954</u>	<u>683,171</u>
Long-term liabilities:						
Long-term debt	88,397	94,696	65,459	70,850	153,856	165,546
Employee benefit obligations	180,842	149,418	625	600	181,467	150,018
Risk management and other	44,069	44,531			44,069	44,531
Other liabilities	58,982	33,742	13,152	9,731	72,134	43,473
Total liabilities	<u>372,290</u>	<u>322,387</u>	<u>79,236</u>	<u>81,181</u>	<u>451,526</u>	<u>403,568</u>
Net assets:						
Invested in capital assets, net of debt	291,451	286,264	119,905	114,283	411,356	400,547
Restricted	8,500	8,839			8,500	8,839
Unrestricted	<u>(183,212)</u>	<u>(164,894)</u>	<u>33,784</u>	<u>35,111</u>	<u>(149,428)</u>	<u>(129,783)</u>
Total Net Assets	<u>\$ 116,739</u>	<u>\$ 130,209</u>	<u>\$ 153,689</u>	<u>\$ 149,394</u>	<u>\$ 270,428</u>	<u>\$ 279,603</u>

Net assets of the City's governmental activities decreased by \$13.5 million (\$116.7 million compared to \$130.2 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 \$183.2 million at the end of this year compared with \$164.9 million at the end of last year. The \$18.3 million increase in the City's governmental activities unrestricted net assets deficit is directly attributable to the increase in the City's net Other Post Employment Benefit (OPEB) accrued obligation. An increase of \$33.4 million in the City's net OPEB obligation was accrued against the City's net assets for the fiscal year ended June 30, 2009.

The governmental activities net assets invested in capital assets, net of debt amount of \$291.5 million excludes \$67.5 million of outstanding general obligation bonds previously issued for special capital reserve fund purposes. The special capital reserve fund bonds provided deficit financing and the establishment of other special reserves in 2002 unrelated to the City's capital assets. Outstanding general obligation bonds for capital asset construction purposes totaled \$21.6 million as of June 30, 2009.

The net assets of the City's business-type activities increased by \$4.3 million in 2009 (\$153.7 million compared to \$149.4 million). Capital grants and contributions of \$5.0 million accounted for the increase in total net assets. Unrestricted net assets decreased \$1.3 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	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 10,042	\$ 13,525	\$ 30,078	\$ 26,452	\$ 40,120	\$ 39,977
Operating grants and contributions	193,520	237,794			193,520	237,794
Capital grants and contributions	14,043	18,982	4,976	605	19,019	19,587
General revenues:						
Property taxes	213,806	192,161			213,806	192,161
Grants and contributions not restricted to specific purposes	21,985	22,719			21,985	22,719
Unrestricted investment earnings (losses)	(1,625)	4,747	418	1,267	(1,207)	6,014
Other general revenues	334	517	830	520	1,164	1,037
Total revenues	<u>452,105</u>	<u>490,445</u>	<u>36,302</u>	<u>28,844</u>	<u>488,407</u>	<u>519,289</u>
Expenses:						
General government	124,482	117,786			124,482	117,786
Public works	34,809	30,477			34,809	30,477
Public safety	57,859	57,105			57,859	57,105
Development and community affairs	4,851	4,262			4,851	4,262
Human services	6,932	6,700			6,932	6,700
Education	230,247	278,534			230,247	278,534
Culture and recreation	3,026	3,189			3,026	3,189
Interest on long-term debt	4,369	4,831			4,369	4,831
Bureau of Water			13,556	13,305	13,556	13,305
Water Pollution Control			17,451	17,383	17,451	17,383
Total program expenses	<u>466,575</u>	<u>502,884</u>	<u>31,007</u>	<u>30,688</u>	<u>497,582</u>	<u>533,572</u>
Transfers in (out)	<u>1,000</u>		<u>(1,000)</u>			
Change in Net Assets	\$ <u>(13,470)</u>	\$ <u>(12,439)</u>	\$ <u>4,295</u>	\$ <u>(1,844)</u>	\$ <u>(9,175)</u>	\$ <u>(14,283)</u>

The City's total revenues were \$488.4 million as compared with \$519.3 million in the prior year. Included in last year's total revenue was the recognition of \$71.4 million in operating grants and contributions for the State's contribution to the State Teachers Retirement Board (STRB) on behalf of City teachers, compared with \$15.2 million in 2009. During 2008, the State's contribution to the STRB Plan on behalf of City teachers was significantly higher due to the State's issuance of pension obligation bonds and transferring of those proceeds into the STRB Plan. Capital grants decreased by \$4.9 million as the City expended less on capital outlays for various State reimbursable school addition projects. Approximately 75% of eligible school construction project costs are reimbursed by the State as costs are incurred. Property taxes increased \$21.6 million that was largely attributable to a \$14.2 million increase in the original tax levy for FY2009. The credit liquidity crises and ongoing economic recession have eroded investment earnings and generated an investment loss of \$1.2 million in 2009 as compared with last year's investment earnings of \$6.0 million.

The total cost of all programs and services was \$497.6 million as compared with \$533.6 million reported last year. An amount equal to the State Teachers Retirement Board on-behalf contribution noted above was reflected as an expense in the Education function last year. The correlating on-behalf contribution expense in the current year is \$56.2 million less than the amount recorded in 2008. Blended in the increase in General Government expenses and other functions is a \$4.5 million swing in operating income within the City's self-insured internal service

funds. Benefits, claims and administrative expenses increased \$3.9 million over last year decreasing operating income from \$5.5 million in 2008 to \$1.0 million in 2009. Contribution amounts to the internal service funds were consistent with 2008 levels.

Governmental Activities

Table 3 presents the cost of each of the City’s five largest programs - general government, public works, public safety, human services, 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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General government	\$ 124,482	\$ 117,786	\$ 122,503	\$ 115,432
Public works	34,809	30,477	32,166	25,166
Public safety	57,859	57,105	52,099	52,190
Human services	6,932	6,700	2,886	4,610
Education	230,247	278,534	36,530	31,203
All others	12,246	12,282	2,786	3,982
Totals	<u>\$ 466,575</u>	<u>\$ 502,884</u>	<u>\$ 248,970</u>	<u>\$ 232,583</u>

Business-Type Activities

Service revenues of the City’s business-type activities (see Table 2) increased by \$3.6 million from \$26.5 million in 2008 to \$30.1 million in 2009. The increase in revenue is a combination of water rate increases and not having to account for consumption and other adjustments to accrued revenue amounts processed in 2008. Capital grants and contributions increased \$4.4 million as both Water and WPC enterprise operations received State and Federal capital grants for various plant improvements made during the past year. Operating expenses were consistent with last year after accounting for general wage increases.

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 \$21.5 million. Included in this year’s total change in fund balance is an increase of \$2.1 million in the City’s General Fund. General fund revenues came in \$723 thousand better than budgetary revenue estimates. Tax collections of \$2.8 million above budgetary estimates covered shortfalls in intergovernmental grants, investment income and charges for service revenues. Intergovernmental revenues were \$1.5 million below estimates as the City’s had adopted intergovernmental revenue projections based on estimates provided by the State that were subsequently reduced by the State upon adoption of its budget.

The City’s General Fund expenditures were \$4.4 million less than budgeted. The budgetary savings were spread amongst many of the City’s departments in an effort to reduce costs in light of the economic downturn during 2009. Those savings negated any decrease in fund balance and provided for \$2.1 million in additional appropriations at the end of the fiscal year to locally fund various projects and programs within the City’s capital and special revenue funds.

The \$8.0 million fund balance in the City's Debt Service fund is consistent with last year's amount of \$7.8 million. The City's unamortized reserved/restricted portion of fund balance relating to debt service reserve requirements applicable to the City's deficit financing bonds, issued in 2002, is \$7.2 million at June 30, 2009.

During 2009, the City's General Fund transferred \$5.7 million to the General and Education Capital Improvement funds to provide local funding of various capital projects and programs including the City's vehicle replacement program. Overall the General Capital Improvement Fund and General Capital Improvement Fund reported a decrease of \$15 million in fund balance resulting from the expenditure of bond anticipation note proceeds to fund ongoing construction, renovation and infrastructure improvement costs. The City bonded \$28 million in September 2009 in the first year of an anticipated four to five year capital bonding program to finance local project funding requirements, estimated at \$150 million, for several ongoing and planned facility construction and improvement 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 asset deficit in the City's internal service funds of \$1.0 million, net of the amounts set aside in the OPEB Reserve Fund, is a direct result of poor performance on the City's internal service fund investment portfolio during FY2009. The credit liquidity crises and ongoing economic recession eroded investment earnings and generated an investment loss of \$3.9 million in 2009 as compared with last year's investment earnings of \$884 thousand. Benefits, claims and administrative expenses increased \$3.9 million over last year decreasing operating income from \$5.5 million in 2008 to \$1.0 million in 2009. Contribution amounts to the internal service funds were consistent with 2008 levels.

General Fund Budgetary Highlights

The General Fund's fund balance increased \$2.1 million during the year. The City had anticipated the use of \$1.0 million of fund balance to fund budgeted expenditures at the start of the 2009 fiscal year. During the year, the City appropriated an additional \$2.1 million from fund balance to increase the local funding component of various capital projects and to provide additional funding to the City's recreation programs to offset employee benefit expenditures. Favorable budgetary results of operations in both revenues and expenditures enabled the City to generate a budgetary surplus of \$2.1 as well as cover the additional appropriations.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009 the City had \$523.7 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 \$24.6 million, or 4.9%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and land improvements	\$ 19,590	\$ 18,873	\$ 1,773	\$ 1,773	\$ 21,363	\$ 20,646
Buildings, utility plant and improvements	189,814	190,134	70,790	72,396	260,604	262,530
Infrastructure	39,752	42,045	60,907	61,808	100,659	103,853
Machinery and equipment	9,885	10,184	45,599	47,804	55,484	57,988
Vehicles	3,552	3,109	852	617	4,404	3,726
Construction in progress	67,558	44,484	13,603	5,807	81,161	50,291
Totals	\$ <u>330,151</u>	\$ <u>308,829</u>	\$ <u>193,524</u>	\$ <u>190,205</u>	\$ <u>523,675</u>	\$ <u>499,034</u>

Major capital activities during the year included the capitalization of \$15.5 million in school construction and renovation costs and \$4.9 million for City Hall renovations. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009 the City had \$185.2 million in bonds and notes outstanding versus \$172.1 million last year - as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 89,138	\$ 96,229	\$ 1,785	\$ 1,935	\$ 90,923	\$ 98,164
Serial notes payable			59,127	63,917	59,127	63,917
Bond anticipation notes (backed by the City)	30,100	10,000	5,000		35,100	10,000
	\$ <u>119,238</u>	\$ <u>106,229</u>	\$ <u>65,912</u>	\$ <u>65,852</u>	\$ <u>185,150</u>	\$ <u>172,081</u>

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 \$1.48 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 8 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 2010 budget has been crafted in a manner which takes into consideration the status of economic conditions impacting certain revenue estimates. The revenue estimates, therefore, were developed on the basis of achievable objectives and realism as a means to limit income deficiencies and thereby strengthening the likelihood of maintaining undesignated fund balance objectives. The 2010 budget contains no tax increases, but does contain some difficult reductions to Departments' initial requests. The adopted budget includes a judicious designated use of fund balance to keep the mill rate stable.

The fiscal year 2010 budget calls for \$373.9 million in revenues and expenditures, an approximate .7% increase over fiscal year 2009. On the revenue side, the fiscal year 2010 mill rate applied to the October 1, 2008 grand list was not adjusted. A 96.0% collection rate estimate was established representing a .5% increase supported by actual collection percentage rates over the past three years. The mill rate remained unchanged at 39.93 mills on a net taxable grand list of \$5.3 billion. The taxable grand list of October 1, 2007 was \$5.2 billion. Most of the \$2.7 million increase in fiscal year 2010 revenues vs. 2008 budgeted revenue estimates is due to an increase of \$2.0 million in the designated use of fund balance. The financial progress realized in the past eight years favorably portrays Waterbury with its peer Connecticut municipalities. The property tax collection rate continued to hold steady given the economic condition at 97.06% representing a slight increase from the previous year. The high rate of tax collection is a credit to the taxpaying residents of Waterbury coupled with the forceful methods of delinquent tax collection by the Collector of Revenue.

Overall, the 2010 budgeted revenues when compared to fiscal year 2009 budgeted revenues from sources other than taxation and use of fund balance have been reduced by \$1.1 million in light of the ongoing impact of the economic recession on those other revenues. All told, approximately 37.8% of the City's General Fund revenues are received from the State. The State's fiscal 2010 budget appears to be affected by the national economic conditions with projections of a potential deficit anticipated if preventative measures implemented to date prove unsuccessful. Should projections hold true, the City's fiscal year 2010 budget could be further impacted if mid-year reductions in State grants proposed by the Governor are approved by the State's Legislature.

The City's unemployment rate at fiscal year end was 12.7%. The local metropolitan area unemployment rate is 10.6%. The State and national unemployment rates were 8.0% and 9.4%, respectively. To date in fiscal year 2010, tax collections and other revenues dependent on the local economy have not appeared to be materially impacted by the State or local economies beyond the already reduced estimates built-into the fiscal budget.

On the expenditure side, the City has not implemented any significant new programs or services. The total budgeted increase in expenditures for fiscal year 2010 is \$2.7 million representing a modest .7% increase over the 2009 adopted appropriations. The 2010 adopted budget did not include any reductions in personnel. Budgeted debt service increased \$1.1 million as the City embarks on the first year of a multi-year bonding program to provide financing for the City's ongoing capital facility and infrastructure improvement program. Funding to cover the anticipated cost of employee benefits was increased \$1.4 million.

As the City begins to prepare its fiscal year 2011 budget, it does so with the knowledge that there will be intensified pressure on the expenditure budget by virtue of reduced revenues generated locally and by further potential reductions in State government sources.

The Board of Aldermen approved a Pension Obligation Bond in the amount of \$350 million on February 11, 2008. In September 2009, following the City's bond rating upgrade to "A status", the City issued a \$313 million pension obligation bond to provide for a 70% funding of the Pension Plan's actuarial accrued liability. The objective of issuing pension obligation bonds was to generate budgetary savings realized from the low taxable interest rate environment when compared to the actuarial funding plan with an internal cost of return assumption of 8.5%. The issuance of the pension obligation bonds is estimated to generate a budgetary savings to the City in

excess of \$150 million over the next 30 years when comparing the City's required contributions to the plan and debt service on the bonds with the City's projected required contributions to the plan had the pension obligation bonds not been issued.

The City's issuance of pension obligation bonds in September 2009 will generate an estimated \$12 million budgetary savings in FY2010 when comparing the revised annual required pension contribution and the new debt service on the pension obligation bonds with the originally adopted annual required pension contribution which predated the bond issuance. The amount of savings in FY2010 is largely attributable to not having a principal payment due on the pension obligation bonds in the initial fiscal year of the bond issuance. The City is having a pension actuarial valuation performed to reflect the receipt of the pension obligation bond proceeds into the Plan and establish the revised annual required contribution for FY2010. Upon receipt of the valuation, the City will determine an appropriate use of the one-time budgetary savings in consideration of the City's 5% capital restriction bond covenant established when the City issued deficit financing bonds in 2002 which do not expire until 2017.

The City, for the first time since the late 1990's, began issuing Bond Anticipation Notes for education facility, public facility and infrastructure improvement projects in September 2007. As of June 30, 2009 the local funding portion of approved capital project resolutions is approximately \$125 million. The 2007 short-term notes were renewed in September 2008 for \$30.1 million. The City issued \$28 million in general obligation bonds and \$33.5 million in bond anticipation notes in September 2009 as part of a multi-year bonding program to finance the City's local funding portion of the capital improvement program. Debt service expenses are included in the fiscal year 2010 budget for the scheduled payments associated with the Bond sale.

In the City's business-type activities, the Bureau of Water rate charges for water consumption increased by five percent for fiscal 2010. The Department has a number of projects it intends to finance through issuance of debt representing a departure from appropriating the monies from the annual operating budget. The change in funding will enable the department to better match the useful life of the asset with amortizing its cost. The Water Pollution Control fees remained unchanged for fiscal year 2010, although increases are possible for fiscal year 2011 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, please contact the Finance Department, City of Waterbury, 236 Grand Street, Waterbury, Connecticut 06702.

Basic Financial Statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2009

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 71,831	\$ 24,987	\$ 96,818
Investments	44,070		44,070
Receivables, net	42,074	13,962	56,036
Deferred charges	750		750
Other current assets	153	452	605
Capital assets:			
Assets not being depreciated	81,861	15,376	97,237
Assets being depreciated, net	248,290	178,148	426,438
Total assets	<u>489,029</u>	<u>232,925</u>	<u>721,954</u>
Liabilities:			
Accounts payable and accrued expenses	26,695	1,860	28,555
Bond anticipation notes payable	30,100	5,000	35,100
Unearned revenue	2,187		2,187
Deferred credits		6,292	6,292
Noncurrent liabilities:			
Due within one year	24,848	5,751	30,599
Due in more than one year	288,460	60,333	348,793
Total liabilities	<u>372,290</u>	<u>79,236</u>	<u>451,526</u>
Net Assets:			
Invested in capital assets, net of related debt	291,451	119,905	411,356
Restricted for trust purposes:			
Trust purposes - nonexpendable	100		100
Trust purposes - expendable	1,187		1,187
Debt service - temporarily restricted	7,213		7,213
Unrestricted	<u>(183,212)</u>	<u>33,784</u>	<u>(149,428)</u>
Total Net Assets	<u>\$ 116,739</u>	<u>\$ 153,689</u>	<u>\$ 270,428</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, 2009

(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	\$ 124,482	\$ 1,946	\$ 33	\$	\$ (122,503)	\$	\$ (122,503)
Public works	34,809	407	2,192	44	(32,166)		(32,166)
Public safety	57,859	3,827	1,384	549	(52,099)		(52,099)
Development and community affairs	4,851	1,413	4,977		1,539		1,539
Human services	6,932	186	3,860		(2,886)		(2,886)
Education	230,247	834	179,433	13,450	(36,530)		(36,530)
Culture and recreation	3,026	1,429	1,641		44		44
Interest on long-term debt	4,369				(4,369)		(4,369)
Total governmental activities	<u>466,575</u>	<u>10,042</u>	<u>193,520</u>	<u>14,043</u>	<u>(248,970)</u>	<u>-</u>	<u>(248,970)</u>
Business-type activities:							
Bureau of Water	13,556	12,183		2,896		1,523	1,523
Waste Treatment	17,451	17,895		2,080		2,524	2,524
Total business-type activities	<u>31,007</u>	<u>30,078</u>	<u>-</u>	<u>4,976</u>	<u>-</u>	<u>4,047</u>	<u>4,047</u>
Total	<u>\$ 497,582</u>	<u>\$ 40,120</u>	<u>\$ 193,520</u>	<u>\$ 19,019</u>	<u>(248,970)</u>	<u>4,047</u>	<u>(244,923)</u>
General revenues:							
Property taxes					213,806		213,806
Grants and contributions not restricted to specific programs					21,985		21,985
Unrestricted investment earnings (losses)					(1,625)	418	(1,207)
Miscellaneous					334	830	1,164
Transfers					1,000	(1,000)	-
Total general revenues and transfers					<u>235,500</u>	<u>248</u>	<u>235,748</u>
Change in net assets					(13,470)	4,295	(9,175)
Net Assets, July 1, 2008					<u>130,209</u>	<u>149,394</u>	<u>279,603</u>
Net Assets, June 30, 2009					<u>\$ 116,739</u>	<u>\$ 153,689</u>	<u>\$ 270,428</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009

(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 32,078	\$ 7,951	\$ 13,211	\$ 6,322	\$ 6,670	\$ 66,232
Investments					774	774
Receivables, net	25,459		1,300	6,171	9,120	42,050
Due from other funds	482					482
Other	11				142	153
Total Assets	<u>\$ 58,030</u>	<u>\$ 7,951</u>	<u>\$ 14,511</u>	<u>\$ 12,493</u>	<u>\$ 16,706</u>	<u>\$ 109,691</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 12,185	\$	\$ 4,023	\$ 6,156	\$ 2,742	\$ 25,106
Due to other funds					482	482
Notes payable			18,600	11,500		30,100
Deferred revenue	24,763		4	326	7,377	32,470
Total liabilities	<u>36,948</u>	<u>-</u>	<u>22,627</u>	<u>17,982</u>	<u>10,601</u>	<u>88,158</u>
Fund balances:						
Reserved		7,213	11,409	62,217	2,954	83,793
Unreserved, reported in:						
General Fund	21,082					21,082
Special Revenue Funds		738			3,151	3,889
Capital Project Funds			(19,525)	(67,706)		(87,231)
Total fund balances	<u>21,082</u>	<u>7,951</u>	<u>(8,116)</u>	<u>(5,489)</u>	<u>6,105</u>	<u>21,533</u>
Total Liabilities and Fund Balances	<u>\$ 58,030</u>	<u>\$ 7,951</u>	<u>\$ 14,511</u>	<u>\$ 12,493</u>	<u>\$ 16,706</u>	<u>\$ 109,691</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009

(In Thousands)

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets:

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

Fund balances - total governmental funds	\$	21,533
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	536,140	
Less accumulated depreciation		<u>(205,989)</u>	
Net capital assets			330,151

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	15,277
Interest receivable on property taxes	8,766
Other receivables and deferred amounts	718
Unamortized bond issuance costs	750
Housing loans	5,601

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 funds are reported with governmental activities in the statement of net assets.

5,809

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(89,138)
Deferred charges on refunding	1,753
Unamortized bond premium	(1,012)
Interest payable on bonds and notes	(1,157)
Accrued compensated absences	(31,332)
Retired employee obligations	(2,894)
Net OPEB obligation	(69,595)
Net pension obligation	(77,021)
Landfill post-closure	<u>(1,470)</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>116,739</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	General	Debt Service Fund	General Capital Improvement	Education Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 210,092	\$	\$	\$	\$	\$ 210,092
Intergovernmental	155,571		3,623	13,419	52,268	224,881
Investment income	1,864	241	73	43	3	2,224
Charges for services	6,653				4,634	11,287
Reimbursements	11,340					11,340
Other	643		89	35	2,145	2,912
Total revenues	<u>386,163</u>	<u>241</u>	<u>3,785</u>	<u>13,497</u>	<u>59,050</u>	<u>462,736</u>
Expenditures:						
Current:						
General government	9,434				241	9,675
Public works	19,286					19,286
Public safety	44,013				3,136	47,149
Development and community affairs	1,104				4,988	6,092
Human services	3,165				3,875	7,040
Education	169,099				44,669	213,768
Culture and recreation	2,055				1,928	3,983
General financial	119,770					119,770
Capital outlay			21,999	16,002		38,001
Debt service:						
Principal		7,090				7,090
Interest		4,492				4,492
Total expenditures	<u>367,926</u>	<u>11,582</u>	<u>21,999</u>	<u>16,002</u>	<u>58,837</u>	<u>476,346</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>18,237</u>	<u>(11,341)</u>	<u>(18,214)</u>	<u>(2,505)</u>	<u>213</u>	<u>(13,610)</u>
Other Financing Sources (Uses):						
Transfers in		11,465	4,212	1,479	287	17,443
Transfers out	<u>(16,171)</u>				<u>(272)</u>	<u>(16,443)</u>
Total other financing sources (uses)	<u>(16,171)</u>	<u>11,465</u>	<u>4,212</u>	<u>1,479</u>	<u>15</u>	<u>1,000</u>
Net Change in Fund Balances	2,066	124	(14,002)	(1,026)	228	(12,610)
Fund Balance, July 1, 2008	<u>19,016</u>	<u>7,827</u>	<u>5,886</u>	<u>(4,463)</u>	<u>5,877</u>	<u>34,143</u>
Fund Balance, June 30, 2009	<u>\$ 21,082</u>	<u>\$ 7,951</u>	<u>\$ (8,116)</u>	<u>\$ (5,489)</u>	<u>\$ 6,105</u>	<u>\$ 21,533</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$	(12,610)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	31,936
Depreciation expense	(11,123)

In the statement of activities, the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the transaction is not reported. Thus the change in net assets differs from the change in fund balance by the loss on assets disposed.

	(30)
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Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

	539
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	1,223
Property tax interest and lien revenue - accrual basis change	2,491
Housing assistance loans receivable - accrual basis change	1,212
Other receivables - accrual basis change	(239)

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 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 amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	7,091
Amortization of deferred charge on refunding	(23)
Amortization of issuance costs	(58)
Amortization of premiums and discounts	78
Capital lease payments	243

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 the governmental funds. The details of the changes in other recorded obligations are as follows:

Net OPEB benefit obligation	(33,418)
Net pension obligation	2,926
Compensated absences	(2,647)
Retired employee obligations	1,715
Accrued interest	67
Landfill post closure care	70

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

	<u>(2,913)</u>
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Change in Net Assets of Governmental Activities (Exhibit II)	\$	<u><u>(13,470)</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2009

(In Thousands)

	Business-Type Activities			Governmental
	Water Pollution		Total	Activities
	Bureau of Water Enterprise Fund	Control Enterprise Fund		Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,922	\$ 22,065	\$ 24,987	\$ 5,599
Investments			-	43,296
Receivables, net	5,351	8,611	13,962	24
Inventories	452		452	
Total current assets	<u>8,725</u>	<u>30,676</u>	<u>39,401</u>	<u>48,919</u>
Noncurrent assets:				
Capital assets, net	<u>58,740</u>	<u>134,784</u>	<u>193,524</u>	
Total assets	<u>67,465</u>	<u>165,460</u>	<u>232,925</u>	<u>48,919</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	1,161	699	1,860	511
Bond anticipation notes payable	5,000		5,000	
Capital lease obligations		473	473	
Bonds and serial notes payable		5,032	5,032	
Compensated absences	158	88	246	
Deferred credit		557	557	
Risk management claims			-	10,535
Total current liabilities	<u>6,319</u>	<u>6,849</u>	<u>13,168</u>	<u>11,046</u>
Noncurrent liabilities:				
Capital lease obligations		4,074	4,074	
Bonds and notes payable		55,880	55,880	
Compensated absences	302	77	379	
Deferred credit		5,735	5,735	
Risk management claims			-	32,064
Total noncurrent liabilities	<u>302</u>	<u>65,766</u>	<u>66,068</u>	<u>32,064</u>
Total liabilities	<u>6,621</u>	<u>72,615</u>	<u>79,236</u>	<u>43,110</u>
Net Assets:				
Invested in capital assets, net of related debt	56,872	63,033	119,905	
Unrestricted	<u>3,972</u>	<u>29,812</u>	<u>33,784</u>	<u>5,809</u>
Total Net Assets	<u>\$ 60,844</u>	<u>\$ 92,845</u>	<u>\$ 153,689</u>	<u>\$ 5,809</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	Business-Type Activities			Internal Service Funds
	Bureau of Water Enterprise Fund	Water Pollution Control Enterprise Fund	Total	
Operating Revenues:				
Operations	\$ 12,183	\$ 17,895	\$ 30,078	\$
Employer premiums			-	71,755
Charges for services			-	8,541
Other	641	189	830	1,495
Total operating revenues	<u>12,824</u>	<u>18,084</u>	<u>30,908</u>	<u>81,791</u>
Operating Expenses:				
Operations	9,231	10,030	19,261	
Administration and general	2,985	1,844	4,829	
Depreciation	1,340	4,269	5,609	
Benefits, claims and administration			-	80,764
Total operating expenses	<u>13,556</u>	<u>16,143</u>	<u>29,699</u>	<u>80,764</u>
Operating Income (Loss)	<u>(732)</u>	<u>1,941</u>	<u>1,209</u>	<u>1,027</u>
Nonoperating Income (Loss):				
Investment income (loss)	5	413	418	(3,940)
Interest expense		(1,308)	(1,308)	
Net nonoperating income (loss)	<u>5</u>	<u>(895)</u>	<u>(890)</u>	<u>(3,940)</u>
Income (Loss) Before Contributions and Transfers	(727)	1,046	319	(2,913)
Capital Grants and Contributions	2,896	2,080	4,976	
Transfers Out		(1,000)	(1,000)	
Change in Net Assets	2,169	2,126	4,295	(2,913)
Total Net Assets, July 1, 2008	<u>58,675</u>	<u>90,719</u>	<u>149,394</u>	<u>8,722</u>
Total Net Assets, June 30, 2009	<u>\$ 60,844</u>	<u>\$ 92,845</u>	<u>\$ 153,689</u>	<u>\$ 5,809</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2009

(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	\$ 12,124	\$ 16,727	\$ 28,851	\$ -
City's contribution			-	71,755
Cash received from employees and other	641	189	830	10,863
Cash paid to employees for services	(6,476)	(4,708)	(11,184)	
Cash paid to vendors	(6,140)	(8,312)	(14,452)	(80,891)
Net cash provided by operating activities	<u>149</u>	<u>3,896</u>	<u>4,045</u>	<u>1,727</u>
Cash Flows from Capital and Related Financing Activities:				
Capital grants	2,896	2,080	4,976	
Acquisition and construction of capital assets	(5,803)	(3,125)	(8,928)	
Principal payment - bonds, notes and leases		(5,945)	(5,945)	
Bond anticipation notes issued	5,000		5,000	
Interest paid on bonds and notes		(1,311)	(1,311)	
Net cash provided by (used in) capital and related financing activities	<u>2,093</u>	<u>(8,301)</u>	<u>(6,208)</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:				
Transfer from other funds				4,862
Transfer (to) other funds		(1,000)	(1,000)	(4,862)
Net cash used in noncapital financing activities	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments	5	413	418	1,791
Net purchases and sales of investments			-	(2,631)
Net cash provided by (used in) investing activities	<u>5</u>	<u>413</u>	<u>418</u>	<u>(840)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,247	(4,992)	(2,745)	887
Cash and Cash Equivalents, July 1, 2008	<u>675</u>	<u>27,057</u>	<u>27,732</u>	<u>4,712</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 2,922</u>	<u>\$ 22,065</u>	<u>\$ 24,987</u>	<u>\$ 5,599</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (732)	\$ 1,941	\$ 1,209	\$ 1,027
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,340	4,269	5,609	
(Increase) decrease in receivables	(58)	(1,168)	(1,226)	316
(Increase) decrease in due from other funds				512
(Increase) decrease in inventory	(38)		(38)	
Increase (decrease) in accounts payable and accrued expenses	137	(1,159)	(1,022)	264
Increase (decrease) in due to other funds	(512)		(512)	
Increase (decrease) in compensated absences	12	13	25	
Increase (decrease) in risk management claim liabilities			-	(392)
Net Cash Provided by Operating Activities	<u>\$ 149</u>	<u>\$ 3,896</u>	<u>\$ 4,045</u>	<u>\$ 1,727</u>
Noncash Investing, Capital and Financing Activities:				
Amortization of deferred credit		\$ 554		
Increase (decrease) in value of investments				\$ (5,747)

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009

(In Thousands)

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 2,354	\$ 2,611
Investments:		
Corporate bonds	14,595	
U.S. treasury obligations	5,906	
Common stock and equities	<u>33,627</u>	
Total assets	<u>56,482</u>	<u>\$ 2,611</u>
Liabilities:		
Accounts payable and accrued liabilities	21	\$
Deposits held for others		<u>2,611</u>
Total liabilities	<u>21</u>	<u>\$ 2,611</u>
Net Assets:		
Held in trust for pension benefits	<u>\$ 56,461</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, 2009

(In Thousands)

Additions:		
Contributions:		
Employer		\$ 44,475
Plan members		6,158
Total contributions		<u>50,633</u>
Investment income (loss):		
Net depreciation in fair value of investments	\$ (14,380)	
Interest and dividends	<u>1,730</u>	
Total investment loss		<u>(12,650)</u>
Total additions		37,983
Deductions:		
Benefits	43,862	
Refunds	366	
Administration	<u>548</u>	
Total deductions		<u>44,776</u>
Net Decrease		(6,793)
Net Assets Held in Trust for Pension Benefits, Beginning of Year		<u>63,254</u>
Net Assets Held in Trust for Pension Benefits, End of Year		<u>\$ 56,461</u>

The accompanying notes are an integral part of the financial statements

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.

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. The WDA's sole remaining purpose of existence is to represent the City as its designated redevelopment agency, allowing for the performance of certain activities on behalf of the City that only a designated redevelopment agency can perform such as acquiring properties that will then be owned by the City. The WDA is included as part of the Housing and Development Programs Fund (Nonmajor Special Revenue Fund).

Related Organizations

The City has designated the Waterbury Development Corporation (the Corporation), among other designations, as the City's economic development agency, housing site development agency and community development agency. Under a subrecipient 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 Corporation from the City's Community Development Block Grant. The Mayor sits on the Board of the Corporation and is responsible for the 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 (NVDC). The City's accountability for these organizations extends beyond making these appointments. The City has provided for certain guarantees in the event a future environmental liability associated with NVDC's Brass Mill Center Project were to occur.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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 is 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, Heart and Hypertension, and OPEB Reserve are the City's 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 and the Performance Bonds & Escrow Accounts are the City's agency funds.

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. Additionally, the Debt Service Fund accounts for the City's equivalent to the highest annual debt service payment remaining on the City's outstanding special capital reserve financing bonds.

The General Capital Improvement Fund accounts for all the financial resources including transfers from the General Fund and bond proceeds used to finance the City's general capital improvement projects.

The Education Capital Improvement Fund accounts for all the financial resources including school construction grants, bond proceeds and transfers from the General Fund to finance the City's school building construction, addition and renovation projects.

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 3.

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 noncurrent 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 \$4,942 is equal to 23.8% of outstanding property taxes at June 30, 2009.

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 \$15,277.

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:

<u>Assets</u>	<u>Years</u>
Land improvements	20
Buildings	50
Other structures	25
Infrastructure	10-65
Machinery and equipment	5-20
Vehicles	5

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. The General Fund generally liquidates this liability.

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. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

A budget for the General Fund is authorized annually by the Board of Aldermen. The procedures for establishing the budgetary data reflected in the basic financial statements are as follows:

- The Mayor submits to the Board of Aldermen 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 Aldermen holds two public hearings and adjusts the proposed budget to incorporate taxpayer comments, as considered necessary.
- The budget is legally enacted through a Board of Aldermen resolution.
- 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.
- 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.
- During Fiscal Year 2008/09 the Mayor recommended, and the Board of Aldermen approved, additional appropriations in the amount of \$2.05 million.

Formal budgetary integration is employed as a management control device in the General Fund during the year. Formal budgetary integration is not employed in Capital Projects and Special Revenue Funds because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

Except for encumbrance accounting and budgeting for year end accrued payroll, the budget is prepared on the modified accrual basis of accounting. The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level.

Generally, all unencumbered appropriations lapse at year end except those for capital project funds. Appropriations for capital projects are continued until completion of applicable projects even when projects extend more than one fiscal year.

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 re-appropriated and honored during the subsequent year.

B. Deficit Fund Equity

The following funds had deficit net asset balances as of June 30, 2009:

	<u>Amount</u>
General Capital Improvement Fund	\$ 8,116*
Education Capital Improvement Fund	5,489*
Nonmajor and Other Funds:	
Internal Service Fund:	
Workers' Compensation	11,577**
Special Revenue Funds:	
Recreational Programs	175***

* Deficit will be funded in futures years through bond financing in accordance with approved bond authorizations for various school projects.

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

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

3. 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.

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposit will not be returned. The City’s formal deposit policy includes sections regarding safekeeping and custody of deposits to mitigate custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$56,505 of the City’s bank balance of \$85,146 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	24,716
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name		<u>31,789</u>
Total Amount Subject to Custodial Credit Risk	\$	<u><u>56,505</u></u>

Cash Equivalents

At June 30, 2009 the City's cash equivalents amounted to \$23,075. 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. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
State Tax Exempt Proceeds Fund*	
State Short-Term Investment Fund (STIF)	AAAm
American Freedom U.S. Government Money Market Fund	AAAm

*Not rated

Investments

As of June 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Corporate bonds	AAA to A-	\$ 19,031	\$ 796	\$ 18,115	\$ 120
Corporate bonds	BBB+ to B	8,954		8,954	
Asset backed securities	N/A	6,250		2,597	3,653
U.S. Government agencies	AAA	15,011	1,195	13,180	636
Total		49,246	\$ 1,991	\$ 42,846	\$ 4,409
Other investments:					
Common stock		48,952			
Total Investments		\$ 98,198			

N/A Not available

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. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements.

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.

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 formal

investment policy includes sections regarding safekeeping and custody of investments to mitigate custodial credit risk. The City's individual investments in equities, corporate bonds, corporate asset backed securities and U.S. government agencies are uninsured and unregistered securities held by a counterparty or by its trust department or agent that are not in the City's name.

4. 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>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Bureau of Water</u>	<u>Water Pollution Control</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 20,797						\$ 20,797
Accrued interest on taxes	13,572						13,572
Service fees				9,919	12,004		21,923
Unbilled revenue				1,681	2,229		3,910
Intermunicipal fees					1,345		1,345
Intergovernmental		1,300	6,171			3,155	10,626
Loans						5,601	5,601
Accounts and other	2,509			261	833	420	4,023
Gross receivables	<u>36,878</u>	<u>1,300</u>	<u>6,171</u>	<u>11,861</u>	<u>16,411</u>	<u>9,176</u>	<u>81,797</u>
Less allowance for uncollectibles:							
Taxes	(4,942)						(4,942)
Accrued interest on taxes	(4,806)						(4,806)
Service fees				(6,450)	(7,800)		(14,250)
Accounts	(1,671)			(60)		(32)	(1,763)
Total allowance	<u>(11,419)</u>	<u>-</u>	<u>-</u>	<u>(6,510)</u>	<u>(7,800)</u>	<u>(32)</u>	<u>(25,761)</u>
Net Total Receivables	<u>\$ 25,459</u>	<u>\$ 1,300</u>	<u>\$ 6,171</u>	<u>\$ 5,351</u>	<u>\$ 8,611</u>	<u>\$ 9,144</u>	<u>\$ 56,036</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	\$ 15,277		\$ 15,277
Accrued interest on delinquent property taxes	8,766		8,766
Other account receivables	544		544
Advance tax collections		97	97
Nonmajor funds and other funds:			
Grant drawdowns prior to meeting all eligibility requirements		1,690	1,690
Housing loans and accrued interest	5,601		5,601
Other deferred revenue	95	400	495
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 30,283</u>	<u>\$ 2,187</u>	<u>\$ 32,470</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 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	\$ 14,108	\$ 195	\$	\$ 14,303
Construction in progress	44,484	30,566	(7,492)	67,558
Total capital assets not being depreciated	<u>58,592</u>	<u>30,761</u>	<u>(7,492)</u>	<u>81,861</u>
Capital assets being depreciated:				
Land improvements	10,663	990		11,653
Buildings and improvements	264,042	5,023		269,065
Infrastructure	127,990			127,990
Machinery and equipment	31,445	1,779	(113)	33,111
Vehicles	11,046	1,414		12,460
Total capital assets being depreciated	<u>445,186</u>	<u>9,206</u>	<u>(113)</u>	<u>454,279</u>
Less accumulated depreciation for:				
Land improvements	(5,898)	(468)		(6,366)
Buildings and improvements	(73,908)	(5,343)		(79,251)
Infrastructure	(85,945)	(2,293)		(88,238)
Machinery and equipment	(21,261)	(2,048)	83	(23,226)
Vehicles	(7,937)	(971)		(8,908)
Total accumulated depreciation	<u>(194,949)</u>	<u>(11,123)</u>	<u>83</u>	<u>(205,989)</u>
Total capital assets being depreciated, net	<u>250,237</u>	<u>(1,917)</u>	<u>(30)</u>	<u>248,290</u>
Governmental Activities Capital Assets, Net	<u>\$ 308,829</u>	<u>\$ 28,844</u>	<u>\$ (7,522)</u>	<u>\$ 330,151</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	5,807	7,796		13,603
Total capital assets not being depreciated	<u>7,580</u>	<u>7,796</u>	<u>-</u>	<u>15,376</u>
Capital assets being depreciated:				
Utility plant	97,497	356		97,853
Infrastructure	97,240	296		97,536
Machinery and equipment	72,076			72,076
Vehicles	2,225	480		2,705
Total capital assets being depreciated	<u>269,038</u>	<u>1,132</u>	<u>-</u>	<u>270,170</u>
Less accumulated depreciation for:				
Utility plant	(25,101)	(1,962)		(27,063)
Infrastructure	(35,432)	(1,197)		(36,629)
Machinery and equipment	(24,272)	(2,205)		(26,477)
Vehicles	(1,608)	(245)		(1,853)
Total accumulated depreciation	<u>(86,413)</u>	<u>(5,609)</u>	<u>-</u>	<u>(92,022)</u>
Total capital assets being depreciated, net	<u>182,625</u>	<u>(4,477)</u>	<u>-</u>	<u>178,148</u>
Business-Type Activities Capital Assets, Net	<u>\$ 190,205</u>	<u>\$ 3,319</u>	<u>\$ -</u>	<u>\$ 193,524</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 966
Public works (including parks)	3,045
Public safety	1,729
Human services	23
Education	4,005
Culture and recreation	<u>1,355</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 11,123</u>
Business-type activities:	
Water	\$ 1,340
Water Pollution Control	<u>4,269</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,609</u>

Construction Commitments

The City has authorized capital projects for the improvement and expansion of the City’s facilities, infrastructure and other capital items. The following is a summary of the City’s authorized capital projects by major program and the related commitments as of June 30, 2009:

<u>Program</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Balance June 30, 2009</u>
General Capital Improvement	\$ 127,792	\$ 58,645	\$ 11,409	\$ 57,738
Education Capital Improvement	316,300	95,024	62,217	159,059
Water Enterprise Capital Improvement	14,559	10,852	1,494	2,213
WPC Enterprise CAF Improvement	978	820		158
WPC Enterprise CIP Improvement	<u>36,882</u>	<u>6,652</u>	<u>344</u>	<u>29,886</u>
	<u>\$ 496,511</u>	<u>\$ 171,993</u>	<u>\$ 75,464</u>	<u>\$ 249,054</u>

6. 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, 2009 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 482

A summary of interfund transfers is presented below:

	<u>Transfers In</u>				<u>Total</u>
	<u>Debt Service</u>	<u>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Nonmajor Governmental</u>	
Transfers out:					
General Fund	\$ 11,465	\$ 3,212	\$ 1,207	\$ 287	\$ 16,171
Water Pollution Control		1,000			1,000
Nonmajor Governmental Funds			272		272
Total	<u>\$ 11,465</u>	<u>\$ 4,212</u>	<u>\$ 1,479</u>	<u>\$ 287</u>	<u>\$ 17,443</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. Transfers from the General Fund to the General and Education Capital Improvement Funds are designed to locally fund portions of capital activities to reduce future bonding requirements.

7. 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, 2009 amounting to \$6,292 and will be amortized and recorded as revenue as the contributing municipalities make payments to the State of Connecticut.

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Credit Amortization</u>
2010	\$ 557
2011	560
2012	563
2013	565
2014	569
2015-2019	2,890
2020	588
 Total	 <u>\$ 6,292</u>

8. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 96,229	\$ -	\$ 7,091	\$ 89,138	\$ 7,160
Add unamortized premiums	1,090		78	1,012	
Less deferred amount on refunding	(1,776)		(23)	(1,753)	
Total bonds payable	<u>95,543</u>	<u>-</u>	<u>7,146</u>	<u>88,397</u>	<u>7,160</u>
Capital leases	243		243	-	
Accrued compensated absences	28,685	7,313	4,666	31,332	6,423
Retired employee obligations	4,609	934	2,649	2,894	660
Net OPEB obligation	36,177	33,418		69,595	
Net pension obligation	79,947		2,926	77,021	
Landfill post-closure	1,540		70	1,470	70
Risk management	<u>42,991</u>	<u>80,372</u>	<u>80,764</u>	<u>42,599</u>	<u>10,535</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 289,735</u>	<u>\$ 122,037</u>	<u>\$ 98,464</u>	<u>\$ 313,308</u>	<u>\$ 24,848</u>

The risk management claims accounted for in the Internal Service Funds are reported in the long-term liabilities as part of the above totals for governmental activities. All governmental long-term liabilities are generally liquidated by the General Fund.

A schedule of governmental activities bonds and serial notes outstanding at June 30, 2009 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2009</u>
General purpose bonds payable:				
Special Capital Reserve Funds	04/01/02	4.0-5.5	82,075	\$ 15,390
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	17,833	15,312
Refunding Bond - Special Capital Reserves	10/01/04	2.0-5.0	25,365	25,145
Refunding Bond - Special Capital Reserves	02/15/07	3.8-4.5	27,055	<u>27,005</u>
Total general purpose				82,852
School bonds payable:				
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	6,286	<u>6,286</u>
Total				\$ <u><u>89,138</u></u>

A schedule of governmental activities bonds outstanding at June 30, 2009 is presented below:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 7,160	\$ 4,034	\$ 11,194
2011	7,217	3,717	10,934
2012	7,272	3,388	10,660
2013	7,347	3,075	10,422
2014	7,395	2,740	10,135
2015-2019	36,563	8,531	45,094
2020-2022	<u>16,184</u>	<u>1,418</u>	<u>17,602</u>
Total	\$ <u><u>89,138</u></u>	\$ <u><u>26,903</u></u>	\$ <u><u>116,041</u></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, 2009</u>
Vested:	
Sick	\$ 18,038
Vacation	3,671
Non-vested:	
Sick	<u>9,623*</u>
Total	\$ <u><u>31,332</u></u>

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

Retired Employee Obligations

Board of Education

Board of Education obligations to retired employees of \$2,894 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>
2010	\$ 660
2011	460
2012	571
2013	485
2014	392
2015-2016	<u>326</u>
Total	<u>\$ 2,894</u>

Net Pension Obligation

Refer to Note 13D

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 sixth year of a thirty (30) year 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 \$1,470 for the postclosure monitoring liability as of June 30, 2009. 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, 2009 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	\$ 65,852	\$	\$ 4,940	\$ 60,912	\$ 5,032
Capital leases	4,998		451	4,547	473
Accrued compensated absences	<u>600</u>	<u>250</u>	<u>225</u>	<u>625</u>	<u>246</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 71,450</u>	<u>\$ 250</u>	<u>\$ 5,616</u>	<u>\$ 66,084</u>	<u>\$ 5,751</u>

All business-type liabilities are generally liquidated by the Water and WPC user fees.

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2009 is presented below:

<u>Description</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2009</u>
Business Type Activities:				
Water Pollution Control:				
Bonds payable:				
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	\$ 2,076	\$ 1,785
Serial notes payable - State of Connecticut:				
Clean Water Act	08/30/95	2.0	4,008	921
Clean Water Act	07/31/97	2.0	6,448	2,228
Clean Water Act	12/31/00	2.0	69,647	42,586
Clean Water Act	10/30/02	2.0	11,547	7,855
Clean Water Act	11/30/03	2.0	2,424	1,814
Clean Water Act	05/30/04	2.0	2,953	2,258
Clean Water Act	06/30/04	2.0	1,138	823
Clean Water Act	11/30/05	2.0	544	447
Clean Water Act	06/29/07	2.0	226	195
Total				<u>\$ 60,912</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2009 is presented below:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,032	\$ 1,209	\$ 6,241
2011	5,130	1,105	6,235
2012	5,232	999	6,231
2013	5,336	890	6,226
2014	5,444	780	6,224
2015-2019	26,957	2,219	29,176
2020-2023	7,781	164	7,945
Total	<u>\$ 60,912</u>	<u>\$ 7,366</u>	<u>\$ 68,278</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, 2009.

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 707
2011	707
2012	707
2013	707
2014	707
2015-2017	<u>2,120</u>
Minimum lease payments	5,655
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(1,108)</u>
Present Value of Minimum Lease Payments	<u>\$ 4,547</u>

Bonds Authorized/Unissued

Bonds authorized/unissued for which bonds and notes outstanding are as follows:

<u>Project Description</u>	<u>Date Authorized</u>	<u>Total Authorized</u>	<u>Notes Outstanding</u>	<u>Grants Received</u>	<u>Authorized Unissued</u>
General Purpose:					
Road Improvement Projects	08/09/06	\$ 8,930	\$ 7,500	\$	\$ 1,430
City Hall Improvements	05/31/07	35,900	10,500		25,400
Golf Course Equipment	12/10/07	751	600		151
Education:					
Special Education Facility	11/19/07	14,635	500	837	13,298
New Elementary School #1 - Duggan	06/25/04	31,900	3,500	8,923	19,477
New Elementary School #2 - Robinson/North Main	06/25/04	31,900	3,500	2,091	26,309
New Elementary School #3 - Gilmartin	06/25/04	31,900	3,500	4,301	24,099
Crosby Media Center	06/25/04	<u>5,800</u>	<u>500</u>	<u>4,016</u>	<u>1,284</u>
Total		<u>\$ 161,716</u>	<u>\$ 30,100</u>	<u>\$ 20,168</u>	<u>\$ 111,448</u>

Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes outstanding for the year ended June 30, 2009:

Governmental Activities:

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2009</u>
9/6/2007	9/3/2008	4.5	\$ 10,000	\$	\$ 10,000	\$ -
8/26/2008	9/2/2009	4.0		30,100		30,100
Total			\$ 10,000	\$ 30,100	\$ 10,000	\$ 30,100

The Bureau of Water Enterprise Fund issued bond anticipation notes of \$5 million this year on January 13, 2009. The notes mature on September 2, 2009 and carry an interest rate of 2.5%.

Other

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, 2009, 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
February 1, 2000	10/01/2004	11,065	8,570
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	\$ 474,221	\$ 128,433	\$ 345,788
Schools	948,443	33,280	915,163
Sewers	790,369	60,914	729,455
Urban renewal	684,986		684,986
Pension deficit	632,295		632,295

The total of the City’s net statutory indebtedness of \$236.9 million does not exceed the legal debt limitation of \$1.48 billion (seven times the base for debt limitation computation).

Bonds authorized/unissued used in the calculation of net indebtedness are net of grants received of \$20.2 million and estimated grants of \$69 million to be received under the State’s school building grant program in the form of proportional progress payments for eligible construction costs during certain construction phases of the school projects.

The net indebtedness excludes water bonds of \$6.5 million.

9. 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 \$10 million with a City retention of \$1 million. Settlements over the last three years have not exceeded the insured coverage limits maintained by the City.

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, 2009, \$66.7 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$4.8 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 \$4.6 million as of June 30, 2009.

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 \$23.8 million as of June 30, 2009.

The present value of future costs to current eligible recipients subject to Heart and Hypertension benefits is estimated at \$9.4 million as of June 30, 2009. The actuarial estimate is based on the present value of seven times current year paid benefits.

Changes in the reserve amounts in fiscal years 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Beginning of year	\$ 42,991	\$ 41,106
Fiscal year claims incurred and changes in prior years' estimates	80,745	76,869
Fiscal year claims payments	<u>(81,137)</u>	<u>(74,984)</u>
End of Year	<u>\$ 42,599</u>	<u>\$ 42,991</u>

10. OPERATING LEASES

Lease Agreements as Lessor

The City leases the Waterbury Palace Theater to the Palace Theater Group under a twenty year lease agreement commenced on November 10, 2004 whereby the Place Theater Group serves as the sole and exclusive manager and maintainer of the Theater. The agreement permits use of the facility by the Waterbury Board of Education for its programs at an annual contribution of \$250.

Lease Agreements as Lessee

The City has entered into various operating leases related to the rental of property for office space, storage, and Board of Education instructional use. In addition, the Waterbury Board of Education uses the Waterbury Palace Theater for its programs for an annual contribution of \$250 in accordance with the City's theater lease agreement with the Palace Theater Group. The operating leases consist of both non-cancelable operating leases and month-to-month lease arrangements. The costs for such leases were \$2,527 for the fiscal year ended June 30, 2009.

Future committed minimum lease payments are projected as follows:

2010	\$	2,805
2011		786
2012		542
2013		417
2014		250

11. 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 nonmajor 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:

	<u>Debt Service Fund</u>	<u>General Capital Improvement Fund</u>	<u>Education Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>
Encumbrances	\$	\$ 11,409	\$ 62,217	\$ 1,599
Debt service	7,213			
Inventory				68
Trusts				1,287
Total	<u>\$ 7,213</u>	<u>\$ 11,409</u>	<u>\$ 62,217</u>	<u>\$ 2,954</u>

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 \$3 million has been designated to balance the General Fund budget for the 2009-2010 fiscal year.

12. OTHER 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. Benefits are established and amended through negotiations between the City and the various unions representing City employees. The City pays the full cost of life insurance premiums. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving benefits under the City's self-insured medical benefits program.

Funding Policy

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, are 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.

The City's goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. Although a trust fund may 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.

As of June 30, 2009, the funding and payment of postemployment benefits are accounted for in an internal service fund. Additionally the City has established an OPEB Reserve Fund within the City's internal service funds to account for employer contributions towards funding the normal cost of active members hired after June 30, 2004. The City has not established a trust fund, as of June 30, 2009, 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.

The following is the current census of City benefit participants as of July 1, 2008:

	<i>(not rounded)</i>
Active members	3,063
Retirees	<u>3,528</u>
Total	<u><u>6,591</u></u>

Postemployment retiree benefit payments for the year ended June 30, 2009, net of retiree and other contributions, amounted to approximately \$30,842. For the year ended June 30, 2009, retirees contributed \$495. The City set aside an additional \$4,862 in an OPEB Reserve Fund as of June 30, 2009.

Annual OPEB Cost and Net OPEB Obligations

The City of Waterbury's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation (asset):

	Other Post Employment Benefits (OPEB)
Annual required contribution (ARC)	\$ 64,663
Interest on net OPEB obligation	1,990
Adjustment to annual required contribution	<u>(2,393)</u>
Annual OPEB cost	64,260
Contributions made	<u>(30,842)</u>
Increase in net OPEB obligation	33,418
Net OPEB obligation, beginning of year	<u>36,177</u>
Net OPEB Obligation, End of Year	<u><u>\$ 69,595</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation (asset) for the fiscal years ended June 30, 2009 and 2008, is presented below.

Fiscal Year Ending	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/08	\$ 64,188	\$ 28,011	43.6%	\$ 36,177
6/30/09	64,260	30,842	48.0%	69,595

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 5.5% investment rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. An annual healthcare cost trend rate of 10% is used initially, decreasing 1% per year to an ultimate rate of 5% for 2014 and later. The expected inflation rate is 4%. The remaining amortization period at July 1, 2008 remained open at 30 years. As of July 1, 2008, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$770.4 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$770.4 million.

Required Supplemental Information - OPEB

The schedule of funding progress, presented below, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) Entry Age (b)	Funded Ratio (a/b)	Covered Payroll (c)	UFAL as a % of Covered Payroll ((b-a)/c)
7-1-06	\$ -0-	\$ 803,860	0%	\$ 159,469	504%
7-1-08	-0-	770,408	0	163,149	472

Fiscal Year Ended	Annual Required Contributions	Actual Contribution	Percentage ARC Contributed
6/30/08	\$ 64,188	\$ 28,011	43.6%
6/30/09	64,663	30,842	47.6%

13. 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 and there are no stand-alone financial statements available for the plan.

Membership as of July 1, 2008 of the PERS consisted of the following:

	<u>Number of Employees</u>
Retirees and Beneficiaries Currently Receiving Benefits	2,135
Terminated Employees Not Yet Receiving Benefits	75
Current Active Members	<u>1,737</u>
Total	<u><u>3,947</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. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed by the plan and used in determining the City's annual required contribution.

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:

	<u>Retirement Eligibility</u>	<u>Benefit</u>	<u>Employee Vesting</u>	<u>Contribution</u>
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.	7.5%
WMAA	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	7.5%
SAW	20 Yrs.	1%/Yr.	None	3% (1% member and 2% by Board)
Development	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	7.5%

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 56.2% 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	\$ 41,610
Interest on net pension obligation	6,795
Adjustment to annual required contribution	<u>(6,856)</u>
Annual pension cost	41,549
Contributions made	<u>44,475</u>
Decrease in net pension obligation	(2,926)
Net pension obligation, beginning of year	<u>79,947</u>
Net Pension Obligation, End of Year	<u><u>\$ 77,021</u></u>

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

Actuarial valuation date	July 1, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	29 years-closed
Asset valuation method	Actuarial Asset Smoothed
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
6/30/07	\$ 42,282	103%	\$ 81,800
6/30/08	42,121	104	79,947
6/30/09	41,549	107	77,021

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2004	\$ 38,979	100%
2005	40,374	103
2006	40,257	104
2007	42,345	102
2008	42,238	104
2009	41,610	107

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/03	\$ 24,826	\$ 470,813	\$ 445,987	5.3%	\$ 68,223	\$ 653.7
7/1/04	32,655	483,955	451,301	6.7	66,159	682.1
7/1/05	41,621	507,434	465,813	8.2	63,992	727.9
7/1/06	47,405	515,860	468,455	9.2	69,555	673.5
7/1/07	59,935	522,177	462,242	11.5	70,371	656.9
7/1/08	68,756	527,860	459,104	13.0	73,978	620.6

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 2009, members contributed \$7.1 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, 2009, the City has recorded in the General Fund revenues and expenditures in the amount of \$15.2 million as payments made by the State of Connecticut on behalf of the City. The total State contribution is significantly lower than the previous year due to the fact that the 2008 contribution included an additional contribution towards the unfunded liability resulting from the State's issuance of pension obligation bonds. The City has no liability for teachers' pensions.

14. 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 \$4.6 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.

15. SUBSEQUENT EVENTS

On September 2, 2009, the City issued \$28 million general obligation bonds and \$33.5 million of bond anticipation notes in accordance with existing capital project bond authorizations. The City redeemed \$35.1 million of maturing bond anticipation notes from the September 2, 2009 bond and note issuance proceeds. The City also issued pension obligation bonds on September 17, 2009 for \$313.1 million.

**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, 2009

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Current property taxes	\$ 199,085	\$ 199,085	\$ 202,439	\$ 3,354
Prior year property taxes	3,800	3,800	3,592	(208)
Supplemental auto list	1,600	1,600	1,631	31
Interest and penalties prior year	1,800	1,800	1,420	(380)
Interest and penalties current year	1,000	1,000	1,010	10
Total property taxes	<u>207,285</u>	<u>207,285</u>	<u>210,092</u>	<u>2,807</u>
Intergovernmental:				
Exemptions for elderly	930	930	877	(53)
Veterans additional exemption	182	182	114	(68)
Grant abatement for elderly housing	185	185	201	16
Manufacturing equipment incentive	2,300	2,300	1,914	(386)
Pequot - State properties	4,779	4,779	4,711	(68)
PILOT - State owned properties	4,333	4,333	4,348	15
PILOT - Private tax exempt property	8,171	8,171	8,161	(10)
PILOT - Housing Authority	10	10	19	9
PILOT - Vessels	14	14	14	-
Industrial incentive program	300	300	281	(19)
Education equalization	112,622	112,622	111,970	(652)
Nonpublic school transportation	441	441	491	50
Public school transportation	2,300	2,300	2,083	(217)
Nonpublic school medical services	600	600	652	52
Special Education - excess cost and agency placement	3,300	3,300	3,205	(95)
Education services for the blind	340	340	217	(123)
Special Education - Medicaid	960	960	899	(61)
Special revenue - federal grants	37	37	6	(31)
Special revenue - State grants	120	120	206	86
Total intergovernmental	<u>141,924</u>	<u>141,924</u>	<u>140,369</u>	<u>(1,555)</u>
Investment income:				
Income from investments	<u>2,500</u>	<u>2,500</u>	<u>1,864</u>	<u>(636)</u>
Charges for services:				
Probate court costs - Wolcott/Md	50	50	31	(19)
Proceeds - off track revenue	165	165	198	33
Deed transfer and recording fees	506	506	343	(163)
Real estate conveyance tax	1,550	1,550	1,141	(409)
Vital statistics and fees	253	253	217	(36)
Dog pound fees and licenses	22	22	21	(1)
Zoning appeal fees	15	15	24	9

(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, 2009

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Refuse disposal charge	\$ 180	\$ 180	\$ 204	\$ 24
Sewer permits			28	28
False alarm fines	60	60	62	2
Parking violation fees	600	600	526	(74)
Garage and meters parking fees	795	795	738	(57)
Marriott ramp garage	5	5	1	(4)
Building permits	975	975	572	(403)
Electrical work permits	175	175	255	80
Heating etc. permits	145	145	224	79
Plumbing permits	110	110	98	(12)
Restaurant license permits	155	155	128	(27)
Outside tuition	625	625	784	159
Building rental fees	60	60	63	3
Departmental charges	186	186	189	3
Other permits, licenses and fees	806	806	806	-
Total charges for services	<u>7,438</u>	<u>7,438</u>	<u>6,653</u>	<u>(785)</u>
Reimbursements:				
Employee fringe benefit contribution	6,263	6,263	7,286	1,023
Park Department	250	250	232	(18)
Bureau of Water	2,362	2,362	2,346	(16)
Waste Treatment	1,476	1,476	1,476	-
Total reimbursements	<u>10,351</u>	<u>10,351</u>	<u>11,340</u>	<u>989</u>
Other:				
Telephone access lines	550	550	468	(82)
Miscellaneous sources	190	190	175	(15)
Total other	<u>740</u>	<u>740</u>	<u>643</u>	<u>(97)</u>
Total	\$ <u>370,238</u>	\$ <u>370,238</u>	370,961	\$ <u>723</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 budgeted

15,202

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues

Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 386,163

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, 2009

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Government:				
Office of the Mayor	\$ 658	\$ 638	\$ 590	\$ 48
Board of Aldermen	68	68	64	4
Legal Department	1,770	1,960	1,759	201
Town Clerk	844	848	798	50
Department of Human Resources	836	853	792	61
Registrar of Voters	356	356	348	8
City Sheriff	16	16	16	-
Probate Court	169	189	180	9
Finance Department	1,317	1,327	1,318	9
Department of Assessment	880	880	833	47
Collector of Revenue	1,191	1,299	1,185	114
Department of Purchases	227	237	234	3
Department of Audit	146	146	139	7
Department of Budget Control	193	173	169	4
Department of Information Technology	1,188	1,188	1,009	179
Total general government	9,859	10,178	9,434	744
Public Works:				
Public Works	539	539	534	5
Engineering	1,227	1,195	1,170	25
Public Works Services	4,880	4,872	4,644	228
Public Works Operations	12,527	13,269	12,938	331
Total public works	19,173	19,875	19,286	589
Public Safety:				
Police Department	26,551	26,374	25,817	557
Fire Department	17,969	18,279	18,196	83
Total public safety	44,520	44,653	44,013	640
Planning and Development:				
Office of the City Plan	402	402	377	25
Department of Inspections	795	795	727	68
Total planning and development	1,197	1,197	1,104	93
Human Services:				
Department of Health	3,573	3,578	3,165	413
Education:				
Department of Education	155,625	155,625	153,897	1,728
Culture and Recreation:				
Silas Bronson Library	2,080	2,145	2,055	90

(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, 2009

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Financial:				
Contractual services	\$ 931	\$ 783	\$ 772	\$ 11
Employee benefits	5,042	5,332	5,324	8
Health benefits	54,550	54,550	54,550	-
Pension	44,655	44,584	44,529	55
Legal - general liability	1,000	1,000	1,000	-
Heart and hypertension	2,575	2,575	2,575	-
Workers compensation	9,500	9,500	9,500	-
Municipal groups	1,341	1,541	1,520	21
Contingency and other	1,520			-
Total general financial	<u>121,114</u>	<u>119,865</u>	<u>119,770</u>	<u>95</u>
 Total expenditures	<u>357,141</u>	<u>357,116</u>	<u>352,724</u>	<u>4,392</u>
Other Financing Uses:				
Transfers Out:				
Debt Service Fund	11,797	11,797	11,797	-
Special revenue programs		340	339	1
Capital Improvement	2,300	4,035	4,035	-
Total other financing uses	<u>14,097</u>	<u>16,172</u>	<u>16,171</u>	<u>1</u>
Total	<u>\$ 371,238</u>	<u>\$ 373,288</u>	368,895	<u>\$ 4,393</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.15,202Total Expenditures and Other Financing Uses as Reported on the Statement of
Revenues, Expenditures and Changes in Fund Balances - Governmental Funds -
Exhibit IV\$ 384,097

**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, 2009 AND 2008

(In Thousands)

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 32,078	\$ 27,045
Investments	-	1,004
Receivables:		
Property taxes receivable, net	15,855	15,294
Property taxes accrued interest receivable, net	8,766	6,275
Accounts receivable, net	838	1,623
Due from other funds	482	487
Other assets	<u>11</u>	
Total Assets	<u>\$ 58,030</u>	<u>\$ 51,728</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 12,185	\$ 11,615
Deferred revenue	<u>24,763</u>	<u>21,097</u>
Total liabilities	<u>36,948</u>	<u>32,712</u>
Fund balance:		
Unreserved:		
Designated for subsequent budget	3,000	1,000
Undesignated	<u>18,082</u>	<u>18,016</u>
Total fund balance	<u>21,082</u>	<u>19,016</u>
Total	<u>\$ 58,030</u>	<u>\$ 51,728</u>

CITY OF WATERBURY, CONNECTICUT

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

Grand List Year	Combined Uncollected Taxes July 1, 2008	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Principal Tax Collections	Interest, Liens and Warrants	Total Collections	Combined Uncollected Taxes June 30, 2009*	Uncollected Taxes Non-City Owned	Uncollected Taxes City Owned
		Additions	Deductions								
2007	\$ 212,557	\$ 324	\$ 2,872	\$ 9	\$ 210,000	\$ 203,816	\$ 1,027	\$ 204,843	\$ 6,184	\$ -	\$ 6,184
2006	7,053	583	219	43	7,374	3,741	743	4,484	3,633	-	3,633
2005	3,394	53	45	121	3,281	494	202	696	2,787	-	2,787
2004	2,549	57	10	1,507	1,089	91	92	183	998	-	998
2003	815	47	19	21	822	16	65	81	806	-	806
2002	719	36	9	16	730	22	62	84	708	-	708
2001	828	20	11	11	826	12	49	61	814	-	814
2000	909	17	5	6	915	17	65	82	898	-	898
1999	898	3	2	4	895	19	63	82	876	65	811
1998	746	4	1	4	745	18	53	71	727	-	727
1997	2,133	-	6	-	2,127	15	33	48	2,112	1,163	949
1996	1,691	-	7	-	1,684	15	37	52	1,669	1,584	85
1995	1,465	-	10	-	1,455	7	25	32	1,448	1,371	77
1994	1,204	-	4	-	1,200	11	30	41	1,189	1,152	37
1993	1,045	-	1,034	**	11	11	32	43	-	-	-
	<u>\$ 238,006</u>	<u>\$ 1,144</u>	<u>\$ 4,254</u>	<u>\$ 1,742</u>	<u>\$ 233,154</u>	<u>\$ 208,305</u>	<u>\$ 2,578</u>	210,883	<u>\$ 24,849</u>	<u>\$ 5,335</u>	<u>\$ 19,514</u>
								Suspense Collections			230
								Less:			
								Collection agency fees			(51)
								Change in overpayments liability			(60)
								Principal tax collections paid to lien holder agencies			(249)
								Subtotal			210,753
								City Owned - Property taxes receivable considered available:			
								June 30, 2008			(1,239)
								June 30, 2009			578
								Total			<u>\$ 210,092</u>

* Represents total receivable of \$26,133 net of \$1,284 representing overpayment balances recorded as a liability in the General Fund.

** Operation of law

**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
Housing and Development 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
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

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, 2009
(In Thousands)

Special Revenue

	Public Safety Grants and Programs	Health Grants and Programs	Housing and Development Programs	Recreational Programs	Miscellaneous Grants and Programs	Special Projects	Educational Grants
ASSETS							
Cash and cash equivalents	\$ 1,444	\$ 271	\$ 891	\$ 385	\$ 104	\$ 857	\$ 1,540
Investments							
Intergovernmental receivables	9	136	230		7		1,752
Accounts receivable, net	332						
Loans receivable			5,601				
Other assets				43			
Inventory							
Total Assets	<u>\$ 1,785</u>	<u>\$ 407</u>	<u>\$ 6,722</u>	<u>\$ 428</u>	<u>\$ 111</u>	<u>\$ 857</u>	<u>\$ 3,292</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable and accrued liabilities	\$ 5	\$ 262	\$ 276	\$ 35	\$ 11	\$ 82	\$ 2,015
Due to other funds				482			
Deferred revenue	756	77	5,601	86			857
Total liabilities	<u>761</u>	<u>339</u>	<u>5,877</u>	<u>603</u>	<u>11</u>	<u>82</u>	<u>2,872</u>
Fund Balance:							
Reserved:							
Encumbrances		9		12	17	560	999
Inventory							
Trust purposes							
Unreserved:							
Undesignated	1,024	59	845	(187)	83	215	(579)
Total fund balance	<u>1,024</u>	<u>68</u>	<u>845</u>	<u>(175)</u>	<u>100</u>	<u>775</u>	<u>420</u>
Total Liabilities and Fund Balance	<u>\$ 1,785</u>	<u>\$ 407</u>	<u>\$ 6,722</u>	<u>\$ 428</u>	<u>\$ 111</u>	<u>\$ 857</u>	<u>\$ 3,292</u>

(Continued on next page)

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

JUNE 30, 2009
(In Thousands)

	<u>Special Revenue</u>				<u>Permanent Trust Funds</u>	<u>Interfund Eliminations</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Silas Bronson Library</u>	<u>Expendable Trust Funds</u>	<u>Total</u>			
ASSETS							
Cash and cash equivalents	\$ 658	\$ 41	\$ 361	\$ 6,552	\$ 118	\$	\$ 6,670
Investments		774		774			774
Intergovernmental receivables	1,021			3,155			3,155
Accounts receivable, net			32	364			364
Loans receivable				5,601			5,601
Other assets	31			74			74
Inventory	68			68			68
Total Assets	<u>\$ 1,778</u>	<u>\$ 815</u>	<u>\$ 393</u>	<u>\$ 16,588</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 16,706</u>
LIABILITIES AND FUND BALANCE							
Liabilities:							
Accounts payable and accrued liabilities	\$ 19	\$ 11	\$ 26	\$ 2,742	\$	\$	\$ 2,742
Due to other funds				482			482
Deferred revenue				7,377			7,377
Total liabilities	<u>19</u>	<u>11</u>	<u>26</u>	<u>10,601</u>	<u>-</u>	<u>-</u>	<u>10,601</u>
Fund Balance:							
Reserved:							
Encumbrances		2		1,599			1,599
Inventory	68			68			68
Trust purposes		802	367	1,169	118		1,287
Unreserved:							
Undesignated	1,691			3,151			3,151
Total fund balance	<u>1,759</u>	<u>804</u>	<u>367</u>	<u>5,987</u>	<u>118</u>	<u>-</u>	<u>6,105</u>
Total Liabilities and Fund Balance	<u>\$ 1,778</u>	<u>\$ 815</u>	<u>\$ 393</u>	<u>\$ 16,588</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 16,706</u>

CITY OF WATERBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

	Special Revenue						
	Public Safety Grants and Programs	Health Grants and Programs	Housing and Development Programs	Recreational Programs	Miscellaneous Grants and Programs	Special Projects	Educational Grants
Revenues:							
Intergovernmental	\$ 1,276	\$ 3,766	\$ 4,811	\$	\$ 65	\$	\$ 35,220
Investment income	6		5				
Charges for services	2,133	11		1,394	30		88
Other	7		363	151	13		1,476
Total revenues	<u>3,422</u>	<u>3,777</u>	<u>5,179</u>	<u>1,545</u>	<u>108</u>	<u>-</u>	<u>36,784</u>
Expenditures:							
General government					77	164	
Public safety	3,136						
Development and community affairs			4,988				
Human services		3,803			72		
Education							36,832
Culture and recreation				1,742			
Total expenditures	<u>3,136</u>	<u>3,803</u>	<u>4,988</u>	<u>1,742</u>	<u>149</u>	<u>164</u>	<u>36,832</u>
Excess (Deficiency) of Revenues over Expenditures	<u>286</u>	<u>(26)</u>	<u>191</u>	<u>(197)</u>	<u>(41)</u>	<u>(164)</u>	<u>(48)</u>
Other Financing Sources (Uses):							
Transfers in				250			40
Transfers out							
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>250</u>	<u>-</u>	<u>-</u>	<u>40</u>
Net Change in Fund Balances	286	(26)	191	53	(41)	(164)	(8)
Fund balance, July 1, 2008	<u>738</u>	<u>94</u>	<u>654</u>	<u>(228)</u>	<u>141</u>	<u>939</u>	<u>428</u>
Fund balance, June 30, 2009	<u>\$ 1,024</u>	<u>\$ 68</u>	<u>\$ 845</u>	<u>\$ (175)</u>	<u>\$ 100</u>	<u>\$ 775</u>	<u>\$ 420</u>

(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, 2009
(In Thousands)

	Special Revenue				Permanent Trust Funds	Interfund Eliminations	Total Nonmajor Governmental Funds
	Food Service	Silas Bronson Library	Expendable Trust Funds	Total			
Revenues:							
Intergovernmental	\$ 7,111	\$ 19	\$	\$ 52,268	\$	\$	\$ 52,268
Investment income		(103)	95	3			3
Charges for services	965	13		4,634			4,634
Other		55	80	2,145			2,145
Total revenues	<u>8,076</u>	<u>(16)</u>	<u>175</u>	<u>59,050</u>	<u>-</u>	<u>-</u>	<u>59,050</u>
Expenditures:							
General government				241			241
Public safety				3,136			3,136
Development and community affairs				4,988			4,988
Human services				3,875			3,875
Education	7,793		44	44,669			44,669
Culture and recreation		109	77	1,928			1,928
Total expenditures	<u>7,793</u>	<u>109</u>	<u>121</u>	<u>58,837</u>	<u>-</u>	<u>-</u>	<u>58,837</u>
Excess (Deficiency) of Revenues over Expenditures	<u>283</u>	<u>(125)</u>	<u>54</u>	<u>213</u>	<u>-</u>	<u>-</u>	<u>213</u>
Other Financing Sources (Uses):							
Transfers in				290		(3)	287
Transfers out	(275)			(275)		3	(272)
Total other financing sources (uses)	<u>(275)</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>15</u>
Net Change in Fund Balances	8	(125)	54	228	-	-	228
Fund balance, July 1, 2008	<u>1,751</u>	<u>929</u>	<u>313</u>	<u>5,759</u>	<u>118</u>	<u>-</u>	<u>5,877</u>
Fund balance, June 30, 2009	<u>\$ 1,759</u>	<u>\$ 804</u>	<u>\$ 367</u>	<u>\$ 5,987</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 6,105</u>

CITY OF WATERBURY, CONNECTICUT

GENERAL CAPITAL IMPROVEMENT FUND

STATEMENT OF CHANGES IN PROJECT FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	Accounting Unit	Fund Balance July 1, 2008	Capital Grants	Investment Income	Other Income	Capital Outlay Expenditures	Internal Transfers In (Out)	External Transfers In (Out)	Fund Balance June 30, 2009									
Capital Projects and Programs:																		
	DPW Consolidated Facility	60000	\$	\$	\$	\$	800	\$	200									
	Infrastructure Improvements Brass Mills	60010		8					8									
	City Road Repairs and Improvement	60020		1,107		390		127	844									
	Division Street Drainage	60021				710			(710)									
	City Wide Paving	60023				690			(690)									
	Park Improvements	60030		81		44			37									
	Library HVAC	60071				1,286			(1,286)									
	Inspect Master Traffic	60075			8	8			-									
	Town Aid Road	60085		1,017	540	659			898									
	Local Capital Improvement Program	60106		(1)	1,644	1,638			5									
	Capital Revolving Fund - City Hall and Chase	60115		738		1,251	79	800	366									
	City Hall Renovation	60120		(700)		4,925			(5,563)									
21	DOT Traffic Safety Improvement	60125		(6)					(6)									
	Police Parking	60146		(15)		48			(63)									
	Police Facility Projects	60147				55			(55)									
	Capital Budget	60180		3,877	61	34		760	3,275									
	Emergency Street Damage	60181		226					226									
	Road Improvement Program	60182		(4,393)		11			(7,788)									
	Energy Efficiency	60184		861			782	(79)	-									
	Vehicle Replacement Fund	60185		2,318	4	9		1,500	2,117									
	Town Clerk - Public Act	60221		13		46			59									
	Technology Lawson Financial	60225		209				(209)	-									
	Technology HRIS/Payroll Project	60226		999			625	209	583									
	Fire Prevention - Firefighting Equipment	60235			97	122		25	-									
	Recreation Area Improvement Park 98-10	61000		31	502	503			30									
	Fulton/Hamilton CSAP 2004-30	61003			175	175			-									
	Open Space East Mountain CUAP 2002-21	61005			31	31			-									
	Chase School CUAP 2004-33	61006			39	39			-									
	Town Plot Park CUAP 2006-13	61009			92	92			-									
	Western Hills CUAP	61011			26	26			-									
	East Mountain Golf CUAP 2005	61012			23	23			-									
	Golf Course Equipment	61013		(551)		119			(670)									
	East Mountain Park CUAP 2008-08	61014			368	368			-									
	Fulton Greenhouse CUAP 2008-04	61016			13	13			-									
	Schofield Park - NOW	61035		3					3									
	Miscellaneous Improvements	61050		64					64									
	Total		\$	5,886	\$	3,623	\$	73	\$	89	\$	21,999	\$	-	\$	4,212	\$	(8,116)

CITY OF WATERBURY, CONNECTICUT
EDUCATION CAPITAL IMPROVEMENT FUND
STATEMENT OF CHANGES IN PROJECT FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

	<u>Accounting Unit</u>	<u>Fund Balance July 1, 2008</u>	<u>Capital Grants</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Capital Outlay Expenditures</u>	<u>Transfers In</u>	<u>Fund Balance June 30, 2009</u>	
Capital Projects and Programs:									
	School Improvement Code Compliance	65005	\$ (2,021)	\$ 526	\$	\$ 600	\$	(2,095)	
	Kennedy Media Expansion	65020	15	218		177		56	
	Crosby School	65025	28	765		814		(21)	
	Wilby Addition	65030	28	362		249		141	
	School Building Maintenance Program	65035.65040.65041	136					136	
⌘	Consolidated Construction Grant	65050	(1,410)	1,635		245		(20)	
	New Elementary School #1	65051	(269)	3,573	12	6	5,231	1,051	(858)
	New Elementary School #2	65052	653	1,370	4		1,822	51	256
	New Elementary School #3	65053	(517)	3,903	7		5,107	51	(1,663)
	Crosby/Wallace School	65054	(1,285)	559	15	29	683	51	(1,314)
	Alternative/Special Education School Facility	65055	7	508	5		672,000		(152)
	Kitchen Renovations	65060	172				156		16
	Café POS System	65061					246	275	29
			<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total		\$ (4,463)	\$ 13,419	\$ 43	\$ 35	\$ 16,002	\$ 1,479	\$ (5,489)	

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.

OPEB Reserve - A fund used to accumulate employer contributions to pay health insurance claims of current employees upon retirement for the period of eligibility.

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, 2009

(In Thousands)

	<u>Health Benefits</u>	<u>OPEB Reserve</u>	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Heart and Hypertension</u>	<u>Total</u>
Assets:						
Cash and cash equivalents	\$ 850	\$ 2,770	\$ 836	\$ 437	\$ 706	\$ 5,599
Investments	10,793	4,077	6,332	11,844	10,250	43,296
Receivables - other	8			16		24
Total assets	<u>11,651</u>	<u>6,847</u>	<u>7,168</u>	<u>12,297</u>	<u>10,956</u>	<u>48,919</u>
Liabilities:						
Current:						
Accounts payable	250		153	102	6	511
Risk management claim liabilities:						
Current	4,818		1,217	2,400	2,100	10,535
Noncurrent			3,392	21,372	7,300	32,064
Total liabilities	<u>5,068</u>	<u>-</u>	<u>4,762</u>	<u>23,874</u>	<u>9,406</u>	<u>43,110</u>
Net Assets:						
Unrestricted	<u>\$ 6,583</u>	<u>\$ 6,847</u>	<u>\$ 2,406</u>	<u>\$ (11,577)</u>	<u>\$ 1,550</u>	<u>\$ 5,809</u>

CITY OF WATERBURY, CONNECTICUT

INTERNAL SERVICE FUNDS

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

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	<u>Health Benefits</u>	<u>OPEB Reserve</u>	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Heart and Hypertension</u>	<u>Total</u>
Operating revenues:						
Employer premiums	\$ 57,299	\$	\$ 1,979	\$ 9,902	\$ 2,575	\$ 71,755
Charges for services	8,541					8,541
Other	1,090		17	371	17	1,495
Total operating revenues	<u>66,930</u>	<u>-</u>	<u>1,996</u>	<u>10,273</u>	<u>2,592</u>	<u>81,791</u>
Operating expenses:						
Benefits, claims, and administration:						
Paid	66,380	15	2,543	9,835	2,364	81,137
Claims incurred reported/unreported	304		(501)	1,124	(1,300)	(373)
Total operating expenses	<u>66,684</u>	<u>15</u>	<u>2,042</u>	<u>10,959</u>	<u>1,064</u>	<u>80,764</u>
Operating income (loss)	246	(15)	(46)	(686)	1,528	1,027
Nonoperating expense:						
Investment loss	<u>(1,405)</u>		<u>(860)</u>	<u>(856)</u>	<u>(819)</u>	<u>(3,940)</u>
Income (loss) before transfers	(1,159)	(15)	(906)	(1,542)	709	(2,913)
Transfers in (out)	<u>(4,862)</u>	<u>4,862</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(6,021)	4,847	(906)	(1,542)	709	(2,913)
Total net assets, July 1, 2008	<u>12,604</u>	<u>2,000</u>	<u>3,312</u>	<u>(10,035)</u>	<u>841</u>	<u>8,722</u>
Total Net Assets, June 30, 2009	<u>\$ 6,583</u>	<u>\$ 6,847</u>	<u>\$ 2,406</u>	<u>\$ (11,577)</u>	<u>\$ 1,550</u>	<u>\$ 5,809</u>

CITY OF WATERBURY, CONNECTICUT
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(In Thousands)

	<u>Health Benefits</u>	<u>OPEB Reserve</u>	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Heart and Hypertension</u>	<u>Total</u>
Cash Flows from Operating Activities:						
Employer premiums	\$ 57,299	\$	\$ 1,979	\$ 9,902	\$ 2,575	\$ 71,755
Cash received from users and other	9,919		17	910	17	10,863
Cash paid to suppliers and other	<u>(66,175)</u>	<u>(15)</u>	<u>(2,550)</u>	<u>(9,788)</u>	<u>(2,363)</u>	<u>(80,891)</u>
Net cash provided by (used in) operating activities	<u>1,043</u>	<u>(15)</u>	<u>(554)</u>	<u>1,024</u>	<u>229</u>	<u>1,727</u>
Cash Flows from Noncapital Financing Activities:						
Transfers (to) from other funds	<u>(4,862)</u>	<u>4,862</u>				<u>-</u>
Cash Flows from Investing Activities:						
Investment income	641		262	424	464	1,791
Net (purchases) and sales of investments	<u>3,660</u>	<u>(4,077)</u>	<u>685</u>	<u>(2,627)</u>	<u>(272)</u>	<u>(2,631)</u>
Net cash provided by (used in) investing activities	<u>4,301</u>	<u>(4,077)</u>	<u>947</u>	<u>(2,203)</u>	<u>192</u>	<u>(840)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	482	770	393	(1,179)	421	887
Cash and Cash Equivalents, July 1, 2008	<u>368</u>	<u>2,000</u>	<u>443</u>	<u>1,616</u>	<u>285</u>	<u>4,712</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 850</u>	<u>\$ 2,770</u>	<u>\$ 836</u>	<u>\$ 437</u>	<u>\$ 706</u>	<u>\$ 5,599</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 246	\$ (15)	\$ (46)	\$ (686)	\$ 1,528	\$ 1,027
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
(Increase) decrease in receivables	289			27		316
(Increase) decrease in due from other funds				512		512
Increase (decrease) in accounts payable	223		(7)	47	1	264
Increase (decrease) in risk management claim liabilities	<u>285</u>		<u>(501)</u>	<u>1,124</u>	<u>(1,300)</u>	<u>(392)</u>
Total adjustments	<u>797</u>	<u>-</u>	<u>(508)</u>	<u>1,710</u>	<u>(1,299)</u>	<u>700</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,043</u>	<u>\$ (15)</u>	<u>\$ (554)</u>	<u>\$ 1,024</u>	<u>\$ 229</u>	<u>\$ 1,727</u>
Noncash Investing, Capital and Financing Activities:						
Net Increase (Decrease) in Value of Investments	<u>\$ (2,046)</u>	<u>\$ (15)</u>	<u>\$ (1,122)</u>	<u>\$ (1,280)</u>	<u>\$ (1,284)</u>	<u>\$ (5,747)</u>

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.

Performance Bonds & Escrow Accounts - This fund was established to account for cash bonds and other cash and cash equivalent securities held by the City to ensure compliance with specifications and regulations with respect to various building projects and improvements.

CITY OF WATERBURY, CONNECTICUT

AGENCY FUNDS

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ <u>474</u>	\$ <u>1,013</u>	\$ <u>1,063</u>	\$ <u>424</u>
Liabilities:				
Deposits held for others	\$ <u>474</u>	\$ <u>1,013</u>	\$ <u>1,063</u>	\$ <u>424</u>
Performance Bonds & Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ <u>2,202</u>	\$ <u>680</u>	\$ <u>695</u>	\$ <u>2,187</u>
Liabilities:				
Deposits held for others	\$ <u>2,202</u>	\$ <u>680</u>	\$ <u>695</u>	\$ <u>2,187</u>
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ <u>2,676</u>	\$ <u>1,693</u>	\$ <u>1,758</u>	\$ <u>2,611</u>
Liabilities:				
Deposits held for others	\$ <u>2,676</u>	\$ <u>1,693</u>	\$ <u>1,758</u>	\$ <u>2,611</u>

Supplementary Data

CITY OF WATERBURY, CONNECTICUT

SCHEDULE OF CHANGES IN BONDS AND SERIAL NOTES

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2008	Issued	Retired	Balance Outstanding June 30, 2009
GENERAL								
General Purpose:								
General Improvement	11/15/98	02/15/09	4.75	\$ 18,004	\$ 942	\$	\$ 942	\$ -
Special Capital Reserve Funds	04/01/02	04/01/22	4.0-5.5	82,075	19,055		3,665	15,390
Special Capital Reserve Funds	04/01/02	04/01/09	4.0-5.5	15,390	1,465		1,465	-
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	17,833	16,001		689	15,312
Refunding Bond - Special Capital Reserves	10/01/04	04/01/17	2.0-5.0	25,365	25,225		80	25,145
Refunding Bond - Special Capital Reserves	02/15/07	02/15/22	3.8-4.5	27,055	27,055		50	27,005
Total					89,743	-	6,891	82,852
Schools:								
Schools	11/15/98	02/15/09	4.25-5.25	3,795	200		200	-
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	6,286	6,286		-	6,286
Total					6,486	-	200	6,286
Total general government bond indebtedness					96,229	-	7,091	89,138
BUSINESS TYPE ACTIVITIES								
Bureau of Waste Water Treatment:								
Platts Mill	11/15/98	02/15/09	4.25-5.25	1,326	68		68	-
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	2,076	1,867		82	1,785
Clean Water Act*	08/30/95	08/31/15	2.0	4,008	1,099		178	921
Clean Water Act*	07/31/97	07/31/16	2.0	6,448	2,519		291	2,228
Clean Water Act*	12/31/00	06/30/20	2.0	69,647	46,014		3,428	42,586
Clean Water Act*	10/30/02	04/30/22	2.0	11,547	8,386		531	7,855
Clean Water Act*	11/30/03	04/30/23	2.0	2,424	1,927		113	1,814
Clean Water Act*	05/30/04	04/30/23	2.0	2,953	2,398		140	2,258
Clean Water Act*	06/30/04	07/31/20	2.0	1,138	888		65	823
Clean Water Act*	11/30/05	04/30/23	2.0	544	475		28	447
Clean Water Act*	06/29/07	07/31/20	2.0	226	211		16	195
Total business-type bond and serial note indebtedness					65,852	-	4,940	60,912
TOTAL BOND AND SERIAL NOTES INDEBTEDNESS - PRIMARY GOVERNMENT					\$ 162,081	\$ -	\$ 12,031	\$ 150,050

* State of Connecticut serial notes payable - Clean Water Act

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.

CITY OF WATERBURY, CONNECTICUT

NET ASSETS BY COMPONENT

LAST EIGHT FISCAL YEARS

(In Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental Activities:								
Invested in capital assets, net of related debt	\$ 291,451	\$ 286,264	\$ 260,385	\$ 249,075	\$ 246,269	\$ 144,847	\$ 133,948	\$ 132,832
Restricted	8,500	8,839	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted	<u>(183,212)</u>	<u>(164,894)</u>	<u>(126,805)</u>	<u>(143,179)</u>	<u>(151,240)</u>	<u>(165,476)</u>	<u>(160,977)</u>	<u>(177,422)</u>
Total governmental activities net assets	<u>116,739</u>	<u>130,209</u>	<u>142,648</u>	<u>116,043</u>	<u>105,542</u>	<u>(9,811)</u>	<u>(16,102)</u>	<u>(33,506)</u>
Business-type activities:								
Invested in capital assets, net of related debt	119,905	114,283	109,922	106,803	106,155	104,785	100,080	111,721
Unrestricted	<u>33,784</u>	<u>35,111</u>	<u>41,316</u>	<u>42,925</u>	<u>44,589</u>	<u>44,767</u>	<u>42,091</u>	<u>19,837</u>
Total business-type activities net assets	<u>153,689</u>	<u>149,394</u>	<u>151,238</u>	<u>149,728</u>	<u>150,744</u>	<u>149,552</u>	<u>142,171</u>	<u>131,558</u>
Primary government:								
Invested in capital assets, net of related debt	411,356	400,547	370,307	355,878	352,424	249,632	234,028	244,553
Restricted	8,500	8,839	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted (deficit)	<u>(149,428)</u>	<u>(129,783)</u>	<u>(85,489)</u>	<u>(100,254)</u>	<u>(106,651)</u>	<u>(120,709)</u>	<u>(118,886)</u>	<u>(157,585)</u>
Total Primary Government Net Assets	<u>\$ 270,428</u>	<u>\$ 279,603</u>	<u>\$ 293,886</u>	<u>\$ 265,771</u>	<u>\$ 256,286</u>	<u>\$ 139,741</u>	<u>\$ 126,069</u>	<u>\$ 98,052</u>

NOTES:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.

CITY OF WATERBURY, CONNECTICUT

CHANGES IN NET ASSETS

LAST EIGHT FISCAL YEARS

(In Thousands)

	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:								
Governmental activities:								
General government	\$ 124,482	\$ 117,786	\$ 103,968	\$ 107,929	\$ 107,452	\$ 108,402	\$ 100,559	\$ 95,564
Public works	34,809	30,477	26,567	24,465	23,167	22,473	22,137	13,401
Public safety	57,859	57,105	45,781	45,754	45,350	49,359	47,735	46,905
Development and community affairs	4,851	4,262	5,779	1,313	845			
Human services	6,932	6,700	5,707	7,203	5,593	6,115	6,469	10,608
Education	230,247	278,534	194,886	188,387	173,965	173,080	165,286	153,266
Culture and recreation	3,026	3,189	4,370	4,352	3,440	3,537	4,798	8,562
Interest on long-term debt	4,369	4,831	5,500	6,039	6,465	7,488	7,910	6,885
Total governmental activities expenses	466,575	502,884	392,558	385,442	366,277	370,454	354,894	335,191
Business-type activities:								
Bureau of Water	13,556	13,305	12,226	11,968	11,516	11,818	9,625	10,579
Water Pollution Control	17,451	17,383	16,732	16,731	16,122	16,081	14,333	16,359
Total business-type activities expenses	31,007	30,688	28,958	28,699	27,638	27,899	23,958	26,938
Total expenses	497,582	533,572	421,516	414,141	393,915	398,353	378,852	362,129
Program Revenues:								
Governmental activities:								
Charges for services:								
General government	1,946	2,320	3,668	4,036	3,874	3,502	1,280	1,054
Public works	407	357	640	272	228	199	280	386
Public safety	3,827	3,671	3,190	2,080	2,258	3,536	2,999	2,990
Development and community affairs	1,413	1,542	2,050	1,481	1,057			
Human services	186	187	225	151	147	87	204	375
Education	834	1,336	1,067	1,911	1,700	1,299	1,608	1,047
Culture and recreation	1,429	1,422	1,345	1,481	1,434	1,428	1,911	1,731
Operating grants and contributions	193,520	237,794	169,743	166,050	158,881	156,973	155,407	154,593
Capital grants and contributions	14,043	18,982	8,103	3,327	3,208	3,062	3,826	8,082
Total governmental activities program revenues	217,605	267,611	190,031	180,789	172,787	170,086	167,515	170,258
Business-type activities:								
Charges for services:								
Bureau of Water	12,183	9,828	10,834	11,474	10,557	11,847	11,934	13,152
Waste Treatment	17,895	16,624	17,319	19,117	16,964	21,453	21,089	21,328
Capital grants and contributions	4,976	605	609	583	742	1,777	1,388	1,049
Total business-type activities program revenues	35,054	27,057	28,762	31,174	28,263	35,077	34,411	35,529
Total program revenues	252,659	294,668	218,793	211,963	201,050	205,163	201,926	205,787
Net (expense) revenue:								
Governmental activities	(248,970)	(235,273)	(202,527)	(204,653)	(193,490)	(200,368)	(187,379)	(164,933)
Business-type activities	4,047	(3,631)	(196)	2,475	625	7,178	10,453	8,591
Total net cost of services	(244,923)	(238,904)	(202,723)	(202,178)	(192,865)	(193,190)	(176,926)	(156,342)

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

CHANGES IN NET ASSETS (CONTINUED)

LAST EIGHT FISCAL YEARS

(In Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General revenues and other changes in net assets:								
Governmental activities:								
Property taxes	\$ 213,806	\$ 192,161	\$ 194,581	\$ 187,818	\$ 181,973	\$ 178,227	\$ 179,980	\$ 164,403
Grants and contributions not restricted to specific programs	21,985	22,719	24,965	22,865	23,269	21,120	22,360	27,572
Unrestricted investment earnings (losses)	(1,625)	4,747	9,073	3,782	3,885	1,825	2,165	2,454
Other general revenues	334	3,207	513	689	917	428	278	3,164
Transfers in	1,000							
Special item - State capital asset contributions					98,799			
Special item - Consolidation of Parking Authority						5,059		
Total governmental activities	<u>235,500</u>	<u>222,834</u>	<u>229,132</u>	<u>215,154</u>	<u>308,843</u>	<u>206,659</u>	<u>204,783</u>	<u>197,593</u>
Business-type activities:								
Unrestricted investment earnings	418	1,267	1,562	1,172	567	203	160	217
Other general revenues	830	520	144					
Transfers out	(1,000)							
Special item - Mutual release agreement billing adjustment				(4,663)				
Total business-type activities	<u>248</u>	<u>1,787</u>	<u>1,706</u>	<u>(3,491)</u>	<u>567</u>	<u>203</u>	<u>160</u>	<u>217</u>
Total general revenues and other charges	<u>235,748</u>	<u>224,621</u>	<u>230,838</u>	<u>211,663</u>	<u>309,410</u>	<u>206,862</u>	<u>204,943</u>	<u>197,810</u>
Changes in Net Assets:								
Governmental activities	(13,470)	(12,439)	26,605	10,501	115,353	6,291	17,404	32,660
Business-type activities	<u>4,295</u>	<u>(1,844)</u>	<u>1,510</u>	<u>(1,016)</u>	<u>1,192</u>	<u>7,381</u>	<u>10,613</u>	<u>8,808</u>
Total	<u>\$ (9,175)</u>	<u>\$ (14,283)</u>	<u>\$ 28,115</u>	<u>\$ 9,485</u>	<u>\$ 116,545</u>	<u>\$ 13,672</u>	<u>\$ 28,017</u>	<u>\$ 41,468</u>

Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2002.
- (3) The City began recording the net OPEB obligation in the governmental activities in accordance with GASB Statement No. 45 in fiscal year 2008.

CITY OF WATERBURY, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST EIGHT FISCAL YEARS
(In Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund:								
Fund Balance Unreserved:								
Designated	\$ 3,000	\$ 1,000	\$ 2,958	\$ 2,000	\$ 4,112	\$ 7,222	\$ 8,860	\$ 8,250
Unreserved	<u>18,082</u>	<u>18,016</u>	<u>16,918</u>	<u>17,494</u>	<u>12,000</u>	<u>11,000</u>	<u>10,000</u>	<u>5,800</u>
Total General Fund	<u>\$ 21,082</u>	<u>\$ 19,016</u>	<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	\$ 83,793	\$ 73,390	\$ 40,790	\$ 33,731	\$ 20,066	\$ 14,959	\$ 16,137	\$ 12,289
Unreserved, reported in:								
Special revenue funds	3,889	4,375	8,482	6,082	5,965	6,621	5,084	4,428
Capital projects funds	<u>(87,231)</u>	<u>(62,638)</u>	<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>\$ 451</u>	<u>\$ 15,127</u>	<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 No. 34 in 2002.

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

LAST EIGHT FISCAL YEARS
(In Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:								
Property taxes	\$ 210,092	\$ 197,239	\$ 194,680	\$ 188,416	\$ 180,545	\$ 180,371	\$ 177,721	\$ 159,134
Intergovernmental	224,881	276,284	198,468	185,327	173,029	170,683	170,979	180,062
Investment income	2,224	3,881	5,395	3,855	2,242	1,405	1,551	1,718
Charges for services	11,287	11,699	13,033	12,349	11,402	9,986	7,234	6,688
Reimbursements	11,340	11,696	11,089	11,199	10,123	9,336	9,911	8,914
Other	2,912	4,404	2,617	1,630	2,330	2,832	3,192	3,471
Total revenues	<u>462,736</u>	<u>505,203</u>	<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	9,675	9,430	8,940	8,923	8,317	8,669	8,017	8,929
Public works	19,286	17,913	17,317	18,288	17,438	19,808	14,374	14,408
Public safety	47,149	45,942	44,590	43,493	45,592	47,702	44,358	45,439
Development and community affairs	6,092	3,508	5,372	1,313	845			
Human services	7,040	7,190	5,805	6,901	5,796	6,405	8,313	10,617
Education	213,768	261,290	193,906	182,797	170,880	171,271	165,833	151,732
Culture and recreation	3,983	3,809	3,576	3,330	3,433	3,546	5,185	5,835
General financial	119,770	119,107	109,777	105,434	101,458	94,568	89,358	85,708
Library and other							4,277	5,846
Capital outlay	38,001	37,482	20,604	14,041	10,285	10,549	5,883	5,816
Debt service:								
Principal	7,090	9,934	12,503	12,047	12,119	11,384	14,361	10,921
Interest	4,492	5,102	6,226	6,231	6,810	7,534		
Total expenditures	<u>476,346</u>	<u>520,707</u>	<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>(13,610)</u>	<u>(15,504)</u>	<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	17,443	24,897	24,350	24,057	22,399	20,871	24,050	25,861
Transfers out	(16,443)	(24,897)	(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>1,000</u>	<u>-</u>	<u>377</u>	<u>-</u>	<u>-</u>	<u>1,356</u>	<u>(3,008)</u>	<u>85,540</u>
Net Change in Fund Balances	(12,610)	(15,504)	(2,957)	(22)	(3,302)	(5,467)	7,621	100,276
Fund Balances, Beginning	<u>34,143</u>	<u>49,647</u>	<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>\$ 21,533</u>	<u>\$ 34,143</u>	<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>2.68%</u>	<u>3.00%</u>	<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 No. 34 in 2002.

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

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		Personal 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	Total Direct Rate
		Residential	Commercial Residential and Industrial								
2009	2007	\$ 3,054,928	\$ 1,641,893	\$ 356,787	\$ 369,841	\$ 5,423,449	\$ 169,845	\$ 5,253,604	\$ 7,505,149	70%	39.92
2008	2006	2,094,622	869,171	339,594	354,931	3,658,318	124,056	3,534,262	5,048,945	70	55.49
2007	2005	2,059,673	828,849	327,271	341,500	3,557,293	78,397	3,478,896	4,969,850	70	55.49
2006	2004	1,896,635	960,205	315,531	321,038	3,493,409	83,147	3,410,262	4,871,803	70	53.96
2005	2003	1,843,847	985,444	309,025	295,291	3,433,607	90,368	3,343,239	4,776,056	70	53.31
2004	2002	1,832,201	999,069	318,043	307,671	3,456,984	103,271	3,353,713	4,791,019	70	53.31
2003	2001	1,720,167	1,020,610	331,191	307,535	3,379,503	111,796	3,267,707	4,668,153	70	54.86
2002	2000	730,238	426,716	333,874	294,595	1,785,423	104,462	1,680,961	2,401,373	70	97.78
2001	1999	724,140	433,081	308,592	287,553	1,753,366	103,368	1,649,998	2,357,140	70	80.52
2000	1998	733,994	421,144	295,660	268,157	1,718,956	106,163	1,612,973	2,304,247	70	74.64

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

Notes:

- (1) 2001 and 2007 Real property grand lists are adjusted to reflect statutory revaluation
- (2) Assessed Value is 70% of Estimated Actual Value

CITY OF WATERBURY, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS

OCTOBER 1, 2007 AND OCTOBER 1, 1998

(In Thousands)

Taxpayer	Nature of Business	October 1, 2007			October 1, 1998		
		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	\$ 126,721	1	2.41%	\$ 60,035	1	3.72%
Yankee Gas Services Company	Utility	57,908	2	1.10%			
Yankee Gas Company	Utility	52,267	3	0.99%	17,343	3	1.08%
Conn. Light & Power Co.	Utility	49,601	4	0.94%	32,417	2	2.01%
DDRTC Naugatuck Valley SC LLC	Retail	41,600	5	0.79%			
Galilio Waterbury LLC	Retail	18,876	6	0.36%			
Waterbury VF LLC	Retail	16,597	7	0.32%			
Clydel Mfg. Co.	Manufacturing	14,587	8	0.28%	9,875	7	0.61%
H&T Waterbury Inc.	Manufacturing	14,454	9	0.28%			
Benchmark GPT Waterbury LLC	Assisted Living	13,390	10	0.25%			
Olin Corp.	Manufacturing				11,769	4	0.73%
GP Lithium Batteries	Manufacturing				11,248	5	0.70%
MacDermid	Chemicals				9,994	6	0.62%
Truelove & Maclean Inc.	Manufacturing				8,727	8	0.54%
Webster Bank	Banking				7,304	9	0.45%
Bank Boston, NA	Banking				6,550	10	0.41%
Total		\$ 406,001		7.73%	\$ 175,262		10.87%

Source: City of Waterbury Assessor's Office

CITY OF WATERBURY, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year Ended June 30,	Grand List Year	Net Taxable Grand List	Mill Rate	Original Tax Levy	Adjusted Tax Levy	Collected Within the Fiscal Year of Levy		Tax Collections in subsequent Years	Total Collections To Date	
						Amount	Percentage of First Year Levy		Amount	Percentage of Original Levy
2009	2007	\$ 5,253,604	39.92	\$ 212,557	\$ 210,000	\$ 203,816	97.06 %	\$ -	\$ 203,816	95.89
2008	2006	3,534,262	55.49	198,400	197,482	190,108	96.42	3,741	193,849	97.71
2007	2005	3,478,896	55.49	194,842	193,853	187,525	96.68	3,541	191,066	98.06
2006	2004	3,410,262	53.96	185,907	184,018	179,493	96.77	3,527	183,020	98.45
2005	2003	3,343,239	53.31	179,914	178,122	172,713	96.97	4,603	177,316	98.56
2004	2002	3,353,713	53.31	180,253	177,093	170,072	96.04	6,313	176,385	97.85
2003	2001	3,267,707	54.86	180,856	177,375	168,809	95.17	7,752	176,561	97.63
2002	2000	1,680,961	97.78	168,491	163,507	152,670	93.38	9,939	162,609	96.51
2001	1999	1,649,998	80.52	135,361	133,391	124,883	93.62	7,632	132,515	97.90
2000	1998	1,572,847	74.64	122,409	121,143	114,401	94.43	6,015	120,416	98.37

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	Total Debt Per Capita	Net Bonded Debt Per Capita
	General Obligation Bonds			Bond Anticipation Notes	Capital Leases	General Obligation Bonds Water	General Obligation Bonds Sewer	Clean Water Fund Serial Notes	Bond Anticipation Notes					
	General Purpose	Schools	Urban Renewal											
2009	\$ 82,852	\$ 6,286	\$	\$ 30,100	\$	\$	\$ 1,785	\$ 59,129	\$ 5,000	\$ 185,152	1.70%	\$ 1,703	\$ 820	
2008	89,743	6,486		10,000	243		1,935	63,917		172,324	2.72%	1,585	885	
2007	98,475	7,566	122		824		2,180	68,612		177,779	3.05%	1,635	976	
2006	109,525	8,594	238		1,538		2,411	73,090		195,396	3.47%	1,789	1,084	
2005	120,478	9,578	348		2,220		2,575	77,633		212,832	3.90%	1,962	1,202	
2004	130,330	10,325	455		2,872	1,000	2,665	82,090		229,737	4.21%	2,125	1,305	
2003	140,196	11,105	540		2,537	2,000	2,833	79,748		238,959	4.65%	2,215	1,407	
2002	145,516	11,997	642		3,436	3,000	3,008	72,392		239,991	9.41%	2,234	1,472	
2001	53,025	12,795	731		4,709	4,000	3,170	75,862		154,292	4.03%	1,436	620	
2000	57,650	13,872	816		2,629	6,000	3,289	89,995		174,251	4.48%	1,624	674	

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

The Total Personal Income and Per Capita Personal Income statistics are not available for the City of Waterbury.

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2009

(In Thousands)

Total tax collections (including interest and penalties)	\$ 210,753
State reimbursement for:	
Tax relief for elderly - freeze	<u>12</u>
Total	<u>\$ 210,765</u>

<u>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	\$ 474,221	\$	\$	\$	\$
4-1/2		948,443			
3-3/4			790,369		
3-1/4				684,986	
3					632,295
Total debt limitation	<u>474,221</u>	<u>948,443</u>	<u>790,369</u>	<u>684,986</u>	<u>632,295</u>
Debt as defined by Statute:					
Bonds payable	82,852	6,286	1,785		
Serial notes payable			59,129		
Bonds authorized and unissued	45,581	95,967			
School building grants		(68,973)			
Total indebtedness	<u>128,433</u>	<u>33,280</u>	<u>60,914</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 345,788</u>	<u>\$ 915,163</u>	<u>\$ 729,455</u>	<u>\$ 684,986</u>	<u>\$ 632,295</u>

NOTES:

- (1) In no event shall total debt exceed seven times annual receipts from taxation - \$1,475,355.
- (2) Bonds authorized and unissued represents bond authorizations for projects which have bond anticipation notes outstanding or for which bonds have been authorized and partially issued. In addition, authorized and unissued amounts have been reduced for grants received to date for applicable bond authorizations.
- (3) Pursuant to Public Act 97-11, an amount of \$68,973 will be received from the State in the form of proportional progress payments for eligible construction costs during certain construction phases of the projects applicable to bonds authorized and unissued.
- (4) Excludes \$6,538 of Water Enterprise bonds authorized and unissued.

CITY OF WATERBURY, CONNECTICUT
OUTSTANDING BOND AUTHORIZATIONS

JUNE 30, 2009
(In Thousands)

Project Description	Date Authorized	Total Authorized	Bond Anticipation Notes Outstanding	Grants Received	Authorized Unissued	Total Estimated Project Grant Reimbursement
General Purpose:						
Road Improvement Projects	08/09/06	\$ 8,930	\$ 7,500		\$ 1,430	
City Hall Improvements	05/31/07	35,900	10,500		25,400	
Golf Course Equipment	12/10/07	751	600		151	
Police Parking Garage	12/10/07	2,671			2,671	
Police Facility Projects	12/10/07	819			819	
Division Street Drainage	07/21/08	1,200			1,200	
Underground Tank Removal	07/21/08	282			282	
Buckingham Garage Elevator	07/21/08	282			282	
Road Improvement Projects - Phase II	08/11/08	4,500			4,500	
Chase Avenue Reconstruction	09/03/08	8,205			8,205	
Sidewalk and Curb Improvements	09/03/08	600			600	
Library - HVAC System	10/06/08	2,404			2,404	
Jefferson Square Property Acquisition	05/26/09	5,000			5,000	
Education:						
78 Special Education Facility**	11/19/07	14,635	500	837	13,298	10,593
New Elementary School #1 - Duggan*	06/25/04	31,900	3,500	8,923	19,477	24,723
New Elementary School #2 - Robinson/North Main*	06/25/04	31,900	3,500	2,091	26,309	24,723
New Elementary School #3 - Gilmartin*	06/25/04	31,900	3,500	4,301	24,099	24,723
Crosby Media Center*	06/25/04	5,800	500	4,016	1,284	4,379
Allied Magnet School***	06/09/08	63,846			63,846	50,164
Wilby High School***	06/09/08	6,700			6,700	5,264
Carrington Middle School***	06/09/08	34,700			34,700	27,264
Bureau of Water:						
Clean and Line Mains	10/06/08	910	200		710	
Chlorine Feed System	10/06/08	460	300		160	
Capital Improvement Projects	10/20/08	5,168	4,500		668	3,250
Pension:						
Past Benefit Obligation	02/11/08	350,000			350,000	
Total		\$ 649,463	\$ 35,100	\$ 20,168	\$ 594,195	\$ 175,083

* 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 78.21% of eligible project costs from the State in the form of progress payments.

***The City expects to receive approximately 78.57% of eligible project costs from the State in the form of progress payments.

CITY OF WATERBURY, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION AND CONTINUING DISCLOSURE RATIOS

LAST TEN FISCAL YEARS

(In Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Debt limit	\$ 1,475,355	\$ 1,380,148	\$ 1,364,321	\$ 1,322,804	\$ 1,265,096	\$ 1,263,360	\$ 1,251,838	\$ 1,108,660	\$ 907,291	\$ 816,574
Total net debt applicable to limit	<u>222,627</u>	<u>233,905</u>	<u>202,451</u>	<u>217,598</u>	<u>232,660</u>	<u>248,086</u>	<u>276,677</u>	<u>294,048</u>	<u>275,404</u>	<u>96,495</u>
Legal Debt Margin	<u>\$ 1,252,728</u>	<u>\$ 1,146,243</u>	<u>\$ 1,161,870</u>	<u>\$ 1,105,206</u>	<u>\$ 1,032,436</u>	<u>\$ 1,015,274</u>	<u>\$ 975,161</u>	<u>\$ 814,612</u>	<u>\$ 631,887</u>	<u>\$ 720,079</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>15.09%</u>	<u>16.95%</u>	<u>14.84%</u>	<u>16.45%</u>	<u>18.39%</u>	<u>19.64%</u>	<u>22.10%</u>	<u>26.52%</u>	<u>30.35%</u>	<u>11.82%</u>
Calculation of Continuing Disclosure Agreement Ratios:										
Total indebtedness per legal debt limit calculation	\$ 222,627	\$ 233,905	\$ 202,451							
Bond anticipation notes	35,100	10,000								
Less authorized and unissued debt	<u>(71,824)</u>	<u>(71,824)</u>	<u>(25,496)</u>							
Total direct debt	185,903	172,081	176,955							
Less water and sewer indirect self-funding debt	<u>(65,914)</u>	<u>(65,852)</u>	<u>(70,792)</u>							
Total Net Direct Debt	<u>\$ 119,989</u>	<u>\$ 106,229</u>	<u>\$ 106,163</u>							
Total direct debt as a percentage of State Equalized grand list	2.4%	2.1%	2.2%							
Total direct debt per capita	\$ 1,709	\$ 1,582	\$ 1,627							
Total net debt as a percentage of State Equalized grand list	1.6%	1.3%	1.3%							
Total net debt per capita	\$ 1,103	\$ 977	\$ 976							

(1) Total and net indebtedness calculated in accordance with Connecticut General Statutes.

(2) The City has no overlapping debt.

CITY OF WATERBURY, CONNECTICUT
DEMOGRAPHIC AND EMPLOYMENT STATISTICS
LAST TEN CALENDAR YEARS

Year	Population (1)	Enrollment (2)	Income (3)	Labor Force		Percentage Unemployed (4)			
				Employed (4)	Unemployed (4)	City of Waterbury	Waterbury Labor Market	State of Connecticut	United States
2009	108,751	18,664	\$ 18,117	45,433	6,597	12.7%	10.6%	8.0%	9.4%
2008	108,751	18,524	18,117	45,940	5,211	10.2	8.4	6.4	6.1
2007	108,751	18,284	18,117	46,354	3,677	7.3	5.9	4.6	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

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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

Personal Income statistics are not available for the City of Waterbury.

CITY OF WATERBURY, CONNECTICUT

PRINCIPAL EMPLOYERS

CALENDAR YEAR 2008 AND 1999

Business Name	Nature of Business	2008			1999		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Waterbury	Government	3,739	1	8.14%	3,701	1	7.38%
Waterbury Hospital	Medical	1,541	2	3.35%	1,512	2	3.01%
St Mary's Hospital	Medical	1,279	3	2.78%	1,265	3	2.52%
State of Connecticut	Government	1,225	4	2.67%	987	4	1.97%
AT&T	Communications	400	5	0.87%	440	6	0.88%
Naugatuck Valley Community College	Education	384	6	0.84%	300	10	0.60%
United States Postal Service	Government	270	7	0.59%	450	5	0.90%
Webster Bank	Financial	256	8	0.56%			
Waterbury Republican	Newspaper Publisher	252	9	0.55%			
MacDermid Inc	Chemicals	217	10	0.47%	328	8	0.65%
VNA Health Care, Inc	Health Care Provider				347	7	0.69%
Perkin-Elmer OptoElectronics	Electrical				320	9	0.64%
Total		9,563		20.82%	9,650		19.24%

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

<u>Function/Program</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government (1)	1,103	1,150	1,194	1,211	1,140	1,152	1,333	1,347
Board of Education (2)	2,215	2,300	2,231	2,231	2,193	2,164	2,132	2,173
Grant Funded (2)	335	339	346	353	379	423	335	233
Total	<u>3,653</u>	<u>3,789</u>	<u>3,771</u>	<u>3,795</u>	<u>3,712</u>	<u>3,739</u>	<u>3,800</u>	<u>3,753</u>

Sources:

- (1) City of Waterbury, Budget Director
- (2) Waterbury Board of Education

Information prior to 2002 is not available to adequately report 10 year comparative statistics.

CITY OF WATERBURY, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS

Function/Program	2009	2008	2007	2006	2005	2004	2003	2002
General government (1):								
Building permits issued	1,069	1,307	1,280	1,313	1,335	1,406	1,087	696
Value of permits issued (thousands)	\$47,167	\$61,242	\$45,131	\$56,413	\$28,491	\$29,874	\$25,936	\$27,994
Public works (1):								
Refuse collection:								
Trash collected (tons per day)	195	158	192	183	N/A	N/A	N/A	N/A
Cost per ton	\$62	\$70	\$70	\$70	N/A	N/A	N/A	N/A
Recyclables collected (tons per day)	14.54	14.76	21.16	16.4	N/A	N/A	N/A	N/A
Other public works:								
Street resurfacing (miles)	10	20	5.7	18.3	N/A	N/A	N/A	N/A
Public safety (2):								
Police:								
Physical arrests	9,885	9,082	9,842	9,127	9,793	10,260	11,273	10,798
Fire:								
Emergency responses	4,914	5,168	4,688	4,688	5,707	5,316	4,656	4,222
Fires extinguished	434	777	443	443	397			
Inspections	3,812	3,722	2,663	2,663	2,236	2,445	1,898	1,669
Library (3):								
Total Print Items	228,620	224,998	237,593	259,486	258,328	N/A	N/A	N/A
Total Non-Print Items	25,242	19,124	17,596	16,542	16,988	N/A	N/A	N/A
Bureau of Water (4):								
Total Daily Capacity (millions of gallons)	38	38	38	38	38	38	38	38
Average Daily Demand (millions of gallons)	15.5	15.2	14.9	15.6	15.4	16.3	19	15.1
Peak Hour Demand (millions of gallons)	24.4	25	25.4	24.8	27.5	28.2	24.7	34.2
Water Pollution Control (5):								
Design Average Daily Flow (millions of gallons)	27.05	27.05	27.05	27.05	N/A	N/A	N/A	N/A
Average Daily Flow Treated (millions of gallons)	21.6	21.5	24.0	24.3	N/A	N/A	N/A	N/A
Maximum Daily Flow Treated (millions of gallons)	55	55	55	55	N/A	N/A	N/A	N/A

Sources:

- (1) City of Waterbury, Public Works Department
- (2) City of Waterbury, Police and Fire Departments
- (3) City of Waterbury, Library Director
- (4) City of Waterbury, Bureau of Water
- (5) City of Waterbury, Water Pollution Control Authority

Information prior to 2002 is not available to adequately report 10 year comparative statistics.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government (1):								
Municipal buildings	2	2	2	2	2	2	2	2
Libraries	2	2	2	2	2	2	2	2
Public Works (1):								
Parking garages	10	10	10	10	10	10	10	10
Public safety	3	3	3	3	3	3	3	3
Police (2):								
Stations	1	1	1	1	1	1	1	1
Training facility	1	1	1	1	1	1	1	1
Fire (2):								
Firefighting/rescue vehicles	21	21	22	22	22	22	21	21
Fire stations	9	9	9	9	9	9	9	9
Education (3):								
School buildings	27	26	26	26	26	26	25	25
Administrative buildings	1	1	1	1	1	1	1	1
Parks and Recreation (1):								
Number of parks	30	30	30	30	30	30	30	30
Number of basketball courts	37	37	37	37	37	37	37	37
Number of football fields	6	6	6	6	6	6	6	6
Number of golf courses	2	2	2	2	2	2	2	2
Number of playgrounds	22	22	22	22	22	22	22	22
Number of soccer fields	17	17	17	17	17	17	17	17
Number of ball fields	62	62	62	62	62	62	62	62
Number of tennis courts	64	64	64	64	64	64	64	64
Number of swimming pools	3	3	3	3	3	3	3	3
Number of recreation centers	6	6	6	6	6	6	6	6
Bureau of Water (4):								
Active Reservoirs	5	5	5	5	5	5	5	5
Inactive Reservoirs	2	2	2	2	2	2	2	2
Water Pollution Control (5):								
Miles of Sanitary sewers	320	320	320	320	320	320	320	320
Pump Stations	20	20	20	20	20	20	20	20

Sources:

- (1) City of Waterbury, Public Works Department
- (2) City of Waterbury, Police and Fire Departments
- (3) Waterbury Board of Education
- (4) City of Waterbury, Bureau of Water
- (5) City of Waterbury, Water Pollution Control Authority

Information prior to 2002 is not available to adequately report 10 year comparative statistics.