

City of Waterbury Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2010

Comprehensive Annual Financial Report

of the

City of Waterbury Connecticut

Fiscal Year Ended June 30, 2010

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, 2010

Mayor Michael J. Jarjura

Town Clerk City Clerk City Sheriff

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

BOARD OF ALDERMEN

Joseph Begnal, Jr.
Cicero B. Booker, Jr.
Ernest M. Brunelli
Frank A. Burgio, Sr.
Francis J. Caizzo, Jr.
Paul V. Ciochetti
Lawrence V. Depillo
Ryan A. Mulcahy

Ronald Napoli, Jr.
Alberto Negron
Jerry Padula
Paul Pernerewski, Jr.
Joyce Petteway
Anne Phelan
Anthony Piccochi

ADMINISTRATION

Assessor
Budget Director
Building Official
City Planner
Corporation Counsel
Director of Audit
Director of Finance
Director of Health
Director of Libraries
Director of Human Resources
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

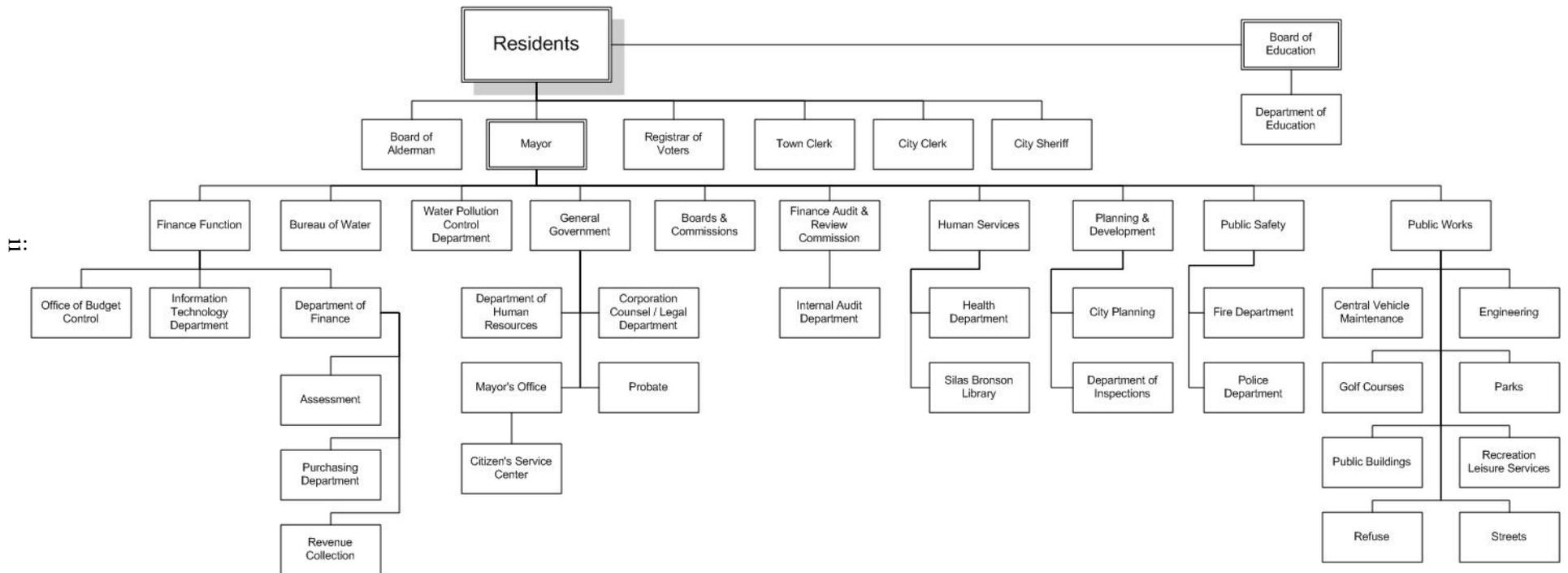
Mary S. White
Neil M. O'Leary
Jose L. Morales
Charles L. Stango
John E. Theriault

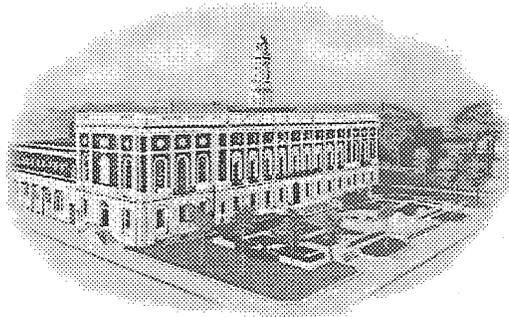
Coleen M. Flaherty-Merritt
Patrick J. Hayes, Jr.
Karen E. Harvey
Ann Marie Sweeney
Paul D. D'Angelo

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 13, 2010

Honorable Mayor and Board of Aldermen
City of Waterbury

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, 2010. 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.

PROFILE OF THE CITY

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. A new K-8 Gilmartin Elementary School opened in September 2010 and two additional K-8 elementary schools are targeted for opening in the fall of 2011 and 2012. In addition, the City has secured State assistance funding commitments for construction of a new middle school, an intradistrict technical and arts magnet school, and a fourth new 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 Mattatuck Arts & History 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, Town Clerk, Registrar of Voters, Sheriff, and the ten-member Board of Education are also elected. Other officials are appointed by the Mayor.

LOCAL ECONOMIC CONDITIONS AND OUTLOOK

The City has now posted its ninth consecutive balanced budget due to financial vigilance, budgetary controls, professional management and other strong financial management practices. The City concluded FY2010 with a budget surplus of \$1.4 million prior to \$1.3 million in year end transfers from the City's General Fund to set aside funding for various capital and special purpose items. Every City Department contributed to the budget surplus by coming in under budget recognizing the need for the City to obtain expenditure savings to offset \$2.6 million in revenue shortfalls.

During FY2010 the City's General Fund realized a \$13 million one-time budgetary savings resulting from the City's sale of pension obligation bonds in September 2009. The pension obligation bond proceeds of \$311 million were deposited into the Pension Plan Trust increasing the Plan's actuarial accrued liability funding status from 12% to 70%. The City used \$3 million of the one-time budgetary savings to replenish the designated use of general fund balance that was originally designated for use with the adoption of the FY2010 budget. The balance of the one-time budgetary savings was used to reduce the unfunded liability in Workers Compensation claim fund and to increase reserves in the Health Benefits and Debt Service funds to offset anticipated cost increases in FY2011. If not for the one-time budgetary savings resulting from the pension obligation bond issuance, the City would have used \$1.6 million of general fund balance in FY2010 and would not have been able to transfer \$1.3 million to fund various special purpose items at year end. Several of the special purpose items represent items that had been cut from the FY2011 budget during the budget deliberations and adoption process.

The 2011 outlook for the City calls for increasing the local property tax burden in order to maintain current services. The FY2011 budget was developed and adopted under very difficult economic conditions. The City is experiencing minimal grand list growth, decreased State aid and a continued decline in most local fees and usage revenues. The shortfall in non-tax revenues requires a greater share of expenditure appropriations to be funded from local property taxes. The City's ability to limit growth in the City's annual expenditure appropriations without reducing services is significantly impacted by the increasing cost of providing health benefits to the City's active and retired employees. Health insurance costs are projected to increase \$6.8 million in FY2011. The City's FY2011 adopted budget includes the projected use of General Fund Balance in the amount of \$3 million to limit the local property tax burden increase.

The assessed value of real property resulted in a net taxable grand list for October 1, 2009 of \$5.28 billion, representing a marginal decrease from the October 1, 2008 net taxable grand list of \$5.31 billion. The October 1, 2009 net grand list assessed values formed the basis for setting the taxable mill rate for the 2011 fiscal year. Exemptions increased by \$42 million in arriving at the net taxable grand list as major personal property additions occurred within the City's designated enterprise zone allowing for the phase in of new assessments over a seven year period.

The City's credit ratings were recently affirmed (Moody's A1, S&P A-, and Fitch A+) in preparation for the City's September 2010 general obligation bond issue. S&P also issued a positive outlook on the City based on expectations that the City will continue to produce stable, balanced financial results despite the high costs associated with debt service on new and existing debt (including POBs), unfunded pension liability requirements, and OPEB pay-as-you-go requirements. The positive outlook also reflects the expectation that City officials will continue to adhere to the City's established financial policies and practices.

ECONOMIC DEVELOPMENT

Waterbury continues to make significant strides in transitioning from its reliance on cyclical manufacturing business to a more diverse business and service driven economy, although its manufacturing sector continues to perform well in the face of global economic challenges.

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 in 2008, complementing the existing consumer wholesale and 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 of a Portmeirion house wares 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 \$1.9 million Federal and 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 Hospital 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. In addition to the two hospitals and the cardiac surgery center, the City is home to the Harold Leever Cancer Center which 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. The City has fully committed its \$3.2 million share of the federal Neighborhood Stabilization Program funds for the acquisition and rehabilitation of foreclosed residential properties. An additional 40 properties are being renovated through a \$4 million lead abatement grant administered by the City's Health Department. 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.

A number of manufacturing operations are adding employees and expanding their facilities, around the City. The companies tied to the City's Waterbury Industrial Commons (WIC) project are still among the most prominent among them. The WIC project is a \$15 million, federally funded cleanup of a WWII era munitions plant. This 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. Environmental assessments for the property are complete, and the City's legislative branch has approved a \$60.4 million bond authorization to complete the cleanup and construction at the property. It is expected that the end result will be over 100,000 square feet of industrial space for public and private development.

Changes to the State's laws governing environmental remediation of former factory sites have spurred interest and development in underutilized properties within the City. In the City's South End, a private developer is working with the City and the Waterbury Development Corp. (the "WDC"), a quasi-public development agency, to conduct environmental studies on two parcels which have long sat idle – with federal dollars. This same developer recently completed the reconstruction of a nearby 25,000 square-foot building and leasing is nearly complete.

The expansion of the City's Enterprise Zone into the Central Business District has shown promise. A \$3 million office building on Meadow Street, constructed in response to the City's tax incentive program is nearly at capacity. A market-rate residential renovation on Bank Street is fully leased, and the developer is poised to begin a second, larger rehabilitation project this summer. The residential projects are consistent with the City's long-term goals for its downtown. The City also executed a "preferred developer agreement" with Renaissance Downtowns, a New York firm focusing on new urbanism development. Renaissance is undertaking its planning process.

The \$36 million renovation of the historic City Hall – one of five Cass Gilbert-designed buildings in Waterbury – is on schedule and under budget through the management efforts of the WDC. The building is slated for rededication in December of this year. WDC is managing several large infrastructure projects for the City in its Project Management Group, in addition to the City Hall renovation. The WDC's Neighborhood Re-investment Group manages the City's Community Block Grant, HOME and Blight Initiative monies. The re-use of these properties is dependent on the location; however, a comprehensive re-use plan has been developed with input from the business community as well as the impacted neighborhood.

The Waterbury Phase II Development Project continues to bring dividends to the City. 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 sixth full season. With over five million dollars in annual revenue and one hundred thousand patrons annually the Palace has become the cultural cornerstone for the City. Moreover, industry economic impact models indicate over three and half million dollars has been spent since 2004 in the local economy due to the presence of the Palace.

A \$120 million peak-demand gas-fired turbine generator constructed in 2009 and located in the South End has experienced greater demand than anticipated and is operating nearly year round. The City is expected to see grand list impact from that project in the next fiscal year. That facility complements the previously constructed \$58 million Yankee Gas liquefied natural gas plant completed in October 2007. The City also is experiencing positive impact on its tax base from the Yankee Gas plant, which also is in the City's Enterprise Zone. Yankee Gas also is working on a gas pipeline from the LNG facility to the eastern part of the State. Other power generators have also expressed interest in this industrial corridor.

CITY MANAGEMENT FINANCIAL POLICIES & INITIATIVES

During 2009-2010, some specific financial policies and initiatives included the following:

- The City submitted its Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009 to the Government Finance Officers Association (GFOA) for certification. For the third consecutive year the City's CAFR was awarded the "Certificate of Achievement for Excellence in Financial Reporting."
- 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 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.

- The City's Fund Balance Policy is 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. The City complied with the adopted policy in setting the designation of \$3 million from Fund Balance for tax relief as part of the FY2011 adopted budget.
- On July 19, 2010 the Board of Alderman approved a resolution designating the City of Waterbury as a recovery zone. This designation allowed the City to issue \$24.2 million of Recovery Zone bonds on September 1, 2010 with an interest cost reimbursement of 45% provided through the American Recovery and Assistance Act. In addition to the Recovery Zone bonds \$4.7 million of taxable Qualified Energy Conservation bonds and \$8.0 million of taxable Build America bonds were issued with similar interest cost reimbursements. The interest reimbursements on the taxable bonds are anticipated to save the City in excess of \$6 million in interest costs over the 20 year life of the bonds when compared with the interest costs had the City issued traditional tax exempt municipal bonds.
- The City continued its commitment to the LAWSON Financial and Human Resource Suites' software through the successful implementation of Absence Management module which now provides the City with a centralized and automated employee attendance recordkeeping system. In addition a business process review and recalibration of the LAWSON Benefits module was performed to provide expanded and restructured data fields to enhance data migration and analysis capabilities.
- The City adopted a Bureau of Water & Water Pollution Control Delinquent Collections and Suspense of Aged Account Balances Policy. The policy will effectively over time reduce the gross receivable and reserve for uncollectible receivables through the processing of account adjustments as outlined in the policy statement.
- For the insurance policy year beginning July 1, 2010 the City has added excess workers' compensation coverage to limit the City's claim risk exposure. The policy provides for a self-insured retention level of \$1.5 million.

DEBT MANAGEMENT

The City's general outstanding bonded indebtedness totaled \$423.1 million on June 30, 2010. Included in the outstanding debt as of June 30, 2010 are pension obligation bonds in the amount of \$313.1 million and special capital reserve deficit bonds in the amount of \$62.3 million. Additionally, the Water Pollution Control (WPC) enterprise fund has self-supporting bond and clean water fund serial note outstanding debt totaling \$55.9 million on June 30, 2010. The Bureau of Water enterprise fund has no long-term outstanding debt obligations.

Bond anticipation notes totaling \$33.5 million are outstanding as of June 30, 2010 providing temporary financing for the City's and Water Department's capital improvement programs.

The following bond authorizations were approved during the course of the past year demonstrating the City's continued commitment to address long overdue capital needs of school and government building facilities as well as the infrastructure needs of the community:

Pre-K-12 Comprehensive School Facilities Plan: The Board of Aldermen approved at its meeting held on April 6, 2010 to increase the Pre-K-12 comprehensive School Facilities Plan Project's authorization from \$120.4 million to \$125.4 million.

City-Wide Milling and Paving Resurfacing: The Board of Aldermen approved at its meeting held on March 23, 2010 an appropriation in the amount of \$1 million for city-wide milling, paving, resurfacing and other street improvements contained in the Capital Budget.

Acquisition of the Waterbury Industrial Commons Property and Construction of a Centralized DPW Facility: The Board of Aldermen approved at its meeting held on July 19, 2010, an appropriation in the amount of \$60.4 million for the acquisition of property located at 1875 Thomaston Avenue, environmental remediation, demolition and reconstruction activities at the property and construction of a centralized DPW facility.

FINANCIAL MANAGEMENT

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.

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, 2009.

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, 2009

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



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, 2010, which collectively comprise the City of Waterbury, Connecticut'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 basic 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, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of the City of Waterbury, Connecticut's internal control over financial reporting and 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 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 assessing the results of our audit.

Management's discussion and analysis on pages 3 through 11 and the budgetary comparison information on pages 51 through 54 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waterbury, Connecticut'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.

Blum, Shapiro & Company, P.C.

December 13, 2010

CITY OF WATERBURY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2010

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, 2010. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

Financial Highlights

- The City's net assets increased \$2.3 million as a result of this year's operations. Net assets of our governmental activities increased \$3.8 million. Net assets of our business-type activities decreased \$1.4 million (Table 2).
- During the year, the City issued \$313.1 million of pension obligation bonds and deposited \$311.1 million of the bond proceeds into the Retirement System's Pension Trust establishing a 70% funding level of the Retirement Plan's actuarially accrued liability.
- During the year, the City had governmental expenses of \$798.4 million including the expense allocation for the \$311.1 million additional employer contribution to the Pension Trust. Pension obligation bond proceeds of \$313.1 million has provided for elimination of the City's \$77 million accrued net pension obligation as of June 30, 2009 and established a net pension asset in the amount of \$234.2 million as of June 30, 2010.
- In the City's business-type activities, expenses of \$29.1 million, including depreciation expense of \$5.6 million, were \$1.4 million less than the \$30.5 million generated in user fees, capital grants and other revenues. The Water Pollution Control fund transferred \$2.8 million towards the City's public works campus project in recognition of previously dislocating the City's central vehicle maintenance facility when the sewer treatment plant was constructed.
- Total cost of all of the City's programs excluding the additional employer contribution of \$311.1 million to the Pension Trust was \$516.4 million in 2010 as compared with \$497.6 in 2009.
- The General Fund reported a total fund balance this year of \$21.2 million representing an increase of \$98 thousand. The General Fund unreserved and undesignated component of fund balance increased by the same \$98 thousand as the designated portion of fund balance remained unchanged at \$3 million designated for the subsequent budget.
- The resources available for appropriation were \$2.6 million less than budgeted for the General Fund. General Fund budgetary based expenditures were \$5.7 million less than the final amended appropriated expenditure budget. The net budgetary surplus of \$3.1 million prevented the drawdown of the \$3 million designation of fund balance provided for in the 2010 adopted budget. In addition, the budgetary surplus allowed for the continued designation of \$3 million of fund balance for mill rate relief in the 2011 adopted budget.

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 increased from a year ago increasing from \$270.4 million to \$272.8 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 397,191	\$ 158,878	\$ 35,199	\$ 39,401	\$ 432,390	\$ 198,279
Capital assets	402,279	330,151	189,652	193,524	591,931	523,675
Total assets	<u>799,470</u>	<u>489,029</u>	<u>224,851</u>	<u>232,925</u>	<u>1,024,321</u>	<u>721,954</u>
Long-term liabilities:						
Long-term debt	422,933	88,397	65,690	65,459	488,623	153,856
Employee benefit obligations	140,539	180,842	720	625	141,259	181,467
Risk management and other	44,083	44,069			44,083	44,069
Other liabilities	71,403	58,982	6,199	13,152	77,602	72,134
Total liabilities	<u>678,958</u>	<u>372,290</u>	<u>72,609</u>	<u>79,236</u>	<u>751,567</u>	<u>451,526</u>
Net assets:						
Invested in capital assets, net of debt	321,056	291,451	123,052	119,905	444,108	411,356
Restricted	9,035	8,500			9,035	8,500
Unrestricted	<u>(209,579)</u>	<u>(183,212)</u>	<u>29,190</u>	<u>33,784</u>	<u>(180,389)</u>	<u>(149,428)</u>
Total Net Assets	<u>\$ 120,512</u>	<u>\$ 116,739</u>	<u>\$ 152,242</u>	<u>\$ 153,689</u>	<u>\$ 272,754</u>	<u>\$ 270,428</u>

Net assets of the City's governmental activities increased by \$3.8 million (\$120.5 million compared to \$116.7 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 \$209.6 million at the end of this year compared with \$183.2 million at the end of last year. The \$26.4 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 \$34.1 million in the City's net OPEB obligation was accrued against the City's net assets for the fiscal year ended June 30, 2010.

The governmental activities net assets invested in capital assets, net of debt amount of \$321.1 million excludes \$62.4 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 \$47.7 million as of June 30, 2010. Additionally, the net assets invested in capital assets, net of debt excludes pension obligation bonds of \$313.1 offset by a net pension asset of \$234.2 million.

The net assets of the City's business-type activities decreased by \$1.4 million in 2010 (\$152.2 million compared to \$153.7 million). Contributing to the current fiscal year net asset decrease was the Water Pollution Control enterprise fund transfer of \$2.8 million towards the City's public works campus project in recognition of previously dislocating the City's central vehicle maintenance facility when the sewer treatment plant was previously constructed. 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	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 9,426	\$ 10,042	\$ 27,853	\$ 30,078	\$ 37,279	\$ 40,120
Operating grants and contributions	212,170	193,520			212,170	193,520
Capital grants and contributions	27,301	14,043	1,377	4,976	28,678	19,019
General revenues:						
Property taxes	207,627	213,806			207,627	213,806
Grants and contributions not restricted to specific purposes	22,888	21,985			22,888	21,985
Unrestricted investment earnings (losses)	6,308	(1,625)	97	418	6,405	(1,207)
Other general revenues	504	334	1,125	830	1,629	1,164
Total revenues	<u>486,224</u>	<u>452,105</u>	<u>30,452</u>	<u>36,302</u>	<u>516,676</u>	<u>488,407</u>
Expenses:						
General government	114,871	124,482			114,871	124,482
Public works	61,731	34,809			61,731	34,809
Public safety	222,160	57,859			222,160	57,859
Development and community affairs	5,483	4,851			5,483	4,851
Human services	10,692	6,932			10,692	6,932
Education	352,648	230,247			352,648	230,247
Culture and recreation	9,911	3,026			9,911	3,026
Interest on long-term debt	20,900	4,369			20,900	4,369
Bureau of Water			12,801	13,556	12,801	13,556
Water Pollution Control			16,298	17,451	16,298	17,451
Total program expenses	<u>798,396</u>	<u>466,575</u>	<u>29,099</u>	<u>31,007</u>	<u>827,495</u>	<u>497,582</u>
Transfers in (out)	<u>2,800</u>	<u>1,000</u>	<u>(2,800)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
Special item - pension obligation bonds	<u>313,145</u>				<u>313,145</u>	
Change in Net Assets	\$ <u>3,773</u>	\$ <u>(13,470)</u>	\$ <u>(1,447)</u>	\$ <u>4,295</u>	\$ <u>2,326</u>	\$ <u>(9,175)</u>

The City's total revenues were \$516.7 million as compared with \$488.4 million in the prior year. Operating grants and contributions increased \$18.7 million as the City received significantly increased federal grant assistance in fiscal year 2010 for educational programs including Title I. Capital grants increased by \$9.7 million as the City expended more on capital outlays for various State reimbursable school addition projects including the construction of three new PreK-8 elementary schools. Approximately 75% of eligible school construction project costs are reimbursed by the State as costs are incurred. Property taxes decreased \$6.2 million as the net taxable grand list growth year over year was marginal providing for limited growth in tax revenue as the taxable mill rate remained unchanged for the 2010 fiscal year. Additionally, the City increased its estimates on allowances for doubtful collections in light of decreasing real-estate values impacting the realizable value of the City's tax liens on aged delinquent receivables. With the credit liquidity crises and overall impact of the economic recession no longer negatively impacting the investment earnings tied to the bond and equity markets the investments in those markets generated investment earnings of \$6.4 million compared with an investment loss of \$1.2 million in 2009.

The total cost of all programs and services was \$827.5 million as compared with \$497.6 million reported last year.

During the year, the City had governmental expenses of \$798.4 million which included a one-time expense allocation relating to the \$311.1 million additional employer contribution to the Pension Trust. A special item – pension obligation bonds representing the proceeds from the City’s \$313.1 million issuance of pension obligation bonds in September 2009 has provided for elimination of the City’s \$77 million accrued net pension obligation as of June 30, 2009 and established a net pension asset in the amount of \$234.2 million as of June 30, 2010.

Blended in the increase in General Government expenses and other functions is a \$6.7 million increase in benefits, claims and administration expenses paid for within the City’s self-insured programs. The increase is predominately due to the increased costs of providing medical benefits to the City’s active and retired workforce. Employer premiums increased \$8.6 million to keep pace with the rising costs.

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)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
General government	\$ 114,871	\$ 124,482	\$ 113,037	\$ 122,503
Public works	61,731	34,809	59,229	32,166
Public safety	222,160	57,859	215,997	52,099
Human services	10,692	6,932	6,417	2,886
Education	352,648	230,247	126,606	36,530
All others	36,294	12,246	28,213	2,786
Totals	\$ <u>798,396</u>	\$ <u>466,575</u>	\$ <u>549,499</u>	\$ <u>248,970</u>

Cost of Services

For 2010 the total and net costs of services includes a cost allocation for the \$311 million employer contribution to the Pension Trust funded by the City’s issuance of pension obligation bonds in September 2009. The “special item – pension obligation bonds” revenue of \$313 million reported on Table 2 offsets the current financial burden placed on the City’s taxpayers but the offset is not reflected in the 2010 cost of services and net cost of services reported in Table 3. As the debt service on the pension obligation bonds will be amortized over the next thirty years the financial burden placed on the City’s taxpayers will as well be amortized over that same period of years. The issuance of the pension obligation bonds does not create an additional current financial burden on the taxpayers.

Business-Type Activities

Service revenues of the City’s business-type activities (see Table 2) decreased by \$2.2 million from \$30.1 million in 2009 to \$27.9 million in 2010. The decrease a combination of reductions in water consumption which affects both water and sewer billings for service and the impact of adjustments to receivable balances based on stipulated judgments and billing corrections. Capital grants and contributions decreased \$3.6 million as both Water and WPC enterprise operations concluded projects funded by State and Federal capital grants for various plant improvements initiated in the prior year. Operating expenses were \$1.9 million less than the prior fiscal year as cost control measures were taken in light of the current economic conditions and changes in various cost allocations were implemented.

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 \$6.1 million. Total fund balance in the City's General Fund increased marginally from \$21.1 million to \$21.2 million. General fund revenues came in \$2.6 million less than budgetary revenue estimates. Income from investments missed budgetary projections by \$1.5 million as liquid funds rates continued to decline during 2010. Charges for services missed budgetary estimates by \$1.5 million as income from conveyance fees and housing permits continued to deteriorate as a result of the reduction in home sale and home construction activity. General Fund intergovernmental revenues were \$1.4 million below estimates as the Pequot assistance allocated to cities and towns in Connecticut provided by a percentage of slot revenues from the State's two casino's continued to decrease. The majority of non-tax revenue sources have suffered significant declines in light of the 2009 recession and its continued effects on the economy in 2010. The City's General Fund expenditures were \$5.7 million less than budgeted. The budgetary savings were spread amongst many of the City's departments as cost mitigation efforts continued in order to generate savings on the expenditure side of the budget to offset revenue losses stemming from the economic downturn during 2009 and the continued effects in 2010. The net budgetary surplus of \$3.1 million negated the drawdown of any portion of the \$3.0 million of fund balance designated as a revenue source in the 2010 budget. As a result, maintaining a total fund balance of \$21.2 million allowed for the City to re-designation \$3.0 million as a revenue source to the 2011 budget in order to provide some relief to the tax mill rate increase.

A one-time budgetary savings of \$13.2 million was created in the pension contribution account resulting from the revision of the actuarially recommended contribution for the 2010 fiscal year. The timing of the City's issuance of pension obligation bonds for which the proceeds were deposited into the Pension Trust allowed for the recalculation of the 2010 annual required contribution. The annual contribution was revised from \$43.9 million down to \$16.4 million. Net of new debt service on the pension bonds of \$14.3 million the net budgetary savings was \$13.2 million. The City appropriated the \$13.2 million in one-time budgetary savings to fund accrued deficits in the City's worker's compensation fund and enhance reserves in the City's debt service and health benefits funds to mitigate some of the cost increases projected in the next fiscal year. In addition, \$1.2 million was set aside to locally fund various projects and programs within the City's capital and special revenue funds.

The \$10.2 million fund balance in the City's Debt Service fund increased by \$2.3 million as the General Fund contributed an additional \$1.5 million from the one-time budgetary savings referenced in the preceding paragraph. The Debt Service fund balance will be drawn down in subsequent years as the City begins to realize the debt service impact resulting from the financing of its comprehensive capital improvement program. 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 \$7.0 million at June 30, 2010.

During 2010, the City's General Fund transferred \$8.1 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. The additional transfers in 2010 were also designed to limit the amount of permanent debt financing that would be required for various capital expenditure purposes. The General Capital Improvement Fund and Education Capital Improvement Fund reported a combined decrease of \$13.6 million in fund balance resulting from the expenditure of bond anticipation note proceeds to fund ongoing construction, renovation and infrastructure improvement costs. When the notes are permanently financed, the deficits in the applicable capital improvement funds will be covered through the realization of bond proceeds revenue. The City bonded \$28 million in September 2009 and another \$45 million in September 2010 to financing ongoing construction and renovation expenditures authorized as part of the City's comprehensive capital improvement plan.

Proprietary Funds

The City's self-insured programs for Health Benefits, General Liability, Workers' Compensation, and Heart and Hypertension are reported as internal service funds of the City. The combined net assets in the City's internal service funds of \$6.3 million, net of the amounts set aside in the OPEB Reserve Fund, represents a positive net asset position as compared with \$1.0 million deficit in 2009 and larger deficits in preceding years. The City used

\$5 million of the \$13.2 million one-time budgetary savings as noted above to reduce the Worker's Compensation net asset deficit from \$11.6 million to \$5.8 million. With the credit liquidity crises and overall impact of the economic recession no longer negatively impacting the investment earnings tied to the bond and equity markets the investments in those markets generated investment earnings of \$5.3 million compared with an investment loss of \$3.9 million in 2009. Benefits, claims and administrative expenses increased \$6.7 million over last year as medical claims rates continued to trend upward at percentages far in excess of the stagnant inflation rate. Employer premium contributions to the internal service funds increased \$8.6 million to keep pace with the rising costs.

General Fund Budgetary Highlights

The General Fund's fund balance increased by \$98 thousand during the year. The City had anticipated the use of \$3.0 million of fund balance to fund budgeted expenditures at the start of the 2010 fiscal year. During the fiscal year a one-time budgetary savings of \$13.2 million was created in the pension contribution account resulting from the revision of the actuarially recommended contribution resulting from the City's issuance of pension obligation bonds. The annual contribution was revised from \$43.9 million down to \$16.4 million. Net of new debt service on the pension bonds of \$14.3 million the net budgetary savings was \$13.2 million. The City retained \$3 million of those budgetary savings in the General Fund to offset revenue shortfalls and ultimately provide for the replenishment of the \$3 million portion of fund balance designated for use when the 2010 fiscal year budget was adopted. The balance of the \$13.2 million in one-time budgetary savings was used to fund accrued deficits in the City's worker's compensation fund and enhance reserves in the City's debt service and health benefits funds to mitigate some of the cost increases projected in the next fiscal year. In addition, \$1.2 million was set aside to locally fund various projects and programs within the City's capital and special revenue funds.

The majority of non-tax revenue sources have suffered significant declines in light of the 2009 recession and its continued effects on the economy in 2010. Conveyance fees, building permits and interest income continued to be greatly affected by the current condition of the real-estate market and tremendously low liquid funds return rates. General Fund expenditures were \$5.7 million less than budgeted with much of the savings coming from the Police Department and Department of Education. During the year position vacancies remained unfilled and discretionary spending was frozen in order to generate budgetary savings necessary to offset revenue deficiencies.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2010 the City had \$591.9 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 \$68.3 million over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land and land improvements	\$ 21,579	\$ 19,590	\$ 1,773	\$ 1,773	\$ 23,352	\$ 21,363
Buildings, utility plant and improvements	209,112	189,814	70,661	70,790	279,773	260,604
Infrastructure	39,358	39,752	59,924	60,907	99,282	100,659
Machinery and equipment	11,222	9,885	46,018	45,599	57,240	55,484
Vehicles	3,988	3,552	619	852	4,607	4,404
Construction in progress	117,020	67,558	10,657	13,603	127,677	81,161
Totals	\$ 402,279	\$ 330,151	\$ 189,652	\$ 193,524	\$ 591,931	\$ 523,675

Major capital activities during the year included the capitalization of \$41 million in school construction and renovation costs and \$21.6 million for the historic renovation of Waterbury's City Hall. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010 the City had \$512.5 million in bonds and notes outstanding versus \$185.1 million last year - as shown in Table 5.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 423,123	\$ 89,138	\$ 1,636	\$ 1,785	\$ 424,759	\$ 90,923
Serial notes payable			54,245	59,127	54,245	59,127
Bond anticipation notes (backed by the City)	29,150	30,100	4,375	5,000	33,525	35,100
	<u>\$ 452,273</u>	<u>\$ 119,238</u>	<u>\$ 60,256</u>	<u>\$ 65,912</u>	<u>\$ 512,529</u>	<u>\$ 185,150</u>

During the year, the City issued \$313.1 million of pension obligation bonds and deposited \$311.1 million of the bond proceeds into the Retirement System's Pension Trust establishing a 70% funding level of the Retirement Plan's actuarially accrued liability. In addition the City issued \$28 million in general obligation capital bonds to permanently finance ongoing capital expenditures including costs incurred related to the construction of several new elementary schools and the complete historical renovation/restoration of Waterbury's City Hall.

Included in the outstanding debt as of June 30, 2010 are pension obligation bonds in the amount of \$313.1 million and special capital reserve deficit bonds in the amount of \$62.3 million. Additionally, the Water Pollution Control (WPC) enterprise fund has self-supporting bond and clean water fund serial note outstanding debt totaling \$55.9 million on June 30, 2010. The Bureau of Water enterprise fund has no long-term outstanding debt obligations.

Bond anticipation notes totaling \$33.5 million are outstanding as of June 30, 2010 providing temporary financing for the City's and Water Department's capital improvement programs.

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 \$1.47 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 2011 budget has been crafted in a manner which takes into consideration the status of economic conditions continuing to impact 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

2011 budget contains a 1.90 mill rate increase even after making difficult reductions to Departments' initial appropriation requests. The adopted budget includes a judicious designated use of fund balance to limit the mill rate increase.

The fiscal year 2011 budget calls for \$380.7 million in revenues and expenditures, an approximate 1.81% increase over fiscal year 2010. On the revenue side, the fiscal year 2011 mill rate applied to the October 1, 2009 grand list was increased by 1.90 mills to offset revenue estimate reductions in non-tax revenues and local aid and to provide funding for general wage and benefit cost increases. The 96.0% collection rate estimate did not change and is supported by actual collection percentage rates over the past three years. The mill rate increased from 39.93 mills to 41.82 mills on a net taxable grand list of \$5.3 billion that reflected little net taxable grand list growth over the October 1, 2008 assessed values. The fiscal year 2011 revenue estimates include a \$9.7 million increase in property tax collections and a \$1.6 million reduction in local aid provided by the State. The financial progress realized in the past nine years favorably portrays Waterbury with its peer Connecticut municipalities. The property tax collection rate continued to hold steady given the economic condition at 96.97%. 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 2011 budgeted revenues when compared to fiscal year 2010 budgeted revenues from sources other than taxation and use of fund balance have been reduced by \$2.9 million in light of the ongoing impact of the economic recession on those other revenues.

The City's unemployment rate at fiscal year end was 14.1%. The local metropolitan area unemployment rate is 11.8%. The State and national unemployment rates were 8.9% and 9.5%, respectively. To date in fiscal year 2011, 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 2011 is \$6.8 million representing a modest 1.81% increase over the 2009 adopted appropriations. To put the increase into context the General Fund's budgeted contribution to fund medical benefits for the City's current and retired workforce increased by \$6.8 million to keep pace with medical cost trend projections for the next fiscal year.

As the City begins to prepare its fiscal year 2012 budget, it does so with the knowledge that there will be intensified pressure on the expenditure budget by virtue of reduced revenues generated locally, further potential reductions in State government sources, and medical costs trend increases that may warrant an additional \$7 million in costs to the City over the 2011 funding requirement. The outlook for the 2012 budget development and adoption presents a daunting task to balance the needs of the taxpayers with the continued rising costs of providing medical benefits to the City's active and retired workforce and the unknown impact on local aid as the State confronts its own set of budgetary challenges with budgetary gap estimates in excess of \$3.5 billion for 2012.

In the City's business-type activities, the Bureau of Water rate charges for water consumption increased by 2.2% percent for fiscal 2011. 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 2011, although increases are possible for fiscal year 2012 and beyond.

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, 2010

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 46,024	\$ 22,839	\$ 68,863
Investments	74,301		74,301
Receivables, net	41,751	11,635	53,386
Deferred charges	692		692
Net pension asset	234,207		234,207
Other current assets	216	725	941
Capital assets:			
Assets not being depreciated	131,323	12,430	143,753
Assets being depreciated, net	270,956	177,222	448,178
Total assets	<u>799,470</u>	<u>224,851</u>	<u>1,024,321</u>
Liabilities:			
Accounts payable and accrued expenses	36,579	1,824	38,403
Bond anticipation notes payable	29,150	4,375	33,525
Unearned revenue	5,674		5,674
Noncurrent liabilities:			
Due within one year	38,993	6,332	45,325
Due in more than one year	568,562	60,078	628,640
Total liabilities	<u>678,958</u>	<u>72,609</u>	<u>751,567</u>
Net Assets:			
Invested in capital assets, net of related debt	321,056	123,052	444,108
Restricted for trust purposes:			
Trust purposes - nonexpendable	569		569
Trust purposes - expendable	1,501		1,501
Debt service - temporarily restricted	6,965		6,965
Unrestricted	<u>(209,579)</u>	<u>29,190</u>	<u>(180,389)</u>
Total Net Assets	<u>\$ 120,512</u>	<u>\$ 152,242</u>	<u>\$ 272,754</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, 2010

(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	\$ 114,871	\$ 1,829	\$ 5	\$	\$ (113,037)	\$	\$ (113,037)
Public works	61,731	422	1,998	82	(59,229)		(59,229)
Public safety	222,160	3,465	1,430	1,268	(215,997)		(215,997)
Development and community affairs	5,483	953	4,256		(274)		(274)
Human services	10,692	179	4,096		(6,417)		(6,417)
Education	352,648	1,016	199,075	25,951	(126,606)		(126,606)
Culture and recreation	9,911	1,562	1,310		(7,039)		(7,039)
Interest on long-term debt	20,900				(20,900)		(20,900)
Total governmental activities	<u>798,396</u>	<u>9,426</u>	<u>212,170</u>	<u>27,301</u>	<u>(549,499)</u>	<u>-</u>	<u>(549,499)</u>
Business-type activities:							
Bureau of Water	12,801	11,020		597		(1,184)	(1,184)
Waste Treatment	16,298	16,833		780		1,315	1,315
Total business-type activities	<u>29,099</u>	<u>27,853</u>	<u>-</u>	<u>1,377</u>	<u>-</u>	<u>131</u>	<u>131</u>
Total	\$ <u>827,495</u>	\$ <u>37,279</u>	\$ <u>212,170</u>	\$ <u>28,678</u>	<u>(549,499)</u>	<u>131</u>	<u>(549,368)</u>
General revenues:							
Property taxes					207,627		207,627
Grants and contributions not restricted to specific programs					22,888		22,888
Unrestricted investment earnings					6,308	97	6,405
Miscellaneous					504	1,125	1,629
Transfers					2,800	(2,800)	-
Total general revenues and transfers					<u>240,127</u>	<u>(1,578)</u>	<u>238,549</u>
Special item - pension obligation bond proceeds					313,145		313,145
Change in net assets					3,773	(1,447)	2,326
Net Assets, July 1, 2009					<u>116,739</u>	<u>153,689</u>	<u>270,428</u>
Net Assets, June 30, 2010					\$ <u>120,512</u>	\$ <u>152,242</u>	\$ <u>272,754</u>

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2010

(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Educational Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 21,148	\$ 4,591	\$ 4,183	\$ 5,479	\$ 2,106	\$ 5,362	\$ 42,869
Investments	11,349	5,615				866	17,830
Receivables, net	23,413		808	4,244	3,162	9,306	40,933
Due from other funds	1,834						1,834
Other					28	185	213
Total Assets	<u>\$ 57,744</u>	<u>\$ 10,206</u>	<u>\$ 4,991</u>	<u>\$ 9,723</u>	<u>\$ 5,296</u>	<u>\$ 15,719</u>	<u>\$ 103,679</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses	\$ 14,324	\$	\$ 4,365	\$ 9,574	\$ 3,809	\$ 1,149	\$ 33,221
Due to other funds						228	228
Notes payable			21,900	7,250			29,150
Deferred revenue	22,240		4	4,400	945	7,423	35,012
Total liabilities	<u>36,564</u>	<u>-</u>	<u>26,269</u>	<u>21,224</u>	<u>4,754</u>	<u>8,800</u>	<u>97,611</u>
Fund balances:							
Reserved		6,965	15,477	58,592	1,359	3,016	85,409
Unreserved, reported in:							
General Fund	21,180						21,180
Special Revenue Funds		3,241			(817)	3,903	6,327
Capital Project Funds			(36,755)	(70,093)			(106,848)
Total fund balances	<u>21,180</u>	<u>10,206</u>	<u>(21,278)</u>	<u>(11,501)</u>	<u>542</u>	<u>6,919</u>	<u>6,068</u>
Total Liabilities and Fund Balances	<u>\$ 57,744</u>	<u>\$ 10,206</u>	<u>\$ 4,991</u>	<u>\$ 9,723</u>	<u>\$ 5,296</u>	<u>\$ 15,719</u>	<u>\$ 103,679</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

(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	\$	6,068
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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	\$	619,423	
Less accumulated depreciation		<u>(217,144)</u>	
Net capital assets			402,279

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	13,805
Interest receivable on property taxes	7,805
Other receivables and deferred amounts	728
Unamortized bond issuance costs	692
Housing loans	7,001
Net pension asset	234,207

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.

15,867

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	(423,123)
Deferred charges on refunding	1,696
Unamortized bond premium	(1,506)
Interest payable on bonds and notes	(3,068)
Accrued compensated absences	(33,456)
Retired employee obligations	(3,345)
Net OPEB obligation	(103,738)
Landfill post-closure	<u>(1,400)</u>

Net Assets of Governmental Activities (Exhibit I)

\$ 120,512

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, 2010

(In Thousands)

	General	Debt Service Fund	General Capital Improvement	Education Capital Improvement	Educational Grants	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	\$ 210,060	\$	\$	\$	\$	\$	\$ 210,060
Intergovernmental	155,303		3,160	25,951	54,500	17,350	256,264
Investment income	575	178	7	6		212	978
Charges for services	5,952				77	4,469	10,498
Reimbursements	11,420						11,420
Other	618		751	7	1,365	1,135	3,876
Total revenues	<u>383,928</u>	<u>178</u>	<u>3,918</u>	<u>25,964</u>	<u>55,942</u>	<u>23,166</u>	<u>493,096</u>
Expenditures:							
Current:							
General government	9,867					367	10,234
Public works	18,550						18,550
Public safety	44,212					2,734	46,946
Development and community affairs	1,141					4,832	5,973
Human services	3,244					4,136	7,380
Education	169,827				55,870	7,845	233,542
Culture and recreation	2,062					1,918	3,980
General financial	415,194						415,194
Capital outlay			43,979	41,130			85,109
Debt service:							
Principal		7,160					7,160
Interest		19,040					19,040
Total expenditures	<u>664,097</u>	<u>26,200</u>	<u>43,979</u>	<u>41,130</u>	<u>55,870</u>	<u>21,832</u>	<u>853,108</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(280,169)</u>	<u>(26,022)</u>	<u>(40,061)</u>	<u>(15,166)</u>	<u>72</u>	<u>1,334</u>	<u>(360,012)</u>
Other Financing Sources (Uses):							
Issuance of bonds	313,145		20,000	8,000			341,145
Bond premium		602					602
Transfers in	166	28,724	6,939	1,154	50	182	37,215
Transfers out	<u>(33,044)</u>	<u>(1,049)</u>	<u>(40)</u>			<u>(282)</u>	<u>(34,415)</u>
Total other financing sources (uses)	<u>280,267</u>	<u>28,277</u>	<u>26,899</u>	<u>9,154</u>	<u>50</u>	<u>(100)</u>	<u>344,547</u>
Net Change in Fund Balances	98	2,255	(13,162)	(6,012)	122	1,234	(15,465)
Fund Balance, July 1, 2009	<u>21,082</u>	<u>7,951</u>	<u>(8,116)</u>	<u>(5,489)</u>	<u>420</u>	<u>5,685</u>	<u>21,533</u>
Fund Balance, June 30, 2010	<u>\$ 21,180</u>	<u>\$ 10,206</u>	<u>\$ (21,278)</u>	<u>\$ (11,501)</u>	<u>\$ 542</u>	<u>\$ 6,919</u>	<u>\$ 6,068</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, 2010

(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)	\$ (15,465)
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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	82,651
Depreciation expense	(11,155)

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.	632
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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	(1,470)
Property tax interest and lien revenue - accrual basis change	(963)
Housing assistance loans receivable - accrual basis change	1,400
Other receivables - accrual basis change	10
Net pension asset	234,207

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	7,160
General obligation bonds issued	(28,000)
Pension obligation bonds issued	(313,145)
Amortization of deferred charge on refunding	(57)
Amortization of issuance costs	(58)
Amortization of premiums and discounts	(494)

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	(34,143)
Net pension obligation	77,021
Compensated absences	(2,124)
Retired employee obligations	(451)
Accrued interest	(1,911)
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.

10,058

Change in Net Assets of Governmental Activities (Exhibit II)

\$ 3,773

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2010

(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	\$ 2,371	\$ 20,468	\$ 22,839	\$ 3,155
Investments			-	56,470
Receivables, net	4,381	7,254	11,635	818
Inventories	725	725	725	
Total current assets	<u>7,477</u>	<u>27,722</u>	<u>35,199</u>	<u>60,443</u>
Noncurrent assets:				
Capital assets, net	<u>58,809</u>	<u>130,843</u>	<u>189,652</u>	
Total assets	<u>66,286</u>	<u>158,565</u>	<u>224,851</u>	<u>60,443</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	957	867	1,824	287
Due to other funds			-	1,606
Bond anticipation notes payable	4,375		4,375	
Capital lease obligations		498	498	
Bonds and serial notes payable		5,130	5,130	
Compensated absences	102	42	144	
Deferred credit		560	560	
Risk management claims			-	14,802
Total current liabilities	<u>5,434</u>	<u>7,097</u>	<u>12,531</u>	<u>16,695</u>
Noncurrent liabilities:				
Capital lease obligations		3,575	3,575	
Bonds and notes payable		50,751	50,751	
Compensated absences	410	166	576	
Deferred credit		5,176	5,176	
Risk management claims			-	27,881
Total noncurrent liabilities	<u>410</u>	<u>59,668</u>	<u>60,078</u>	<u>27,881</u>
Total liabilities	<u>5,844</u>	<u>66,765</u>	<u>72,609</u>	<u>44,576</u>
Net Assets:				
Invested in capital assets, net of related debt	57,899	65,153	123,052	
Unrestricted	<u>2,543</u>	<u>26,647</u>	<u>29,190</u>	<u>15,867</u>
Total Net Assets	<u>\$ 60,442</u>	<u>\$ 91,800</u>	<u>\$ 152,242</u>	<u>\$ 15,867</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, 2010

(In Thousands)

	Business-Type Activities			Internal Service Funds
	Bureau of Water Enterprise Fund	Water Pollution Control Enterprise Fund	Total	
Operating Revenues:				
Operations	\$ 11,020	\$ 16,833	\$ 27,853	\$
Employer premiums			-	80,373
Charges for services			-	9,100
Other	782	343	1,125	2,676
Total operating revenues	<u>11,802</u>	<u>17,176</u>	<u>28,978</u>	<u>92,149</u>
Operating Expenses:				
Operations	8,559	8,847	17,406	
Administration and general	2,858	1,961	4,819	
Depreciation	1,333	4,290	5,623	
Benefits, claims and administration			-	87,418
Total operating expenses	<u>12,750</u>	<u>15,098</u>	<u>27,848</u>	<u>87,418</u>
Operating Income (Loss)	<u>(948)</u>	<u>2,078</u>	<u>1,130</u>	<u>4,731</u>
Nonoperating Income (Loss):				
Investment income (loss)		97	97	5,327
Interest expense	(51)	(1,200)	(1,251)	
Net nonoperating income (loss)	<u>(51)</u>	<u>(1,103)</u>	<u>(1,154)</u>	<u>5,327</u>
Income (Loss) Before Contributions and Transfers	(999)	975	(24)	10,058
Capital Grants and Contributions	597	780	1,377	
Transfers Out		(2,800)	(2,800)	
Change in Net Assets	(402)	(1,045)	(1,447)	10,058
Total Net Assets, July 1, 2009	<u>60,844</u>	<u>92,845</u>	<u>153,689</u>	<u>5,809</u>
Total Net Assets, June 30, 2010	<u>\$ 60,442</u>	<u>\$ 91,800</u>	<u>\$ 152,242</u>	<u>\$ 15,867</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, 2010

(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	\$ 11,990	\$ 18,190	\$ 30,180	\$ -
City's contribution			-	80,373
Cash received from employees and other	782	343	1,125	10,982
Cash paid to employees for services	(6,218)	(4,255)	(10,473)	
Cash paid to vendors	(5,624)	(6,333)	(11,957)	(85,952)
Net cash provided by operating activities	<u>930</u>	<u>7,945</u>	<u>8,875</u>	<u>5,403</u>
Cash Flows from Capital and Related Financing Activities:				
Capital grants	597	780	1,377	
Acquisition and construction of capital assets	(1,402)	(349)	(1,751)	
Principal payment - bonds, notes and leases	(5,000)	(6,062)	(11,062)	
Bond anticipation notes issued	4,375		4,375	
Interest paid on bonds and notes	(51)	(1,208)	(1,259)	
Net cash provided by (used in) capital and related financing activities	<u>(1,481)</u>	<u>(6,839)</u>	<u>(8,320)</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:				
Transfer from other funds				2,000
Transfer (to) other funds		(2,800)	(2,800)	(2,000)
Net cash used in noncapital financing activities	<u>-</u>	<u>(2,800)</u>	<u>(2,800)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Income on investments		97	97	1,718
Net purchases and sales of investments			-	(9,565)
Net cash provided by (used in) investing activities	<u>-</u>	<u>97</u>	<u>97</u>	<u>(7,847)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(551)	(1,597)	(2,148)	(2,444)
Cash and Cash Equivalents, July 1, 2009	<u>2,922</u>	<u>22,065</u>	<u>24,987</u>	<u>5,599</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 2,371</u>	<u>\$ 20,468</u>	<u>\$ 22,839</u>	<u>\$ 3,155</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating income (loss)	\$ (948)	\$ 2,078	\$ 1,130	\$ 4,731
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	1,333	4,290	5,623	
(Increase) decrease in receivables	970	1,357	2,327	(794)
(Increase) decrease in inventory	(273)		(273)	
Increase (decrease) in accounts payable and accrued expenses	(204)	177	(27)	(224)
Increase (decrease) in due to other funds			-	1,606
Increase (decrease) in compensated absences	52	43	95	
Increase (decrease) in risk management claim liabilities			-	84
Net Cash Provided by Operating Activities	<u>\$ 930</u>	<u>\$ 7,945</u>	<u>\$ 8,875</u>	<u>\$ 5,403</u>
Noncash Investing, Capital and Financing Activities:				
Amortization of deferred credit		\$ 557		
Increase in value of investments				\$ 3,609

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2010

(In Thousands)

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 19,747	\$ 2,508
Investments:		
Corporate bonds	48,720	
U.S. treasury obligations	37,379	
Mutual funds	217	
Asset backed securities	23,759	
Managed futures	18,185	
Common stock and equities	<u>203,287</u>	
Total assets	<u>351,294</u>	<u>\$ 2,508</u>
Liabilities:		
Deposits held for others		<u>\$ 2,508</u>
Net Assets:		
Held in trust for pension benefits	<u>\$ 351,294</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, 2010

(In Thousands)

Additions:		
Contributions:		
Employer		\$ 327,613
Plan members		6,388
Total contributions		<u>334,001</u>
Investment income:		
Net appreciation in fair value of investments	\$ 575	
Interest and dividends	<u>6,690</u>	
Total investment income		<u>7,265</u>
Total additions		341,266
Deductions:		
Benefits	\$ 44,025	
Refunds	534	
Administration	<u>1,874</u>	
Total deductions		<u>46,433</u>
Net Increase		294,833
Net Assets Held in Trust for Pension Benefits, Beginning of Year		<u>56,461</u>
Net Assets Held in Trust for Pension Benefits, End of Year		<u><u>\$ 351,294</u></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.

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 Educational Grants Fund accounts for all the educational grants administered by the Board of Education.

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 \$6,739 is equal to 31.4% of outstanding property taxes at June 30, 2010.

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 \$13,807.

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.

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, 2010:

	<u>Amount</u>
General Capital Improvement Fund	\$ 21,278*
Education Capital Improvement Fund	11,501*
Nonmajor and Other Funds:	
Internal Service Fund:	
Workers' Compensation	5,778**
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*, \$41,579 of the City's bank balance of \$79,583 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 24,842
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>16,737</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 41,579</u>

Cash Equivalents

At June 30, 2010 the City's cash equivalents amounted to \$19,994. 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)	AAA/m

*Not rated

Investments

As of June 30, 2010, 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 BBB+	\$ 42,013	\$ 1,105	\$ 38,645	\$ 2,263
Corporate bonds	BB+ to B	23,485		21,285	2,200
Asset backed securities	AAA	26,343	401	21,275	4,667
U.S. Government agencies	AAA	68,794	1,611	63,542	3,641
Certificates of deposit	N/A	<u>1,525</u>		<u>1,525</u>	
Total		162,160	<u>\$ 3,117</u>	<u>\$ 146,272</u>	<u>\$ 12,771</u>
Other investments:					
Common stock		225,286			
Managed futures		18,185			
Mutual funds		<u>217</u>			
Total Investments		<u>\$ 405,848</u>			

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>Educational Grants</u>	<u>Bureau of Water</u>	<u>Water Pollution Control</u>	<u>Nonmajor and Other Funds</u>
Receivables:							
Taxes	\$ 21,422	\$	\$	\$	\$	\$	\$
Accrued interest on taxes	15,450						
Service fees					3,640	5,210	
Unbilled revenue					1,727	2,010	
Intermunicipal fees						809	
Intergovernmental		808	4,244	3,162			2,088
Loans							7,001
Accounts and other	2,784				160	1,035	1,067
Gross receivables	<u>39,656</u>	<u>808</u>	<u>4,244</u>	<u>3,162</u>	<u>5,527</u>	<u>9,064</u>	<u>10,156</u>
Less allowance for uncollectibles:							
Taxes	(6,739)						
Accrued interest on taxes	(7,645)						
Service fees					(1,146)	(1,810)	
Accounts	(1,859)						(32)
Total allowance	<u>(16,243)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,146)</u>	<u>(1,810)</u>	<u>(32)</u>
Net Total Receivables	<u>\$ 23,413</u>	<u>\$ 808</u>	<u>\$ 4,244</u>	<u>\$ 3,162</u>	<u>\$ 4,381</u>	<u>\$ 7,254</u>	<u>\$ 10,124</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	\$ 13,805	\$	\$ 13,805
Accrued interest on delinquent property taxes	7,805		7,805
Other account receivables	521		521
Advance tax collections		109	109
Other funds:			
Grant drawdowns prior to meeting all eligibility requirements		5,508	5,508
Housing loans and accrued interest	7,001		7,001
Other deferred revenue	206	57	263
	<hr/>	<hr/>	<hr/>
Total Deferred/Unearned Revenue for Governmental Funds	\$ <u>29,338</u>	\$ <u>5,674</u>	\$ <u>35,012</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 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	\$ 14,303	\$	\$	\$ 14,303
Construction in progress	67,558	79,967	(30,505)	117,020
Total capital assets not being depreciated	<u>81,861</u>	<u>79,967</u>	<u>(30,505)</u>	<u>131,323</u>
Capital assets being depreciated:				
Land improvements	11,653	2,504		14,157
Buildings and improvements	269,065	24,956		294,021
Infrastructure	127,990	1,777		129,767
Machinery and equipment	33,111	3,131		36,242
Vehicles	12,460	1,453		13,913
Total capital assets being depreciated	<u>454,279</u>	<u>33,821</u>	<u>-</u>	<u>488,100</u>
Less accumulated depreciation for:				
Land improvements	(6,366)	(515)		(6,881)
Buildings and improvements	(79,251)	(5,658)		(84,909)
Infrastructure	(88,238)	(2,171)		(90,409)
Machinery and equipment	(23,226)	(1,794)		(25,020)
Vehicles	(8,908)	(1,017)		(9,925)
Total accumulated depreciation	<u>(205,989)</u>	<u>(11,155)</u>	<u>-</u>	<u>(217,144)</u>
Total capital assets being depreciated, net	<u>248,290</u>	<u>22,666</u>	<u>-</u>	<u>270,956</u>
Governmental Activities Capital Assets, Net	<u>\$ 330,151</u>	<u>\$ 102,633</u>	<u>\$ (30,505)</u>	<u>\$ 402,279</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,773	\$	\$	\$ 1,773
Construction in progress	13,603	1,573	(4,519)	10,657
Total capital assets not being depreciated	<u>15,376</u>	<u>1,573</u>	<u>(4,519)</u>	<u>12,430</u>
Capital assets being depreciated:				
Utility plant	97,853	1,836		99,689
Infrastructure	97,536	214		97,750
Machinery and equipment	72,076	2,647		74,723
Vehicles	2,705			2,705
Total capital assets being depreciated	<u>270,170</u>	<u>4,697</u>	<u>-</u>	<u>274,867</u>
Less accumulated depreciation for:				
Utility plant	(27,063)	(1,965)		(29,028)
Infrastructure	(36,629)	(1,197)		(37,826)
Machinery and equipment	(26,477)	(2,228)		(28,705)
Vehicles	(1,853)	(233)		(2,086)
Total accumulated depreciation	<u>(92,022)</u>	<u>(5,623)</u>	<u>-</u>	<u>(97,645)</u>
Total capital assets being depreciated, net	<u>178,148</u>	<u>(926)</u>	<u>-</u>	<u>177,222</u>
Business-Type Activities Capital Assets, Net	<u>\$ 193,524</u>	<u>\$ 647</u>	<u>\$ (4,519)</u>	<u>\$ 189,652</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 976
Public works (including parks)	2,896
Public safety	1,525
Human services	21
Education	4,336
Culture and recreation	<u>1,401</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 11,155</u></u>
Business-type activities:	
Water	\$ 1,333
Water Pollution Control	<u>4,290</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 5,623</u></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, 2010:

<u>Program</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Balance June 30, 2010</u>
General Capital Improvement	\$ 144,904	\$ 93,570	\$ 15,477	\$ 35,857
Education Capital Improvement	322,960	142,305	58,592	122,063
Water Enterprise Capital Improvement	15,153	12,791	741	1,621
WPC Enterprise CAF Improvement	978	820		158
WPC Enterprise CIP Improvement	<u>35,355</u>	<u>6,844</u>	<u>484</u>	<u>28,027</u>
	<u><u>\$ 519,350</u></u>	<u><u>\$ 256,330</u></u>	<u><u>\$ 75,294</u></u>	<u><u>\$ 187,726</u></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, 2010 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 228
General Fund	Internal Service	<u>1,606</u>
	Total	<u><u>\$ 1,834</u></u>

A summary of interfund transfers is presented below:

	Transfers In						Total
	General Fund	Debt Service	General Capital Improvement	Education Capital Improvement	Educational Grants	Nonmajor Governmental	
Transfers out:							
General Fund	\$	\$ 28,724	\$ 4,116	\$ 12	\$ 50	\$ 142	\$ 33,044
Debt Service	166			883			1,049
General Capital Improvement						40	40
Water Pollution Control			2,800				2,800
Nonmajor Governmental Funds			23	259			282
Total	\$ 166	\$ 28,724	\$ 6,939	\$ 1,154	\$ 50	\$ 182	\$ 37,215

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, 2010 amounting to \$5,736 and will be amortized and recorded as revenue as the contributing municipalities make payments to the State of Connecticut.

Fiscal Year Ending June 30,	Deferred Credit Amortization
2011	\$ 560
2012	562
2013	566
2014	569
2015	572
2016-2020	<u>2,907</u>
Total	\$ <u>5,736</u>

8. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 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	\$ 89,138	\$ 341,145	\$ 7,160	\$ 423,123	\$ 16,917
Add unamortized premiums	1,012	602	108	1,506	
Less deferred amount on refunding	<u>(1,753)</u>		<u>(57)</u>	<u>(1,696)</u>	
Total bonds payable	88,397	341,747	7,211	422,933	16,917
Accrued compensated absences	31,332	8,547	6,423	33,456	6,691
Retired employee obligations	2,894	1,111	660	3,345	513
Net OPEB obligation	69,595	64,491	30,348	103,738	
Net pension obligation	77,021	16,385	93,406	-	
Landfill post-closure	1,470		70	1,400	70
Risk management	<u>42,599</u>	<u>87,502</u>	<u>87,418</u>	<u>42,683</u>	<u>14,802</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 313,308</u>	<u>\$ 519,783</u>	<u>\$ 225,536</u>	<u>\$ 607,555</u>	<u>\$ 38,993</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, 2010 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, 2010</u>
General purpose bonds payable:				
Special Capital Reserve Funds	04/01/02	4.0-5.5	\$ 82,075	\$ 10,260
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	\$ 17,833	13,642
Refunding Bond - Special Capital Reserves	10/01/04	2.0-5.0	\$ 25,365	25,065
Refunding Bond - Special Capital Reserves	02/15/07	3.8-4.5	\$ 27,055	26,955
Capital Acquisition & Infrastructure Improvements	09/01/09	3.0-5.0	\$ 20,000	20,000
Total general purpose				<u>95,922</u>
School bonds payable:				
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	\$ 6,286	6,056
School Construction	09/01/09	3.0-5.0	\$ 8,000	8,000
Total school				<u>14,056</u>
Pension deficit bonds payable:				
Pension Obligation Bonds	09/17/09	2.7-7.1	\$ 313,145	313,145
Total				<u>\$ 423,123</u>

A schedule of governmental activities bonds outstanding at June 30, 2010 is presented below:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 16,917	\$ 25,113	\$ 42,030
2012	16,972	24,493	41,465
2013	17,046	23,870	40,916
2014	17,245	23,180	40,425
2015	17,540	22,406	39,946
2016-2020	90,058	98,442	188,500
2021-2025	74,845	72,493	147,338
2026-2030	64,500	49,446	113,946
2031-2035	60,000	27,647	87,647
2036-2039	48,000	6,805	54,805
Total	<u>\$ 423,123</u>	<u>\$ 373,895</u>	<u>\$ 797,018</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 amount recorded represents 35% of the total accumulated time of employees to account for the estimated percentage of employees that will never vest and to account for those employees who have accrued days in excess of that which will be paid by contract.

Retired Employee Obligations

Board of Education

Board of Education obligations to retired employees of \$3,345 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>
2011	\$ 513
2012	593
2013	740
2014	648
2015	492
2016-2017	<u>359</u>
Total	<u>\$ 3,345</u>

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 \$1,400 for the postclosure monitoring liability as of June 30, 2010. 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, 2010 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	\$ 60,912	\$	\$ 5,031	\$ 55,881	\$ 5,130
Deferred credit	6,292		556	5,736	560
Capital leases	4,547		474	4,073	498
Accrued compensated absences	625	341	246	720	144
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 72,376</u>	<u>\$ 341</u>	<u>\$ 6,307</u>	<u>\$ 66,410</u>	<u>\$ 6,332</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, 2010 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, 2010</u>
Business Type Activities:				
Water Pollution Control:				
Bonds payable:				
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	\$ 2,076	\$ 1,636
Serial notes payable - State of Connecticut:				
Clean Water Act	08/30/95	2.0	4,008	743
Clean Water Act	07/31/97	2.0	6,448	1,933
Clean Water Act	12/31/00	2.0	69,647	39,090
Clean Water Act	10/30/02	2.0	11,547	7,312
Clean Water Act	11/30/03	2.0	2,424	1,699
Clean Water Act	05/30/04	2.0	2,953	2,114
Clean Water Act	06/30/04	2.0	1,138	756
Clean Water Act	11/30/05	2.0	544	419
Clean Water Act	06/29/07	2.0	226	179
Total				<u>\$ 55,881</u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2010 is presented below:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,130	\$ 1,105	\$ 6,235
2012	5,231	999	6,230
2013	5,336	891	6,227
2014	5,444	780	6,224
2015	5,408	668	6,076
2016-2020	27,045	1,660	28,705
2021-2023	<u>2,287</u>	<u>54</u>	<u>2,341</u>
Total	<u>\$ 55,881</u>	<u>\$ 6,157</u>	<u>\$ 62,038</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, 2010.

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 707
2012	707
2013	707
2014	707
2015	707
2016-2017	<u>1,413</u>
Minimum lease payments	4,948
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(875)</u>
Present Value of Minimum Lease Payments	<u>\$ 4,073</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>Bonds Issued</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	10,000	15,000		10,900
Golf Course Equipment	12/10/07	751	500	100		151
Division Street Drainage	07/21/08	1,200	500			700
Chase Avenue Reconstruction	09/03/08	8,205		2,800		5,405
Library HVAC System	10/06/08	2,404	1,500			904
Jefferson Square Property Acquisition	05/26/09	5,000		4,000		1,000
Education:						
Special Education Facility	11/19/07	14,635		1,000	4,043	9,592
New Elementary School #1 - Duggan	06/25/04	31,900	2,500	2,000	14,709	12,691
New Elementary School #2 - Robinson/North Main	06/25/04	31,900	2,000	2,000	5,093	22,807
New Elementary School #3 - Gilmartin	06/25/04	31,900	2,500	2,000	20,295	7,105
Crosby Media Center	06/25/04	5,800	1,000	250	4,016	534
Pension:						
Past Benefit Obligation	02/11/08	<u>350,000</u>	<u>313,145</u>			<u>36,855</u>
Total		<u>\$ 528,525</u>	<u>\$ 341,145</u>	<u>\$ 29,150</u>	<u>\$ 48,156</u>	<u>\$ 110,074</u>

Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes outstanding for the year ended June 30, 2010:

Governmental Activities:

<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2010</u>
8/26/2008	9/2/2009	4.0	\$ 30,100	\$	\$ 30,100	\$
9/2/2009	9/1/2010	2.5		29,150		29,150
Total			<u>\$ 30,100</u>	<u>\$ 29,150</u>	<u>\$ 30,100</u>	<u>\$ 29,150</u>

The Bureau of Water Enterprise Fund issued bond anticipation notes of \$4.375 million this year on September 2, 2009. The notes mature on September 1, 2010 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, 2010, 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	7,990
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	\$ 471,978	\$ 138,312	\$ 333,666
Schools	943,956	33,050	910,906
Sewers	786,630	55,882	730,748
Urban renewal	681,746		681,746
Pension deficit	629,304	350,000	279,304

The total of the City's net statutory indebtedness of \$577.2 million does not exceed the legal debt limitation of \$1.47 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 \$49.4 million and estimated grants of \$41 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 authorized and unissued 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, 2010, \$71.1 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of \$4.5 million have been accrued as a liability based upon information supplied by the City's Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

An actuarial study estimates the present value of general liability outstanding losses including case reserves for known claims and incurred but not reported claims at \$4.6 million as of June 30, 2010.

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 \$24.2 million as of June 30, 2010.

The present value of future costs to current eligible recipients subject to Heart and Hypertension benefits is estimated at \$9.3 million as of June 30, 2010. The actuarial estimate is based on the present value of seven times current year paid benefits.

Changes in the reserve amounts in fiscal years 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Beginning of year	\$ 42,599	\$ 42,991
Fiscal year claims incurred and changes in prior years' estimates	87,502	80,745
Fiscal year claims payments	<u>(87,418)</u>	<u>(81,137)</u>
End of Year	<u>\$ 42,683</u>	<u>\$ 42,599</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 noncancelable operating leases and month-to-month lease arrangements. The costs for such leases were \$2,790 for the fiscal year ended June 30, 2010.

Future minimum lease payments are projected as follows:

2011	\$ 2,269
2012	542
2013	417
2014	250
2015	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 for 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:

	Debt Service Fund	General Capital Improvement Fund	Education Capital Improvement Fund	Educational Grants	Nonmajor Governmental Funds
Encumbrances	\$	\$ 15,477	\$ 58,592	\$ 1,359	\$ 813
Debt service	6,965				
Inventory					133
Trusts					2,070
Total	<u>\$ 6,965</u>	<u>\$ 15,477</u>	<u>\$ 58,592</u>	<u>\$ 1,359</u>	<u>\$ 3,016</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 as a revenue source in the General Fund budget for the 2010-2011 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.

The postemployment benefit plan is a single-employer defined benefit plan and is considered to be part of the City of Waterbury's financial reporting entity. Plan benefit payments are included in the City's medical benefits fund. There are no stand-alone financial statements available for the plan.

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 and active members hired prior to June 30, 2004, 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 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.

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, 2010, 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	3,528
Total	6,591

Postemployment retiree benefit payments for the year ended June 30, 2010, net of retiree and other contributions, amounted to approximately \$30,348. For the year ended June 30, 2010, retirees contributed \$571. The City set aside an additional \$2,000 in an OPEB Reserve Fund as of June 30, 2010.

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)	\$	65,203
Interest on net OPEB obligation		3,828
Adjustment to annual required contribution		<u>(4,540)</u>
Annual OPEB cost		64,491
Contributions made		<u>(30,348)</u>
Increase in net OPEB obligation		34,143
Net OPEB obligation, beginning of year		<u>69,595</u>
Net OPEB obligation, End of Year	\$	<u><u>103,738</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, 2010, 2009, and 2008 is presented below.

Fiscal Year Ending		Annual OPEB Cost (AOC)		Actual Contribution	Percentage of AOC Contributed		Net OPEB Obligation
6/30/08	\$	64,188	\$	28,011	43.6%	\$	36,177
6/30/09		64,260		30,842	48.0%		69,595
6/30/10		64,491		30,348	47.0%		103,738

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) Projected Unit Credit (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%
6/30/10	65,203	30,348	46.5%

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, 2009 of the PERS consisted of the following:

	Number of Employees
Retirees and Beneficiaries Currently Receiving Benefits	2,124
Terminated Employees Not Yet Receiving Benefits	69
Current Active Members	1,772
Total	3,965

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 22.3% of annual covered payroll. Benefits and employee contributions are fixed by contract and may be amended subject to union negotiations. In September 2009 the City issued \$313.1 million in Pension Obligation Bonds and contributed the proceeds to the plan.

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	\$ 16,444
Interest on net pension obligation	6,547
Adjustment to annual required contribution	<u>(6,606)</u>
Annual pension cost	16,385
Contributions made	<u>327,613</u>
Decrease in net pension obligation	(311,228)
Net pension obligation, beginning of year	<u>77,021</u>
Net Pension (Asset), End of Year	\$ <u>(234,207)</u>

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

Actuarial valuation date	July 1, 2009
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	30 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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/08	42,121	104%	79,947
6/30/09	41,549	107	77,021
6/30/10	16,385	2000	(234,207)*

* Net pension asset of \$234,207 has been established after the \$311.1 million employer contribution per the City’s pension obligation bond issuance of \$313.1 million.

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions	Percentage Contributed
2005	40,374	103%
2006	40,257	104
2007	42,345	102
2008	42,238	104
2009	41,610	107
2010	16,444	1,992*

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
7/1/04	\$ 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
7/1/09	381,606 *	541,960	160,354	70.4	74,268	215.9

* Includes pension bond proceeds accrued contribution of \$311.1 million.

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 2010, members contributed \$7.4 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, 2010, the City has recorded in the General Fund revenues and expenditures in the amount of \$15.8 million as payments made by the State of Connecticut on behalf of the City. 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 1, 2010, the City issued \$45 million general obligation bonds and \$8.75 million of bond anticipation notes in accordance with existing capital project bond authorizations. The City redeemed \$33.5 million of maturing bond anticipation notes from the September 1, 2010 bond and note issuance proceeds.

**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, 2010

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Property taxes:				
Current property taxes	\$ 201,256	\$ 201,256	\$ 202,484	\$ 1,228
Prior year property taxes	3,800	3,800	3,465	(335)
Supplemental auto list	1,500	1,500	1,465	(35)
Interest and penalties prior year	1,500	1,500	1,526	26
Interest and penalties current year	1,000	1,000	1,120	120
Total property taxes	<u>209,056</u>	<u>209,056</u>	<u>210,060</u>	<u>1,004</u>
Intergovernmental:				
Exemptions for elderly	875	875	854	(21)
Veterans additional exemption	205	205	136	(69)
Grant abatement for elderly housing	200	200	214	14
Manufacturing equipment incentive	1,900	1,900	2,697	797
Pequot - State	4,355	4,355	3,001	(1,354)
PILOT - State owned properties	4,263	4,263	4,270	7
PILOT - Private tax exempt property	7,502	7,502	7,410	(92)
PILOT - Housing Authority	10	10	24	14
PILOT - Vessels	14	14	7	(7)
Industrial incentive program	300	300	226	(74)
Education equalization	113,617	113,617	97,143	(16,474)
ARRA Stabilization			16,209	16,209
Nonpublic school transportation	497	497	495	(2)
Public school transportation	2,070	2,070	1,417	(653)
Nonpublic school medical services	700	700	624	(76)
Special Education - excess cost and agency placement	3,000	3,000	3,381	381
Education services for the blind	285	285	150	(135)
Special Education - Medicaid	960	960	1,077	117
Special revenue - federal grants	30	30		(30)
Special revenue - State grants	170	170	175	5
Total intergovernmental	<u>140,953</u>	<u>140,953</u>	<u>139,510</u>	<u>(1,443)</u>
Investment income:				
Income from investments	<u>2,100</u>	<u>2,100</u>	<u>575</u>	<u>(1,525)</u>
Charges for services:				
Probate court costs - Wolcott/Md	55	55	37	(18)
Proceeds - off track revenue	175	175	199	24
Deed transfer and recording fees	407	407	316	(91)
Real estate conveyance tax	1,500	1,500	796	(704)
Vital statistics and fees	253	253	325	72
Dog pound fees and licenses	22	22	23	1
Zoning appeal fees	20	20	18	(2)

(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, 2010

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Refuse disposal charge	\$ 225	\$ 225	\$ 160	\$ (65)
Sewer permits			32	32
False alarm fines	55	55	47	(8)
Parking violation fees	550	550	570	20
Garage and meters parking fees	775	775	625	(150)
Marriott ramp garage	5	5	13	8
Building permits	800	800	538	(262)
Electrical work permits	300	300	110	(190)
Heating etc. permits	245	245	103	(142)
Plumbing permits	115	115	63	(52)
Restaurant license permits	155	155	120	(35)
Outside tuition	700	700	744	44
Building rental fees	60	60	158	98
Departmental charges	203	203	245	42
Other permits, licenses and fees	801	801	710	(91)
Total charges for services	<u>7,421</u>	<u>7,421</u>	<u>5,952</u>	<u>(1,469)</u>
Reimbursements:				
Employee fringe benefit contribution	6,950	6,950	8,014	1,064
Park Department	250	250	234	(16)
Bureau of Water	1,905	1,905	1,925	20
Waste Treatment	1,247	1,247	1,247	-
Total reimbursements	<u>10,352</u>	<u>10,352</u>	<u>11,420</u>	<u>1,068</u>
Other:				
Telephone access lines	550	550	408	(142)
Miscellaneous sources	131	131	210	79
Total other	<u>681</u>	<u>681</u>	<u>618</u>	<u>(63)</u>
Total revenues	<u>370,563</u>	<u>370,563</u>	<u>368,135</u>	<u>(2,428)</u>
Other Financing Sources:				
Transfers in:				
Debt service fund	<u>365</u>	<u>365</u>	<u>166</u>	<u>(199)</u>
Total	<u>\$ 370,928</u>	<u>\$ 370,928</u>	<u>368,301</u>	<u>\$ (2,627)</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

15,793

Pension obligation bond proceeds which are not budgeted

313,145

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

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

\$ 697,239

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, 2010**

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Government:				
Office of the Mayor	\$ 644	\$ 683	\$ 674	\$ 9
Board of Aldermen	64	64	66	(2)
Legal Department	1,786	1,998	1,940	58
City Clerk	241	252	250	2
Town Clerk	585	585	559	26
Department of Human Resources	852	852	828	24
Registrar of Voters	356	356	355	1
City Sheriff	17	17	17	-
Probate Court	193	193	187	6
Finance Department	1,311	1,311	1,305	6
Department of Assessment	896	896	862	34
Collector of Revenue	1,271	1,271	1,236	35
Department of Purchases	241	241	239	2
Department of Audit	143	143	142	1
Department of Budget Control	169	172	171	1
Department of Information Technology	1,222	1,222	1,036	186
Total general government	9,991	10,256	9,867	389
Public Works:				
Public Works Administration	619	857	839	18
Engineering	1,209	1,189	1,187	2
Public Works Services	4,811	4,881	4,546	335
Public Works Operations	13,020	12,925	11,978	947
Total public works	19,659	19,852	18,550	1,302
Public Safety:				
Police Department	26,287	26,287	25,278	1,009
Fire Department	19,052	19,049	18,934	115
Total public safety	45,339	45,336	44,212	1,124
Planning and Development:				
Office of the City Plan	404	404	394	10
Department of Inspections	797	797	747	50
Total planning and development	1,201	1,201	1,141	60
Human Services:				
Department of Health	3,529	3,529	3,244	285
Education:				
Department of Education	155,625	155,625	154,034	1,591
Culture and Recreation:				
Silas Bronson Library	2,172	2,172	2,062	110

(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, 2010**

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Financial:				
Contractual services	\$ 951	\$ 932	\$ 930	\$ 2
Employee benefits	5,379	5,918	5,948	(30)
Health benefits	55,800	58,300	58,300	-
Pension	44,164	16,633	16,567	66
Legal - general liability	1,500	1,500	1,500	-
Heart and hypertension	1,895	1,895	1,895	-
Workers compensation	9,500	14,500	14,500	-
Municipal groups	1,530	1,960	1,938	22
Contingency and other	643	1,275	471	804
Total general financial	<u>121,362</u>	<u>102,913</u>	<u>102,049</u>	<u>864</u>
Total expenditures	<u>358,878</u>	<u>340,884</u>	<u>335,159</u>	<u>5,725</u>
Other Financing Uses:				
Transfers Out:				
Debt Service Fund	12,900	28,724	28,724	-
Special revenue programs	100	225	225	-
Capital Improvement	2,050	4,095	4,095	-
Total other financing uses	<u>15,050</u>	<u>33,044</u>	<u>33,044</u>	<u>-</u>
Total	<u>\$ 373,928</u>	<u>\$ 373,928</u>	368,203	<u>\$ 5,725</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.

15,793

Pension obligation bond proceeds contributed to the Pension Fund are not budgeted

313,145

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 697,141

**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, 2010 AND 2009

(In Thousands)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 21,148	\$ 32,078
Investments	11,349	
Receivables:		
Property taxes receivable, net	14,683	15,855
Property taxes accrued interest receivable, net	7,805	8,766
Accounts receivable, net	925	838
Due from other funds	1,834	482
Other assets		11
	<u> </u>	<u> </u>
Total Assets	\$ <u>57,744</u>	\$ <u>58,030</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 14,324	\$ 12,264
Deferred revenue	22,240	24,684
Total liabilities	<u>36,564</u>	<u>36,948</u>
Fund balance:		
Unreserved:		
Designated for subsequent budget	3,000	3,000
Undesignated	18,180	18,082
Total fund balance	<u>21,180</u>	<u>21,082</u>
Total	\$ <u>57,744</u>	\$ <u>58,030</u>

CITY OF WATERBURY, CONNECTICUT

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

Grand List Year	Combined Uncollected Taxes July 1, 2009	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Principal Tax Collections	Interest, Liens and Warrants	Total Collections	Combined Uncollected Taxes June 30, 2010*	Uncollected Taxes Non-City Owned	Uncollected Taxes City Owned
		Additions	Deductions								
2008	\$ 212,839	\$ 494	\$ 2,958	\$ 53	\$ 210,322	\$ 203,947	\$ 1,131	\$ 205,078	\$ 6,375	\$ -	\$ 6,375
2007	6,184	369	1,115	166	5,272	2,039	623	2,662	3,233	-	3,233
2006	3,633	274	95	108	3,704	660	258	918	3,044	-	3,044
2005	2,787	187	77	1,679	1,218	168	148	316	1,050	-	1,050
2004	998	86	22	54	1,008	53	101	154	955	-	955
2003	806	64	24	46	800	29	75	104	771	-	771
2002	708	51	17	55	687	33	68	101	654	-	654
2001	814	46	18	60	782	23	62	85	759	-	759
2000	898	56	25	20	909	22	74	96	887	-	887
1999	876	4	5	13	862	22	32	54	840	62	778
1998	727	-	2	11	714	24	21	45	690	-	690
1997	2,112	-	1	19	2,092	38	44	82	2,054	1,157	897
1996	1,669	1	9	-	1,661	10	36	46	1,651	1,567	84
1995	1,448	3	17	-	1,434	6	15	21	1,428	1,352	76
1994	1,189	3	1,187	**	5	5	12	17	-	-	-
	<u>\$ 237,688</u>	<u>\$ 1,638</u>	<u>\$ 5,572</u>	<u>\$ 2,284</u>	<u>\$ 231,470</u>	<u>\$ 207,079</u>	<u>\$ 2,700</u>	209,779	<u>\$ 24,391</u>	<u>\$ 4,138</u>	<u>\$ 20,253</u>
								Suspense Collections			189
								Less:			
								Collection agency fees			(284)
								Change in overpayments liability			115
								Principal tax collections paid to lien holder agencies			(39)
								Subtotal			209,760
								City Owned - Property taxes receivable considered available:			
								June 30, 2009			(578)
								June 30, 2010			878
								Total			<u>\$ 210,060</u>

* Represents total receivable of \$25,560 net of \$1,169 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
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

EXHIBIT B-1

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2010

(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
ASSETS						
Cash and cash equivalents	\$ 1,720	\$ 146	\$ 740	\$ 108	\$ 131	\$ 577
Investments						
Intergovernmental receivables	101	300	632			
Accounts receivable, net	207			10		
Loans receivable			7,001			
Other assets				51		
Inventory						
Total Assets	<u>\$ 2,028</u>	<u>\$ 446</u>	<u>\$ 8,373</u>	<u>\$ 169</u>	<u>\$ 131</u>	<u>\$ 577</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable and accrued liabilities	\$ 92	\$ 278	\$ 636	\$ 60	\$ 11	\$ 51
Due to other funds				228		
Deferred revenue	213	146	7,001	56	7	
Total liabilities	<u>305</u>	<u>424</u>	<u>7,637</u>	<u>344</u>	<u>18</u>	<u>51</u>
Fund Balance:						
Reserved:						
Encumbrances	66	256		112	1	304
Inventory						
Trust purposes						
Unreserved:						
Undesignated	1,657	(234)	736	(287)	112	222
Total fund balance	<u>1,723</u>	<u>22</u>	<u>736</u>	<u>(175)</u>	<u>113</u>	<u>526</u>
Total Liabilities and Fund Balance	<u>\$ 2,028</u>	<u>\$ 446</u>	<u>\$ 8,373</u>	<u>\$ 169</u>	<u>\$ 131</u>	<u>\$ 577</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

EXHIBIT B-1

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2010

(In Thousands)

	Special Revenue				Permanent Trust Funds	Total Nonmajor Governmental Funds
	Food Service	Silas Bronson Library	Expendable Trust Funds	Total		
ASSETS						
Cash and cash equivalents	\$ 718	\$ 43	\$ 610	\$ 4,793	\$ 569	\$ 5,362
Investments		866		866		866
Intergovernmental receivables	1,055			2,088		2,088
Accounts receivable, net				217		217
Loans receivable				7,001		7,001
Other assets	1			52		52
Inventory	133			133		133
Total Assets	<u>\$ 1,907</u>	<u>\$ 909</u>	<u>\$ 610</u>	<u>\$ 15,150</u>	<u>\$ 569</u>	<u>\$ 15,719</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable and accrued liabilities	\$ 5	\$ 3	\$ 13	\$ 1,149	\$	\$ 1,149
Due to other funds				228		228
Deferred revenue				7,423		7,423
Total liabilities	<u>5</u>	<u>3</u>	<u>13</u>	<u>8,800</u>	<u>-</u>	<u>8,800</u>
Fund Balance:						
Reserved:						
Encumbrances	72	2		813		813
Inventory	133			133		133
Trust purposes		904	597	1,501	569	2,070
Unreserved:						
Undesignated	1,697			3,903		3,903
Total fund balance	<u>1,902</u>	<u>906</u>	<u>597</u>	<u>6,350</u>	<u>569</u>	<u>6,919</u>
Total Liabilities and Fund Balance	<u>\$ 1,907</u>	<u>\$ 909</u>	<u>\$ 610</u>	<u>\$ 15,150</u>	<u>\$ 569</u>	<u>\$ 15,719</u>

CITY OF WATERBURY, CONNECTICUT

EXHIBIT B-2

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Special Revenue</u>					
	<u>Public Safety Grants and Programs</u>	<u>Health Grants and Programs</u>	<u>Housing and Development Programs</u>	<u>Recreational Programs</u>	<u>Miscellaneous Grants and Programs</u>	<u>Special Projects</u>
Revenues:						
Intergovernmental	\$ 1,396	\$ 4,042	\$ 4,546	\$	\$ 31	\$
Investment income	4		7			
Charges for services	2,022	11		1,515	29	
Other	11		170	158	33	
Total revenues	<u>3,433</u>	<u>4,053</u>	<u>4,723</u>	<u>1,673</u>	<u>93</u>	<u>-</u>
Expenditures:						
General government					78	289
Public safety	2,734					
Development and community affairs			4,832			
Human services		4,099			37	
Education						
Culture and recreation				1,773		
Total expenditures	<u>2,734</u>	<u>4,099</u>	<u>4,832</u>	<u>1,773</u>	<u>115</u>	<u>289</u>
Excess (Deficiency) of Revenues over Expenditures	<u>699</u>	<u>(46)</u>	<u>(109)</u>	<u>(100)</u>	<u>(22)</u>	<u>(289)</u>
Other Financing Sources (Uses):						
Transfers in				100	35	40
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>35</u>	<u>40</u>
Net Change in Fund Balances	699	(46)	(109)	-	13	(249)
Fund balance, July 1, 2009	<u>1,024</u>	<u>68</u>	<u>845</u>	<u>(175)</u>	<u>100</u>	<u>775</u>
Fund balance, June 30, 2010	<u>\$ 1,723</u>	<u>\$ 22</u>	<u>\$ 736</u>	<u>\$ (175)</u>	<u>\$ 113</u>	<u>\$ 526</u>

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

EXHIBIT B-2

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	<u>Special Revenue</u>					
	<u>Food Service</u>	<u>Silas Bronson Library</u>	<u>Expendable Trust Funds</u>	<u>Total</u>	<u>Permanent Trust Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:						
Intergovernmental	\$ 7,328	\$ 7	\$	\$ 17,350	\$	\$ 17,350
Investment income		106	93	210	2	212
Charges for services	876	16		4,469		4,469
Other		9	305	686	449	1,135
Total revenues	<u>8,204</u>	<u>138</u>	<u>398</u>	<u>22,715</u>	<u>451</u>	<u>23,166</u>
Expenditures:						
General government				367		367
Public safety				2,734		2,734
Development and community affairs				4,832		4,832
Human services				4,136		4,136
Education	7,779		66	7,845		7,845
Culture and recreation		43	102	1,918		1,918
Total expenditures	<u>7,779</u>	<u>43</u>	<u>168</u>	<u>21,832</u>	<u>-</u>	<u>21,832</u>
Excess (Deficiency) of Revenues over Expenditures	<u>425</u>	<u>95</u>	<u>230</u>	<u>883</u>	<u>451</u>	<u>1,334</u>
Other Financing Sources (Uses):						
Transfers in		7		182		182
Transfers out	(282)			(282)		(282)
Total other financing sources (uses)	<u>(282)</u>	<u>7</u>	<u>-</u>	<u>(100)</u>	<u>-</u>	<u>(100)</u>
Net Change in Fund Balances	143	102	230	783	451	1,234
Fund balance, July 1, 2009	<u>1,759</u>	<u>804</u>	<u>367</u>	<u>5,567</u>	<u>118</u>	<u>5,685</u>
Fund balance, June 30, 2010	<u>\$ 1,902</u>	<u>\$ 906</u>	<u>\$ 597</u>	<u>\$ 6,350</u>	<u>\$ 569</u>	<u>\$ 6,919</u>

CITY OF WATERBURY, CONNECTICUT

GENERAL CAPITAL IMPROVEMENT FUND

STATEMENT OF CHANGES IN PROJECT FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	Accounting Unit	Fund Balance July 1, 2009	Capital Grants	Investment Income	Other Income	Capital Outlay Expenditures	Internal Transfers In (Out)	External Transfers In (Out)	Issuance of Bonds	Fund Balance June 30, 2010
Capital Projects and Programs:										
	DPW Consolidated Facility	60000	\$ 200	\$ 299	\$	\$ 1,864	\$	\$ 2,800	\$	1,435
	Wachovia Building	60002				3,884				(3,884)
	Infrastructure Improvements Brass Mills	60010	8			28		275		255
	City Road Repairs and Improvement	60020	717			347				370
	Division Street Drainage	60021	(710)			213			500	(423)
	Chase Avenue	60022				5,634				(5,634)
	City Wide Paving	60023	(690)			2,163				(2,853)
	Park Improvements	60030	37			25				12
	Library HVAC	60071	(1,286)			814			1,500	(600)
	Town Aid Road	60085	898	539		149				1,288
	Local Capital Improvement Program	60106	5	1,156		1,162				(1)
	Capital Revolving Fund - City Hall and Chase	60115	366			971	(1)	1,250		644
	City Hall Renovation	60120	(5,436)		7	21,647		502	10,000	(16,574)
20	DOT Traffic Safety Improvement	60125	(6)							(6)
	Police Parking	60146	(63)			87				(150)
	Police Facility Projects	60147	(55)			637				(692)
	Police - Buckingham Elevator	60148				85				(85)
	Capital Budget	60180	3,275	74	662	928	227	850		4,160
	Emergency Street Damage	60181	226				(226)			
	Road Improvement Program	60182	(7,788)			186			7,500	(474)
	Vehicle Replacement Fund	60185	2,117	8	46	1,508		993		1,656
	Town Clerk - Public Act	60221	59		43	7				95
	Technology HRIS/Payroll Project	60226	583			335				248
	Live Burn Trailer	60236		83		104		72		51
	Rescue Vehicles	60237		360		468		108		
	Extinguisher Simulator	60238		14		18		4		
	Generators	60239		179		224		45		
	Recreation Area Improvement Park 98-10	61000	30	67		67				30
	Fulton/Hamilton CSAP 2004-30	61003		33		33				
	Open Space East Mountain CUAP 2002-21	61005		15		15				
	Town Plot Park CUAP 2006-13	61009		4		4				
	Golf Course Equipment	61013	(670)			43			500	(213)
	East Mountain Park CUAP 2008-08	61014		273		273				
	Fulton Greenhouse CUAP 2008-04	61016		56		56				
	Schofield Park - NOW	61035	3							3
	Miscellaneous Improvements	61050	64							64
Total		\$ (8,116)	\$ 3,160	\$ 7	\$ 751	\$ 43,979	\$ -	\$ 6,899	\$ 20,000	\$ (21,278)

CITY OF WATERBURY, CONNECTICUT
EDUCATION CAPITAL IMPROVEMENT FUND
STATEMENT OF CHANGES IN PROJECT FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	<u>Accounting Unit</u>	<u>Fund Balance July 1, 2009</u>	<u>Capital Grants</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Capital Outlay Expenditures</u>	<u>Transfers In</u>	<u>Issuance of Bonds</u>	<u>Fund Balance June 30, 2010</u>	
Capital Projects and Programs:										
	Rotella Magnet School	65000	\$	\$	\$	\$	\$	514	\$ 514	
	Wilby Science Lab	65001		69		87			(18)	
	Carrington School	65002		307		391			(84)	
	AHMMA Magnet School	65003		335		426			(91)	
	School Improvement Code Compliance	65005		(2,095)		65			(2,160)	
	Kennedy Media Expansion	65020		56					56	
	Crosby School	65025		(21)	4	5			(22)	
	Wilby Addition	65030		141					141	
	School Building Maintenance Program	65035.65040.65041		136		1			135	
Ⓜ	Consolidated Construction Grant	65050		(20)					(20)	
	New Elementary School #1	65051		(858)	6,227	3	12,902	129	2,500	(4,901)
	New Elementary School #2	65052		256	2,626	2	4,051	68	2,000	908
	New Elementary School #3	65053		(1,663)	14,365	1	18,626	98	2,500	(3,325)
	Crosby/Wallace School	65054		(1,314)	2	40	86	1,000	(266)	
	Alternative/Special Education School Facility	65055		(152)	2,016	4,488			(2,624)	
	Kitchen Renovations	65060		16		42	259		233	
	Café POS System	65061		29		6			23	
	Total	\$ (5,489)	\$ 25,951	\$ 6	\$ 7	\$ 41,130	\$ 1,154	\$ 8,000	\$ (11,501)	

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, 2010

(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	\$ 247	\$ 195	\$ 588	\$ 1,727	\$ 398	\$ 3,155
Investments	12,024	9,394	6,993	16,882	11,177	56,470
Receivables - other	818					818
Total assets	<u>13,089</u>	<u>9,589</u>	<u>7,581</u>	<u>18,609</u>	<u>11,575</u>	<u>60,443</u>
Liabilities:						
Current:						
Accounts payable	7		93	187		287
Due to other funds	1,606					1,606
Risk management claim liabilities:						
Current	4,537		1,201	6,964	2,100	14,802
Noncurrent			3,445	17,236	7,200	27,881
Total liabilities	<u>6,150</u>	<u>-</u>	<u>4,739</u>	<u>24,387</u>	<u>9,300</u>	<u>44,576</u>
Net Assets:						
Unrestricted	<u>\$ 6,939</u>	<u>\$ 9,589</u>	<u>\$ 2,842</u>	<u>\$ (5,778)</u>	<u>\$ 2,275</u>	<u>\$ 15,867</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, 2010

(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	\$ 60,643	\$	\$ 2,591	\$ 15,244	\$ 1,895	\$ 80,373
Charges for services	9,100					9,100
Other	2,398		22	256		2,676
Total operating revenues	<u>72,141</u>	<u>-</u>	<u>2,613</u>	<u>15,500</u>	<u>1,895</u>	<u>92,149</u>
Operating expenses:						
Benefits, claims, and administration:						
Paid	71,370	69	2,872	10,535	2,480	87,326
Claims incurred reported/unreported	(273)		37	428	(100)	92
Total operating expenses	<u>71,097</u>	<u>69</u>	<u>2,909</u>	<u>10,963</u>	<u>2,380</u>	<u>87,418</u>
Operating income (loss)	1,044	(69)	(296)	4,537	(485)	4,731
Nonoperating income:						
Investment income	<u>1,312</u>	<u>811</u>	<u>732</u>	<u>1,262</u>	<u>1,210</u>	<u>5,327</u>
Income (loss) before transfers	2,356	742	436	5,799	725	10,058
Transfers in (out)	<u>(2,000)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	356	2,742	436	5,799	725	10,058
Total net assets, July 1, 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>
Total Net Assets, June 30, 2010	<u>\$ 6,939</u>	<u>\$ 9,589</u>	<u>\$ 2,842</u>	<u>\$ (5,778)</u>	<u>\$ 2,275</u>	<u>\$ 15,867</u>

CITY OF WATERBURY, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

(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	\$ 60,643	\$	\$ 2,591	\$ 15,244	\$ 1,895	\$ 80,373
Cash received from users and other	10,688		22	272		10,982
Cash paid to suppliers and other	<u>(70,015)</u>	<u>(69)</u>	<u>(2,932)</u>	<u>(10,450)</u>	<u>(2,486)</u>	<u>(85,952)</u>
Net cash provided by (used in) operating activities	<u>1,316</u>	<u>(69)</u>	<u>(319)</u>	<u>5,066</u>	<u>(591)</u>	<u>5,403</u>
Cash Flows from Noncapital Financing Activities:						
Transfers (to) from other funds	<u>(2,000)</u>	<u>2,000</u>				<u>-</u>
Cash Flows from Investing Activities:						
Investment income	407	187	267	453	404	1,718
Net purchases of investments	<u>(326)</u>	<u>(4,693)</u>	<u>(196)</u>	<u>(4,229)</u>	<u>(121)</u>	<u>(9,565)</u>
Net cash provided by (used in) investing activities	<u>81</u>	<u>(4,506)</u>	<u>71</u>	<u>(3,776)</u>	<u>283</u>	<u>(7,847)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(603)	(2,575)	(248)	1,290	(308)	(2,444)
Cash and Cash Equivalents, July 1, 2009	<u>850</u>	<u>2,770</u>	<u>836</u>	<u>437</u>	<u>706</u>	<u>5,599</u>
Cash and Cash Equivalents, June 30, 2010	<u>\$ 247</u>	<u>\$ 195</u>	<u>\$ 588</u>	<u>\$ 1,727</u>	<u>\$ 398</u>	<u>\$ 3,155</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating income (loss)	\$ 1,044	\$ (69)	\$ (296)	\$ 4,537	\$ (485)	\$ 4,731
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
(Increase) decrease in receivables	(810)			16		(794)
Increase in due to other funds	1,606					1,606
Increase (decrease) in accounts payable	(243)		(60)	85	(6)	(224)
Increase (decrease) in risk management claim liabilities	<u>(281)</u>		<u>37</u>	<u>428</u>	<u>(100)</u>	<u>84</u>
Total adjustments	<u>272</u>	<u>-</u>	<u>(23)</u>	<u>529</u>	<u>(106)</u>	<u>672</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 1,316</u>	<u>\$ (69)</u>	<u>\$ (319)</u>	<u>\$ 5,066</u>	<u>\$ (591)</u>	<u>\$ 5,403</u>
Noncash Investing, Capital and Financing Activities:						
Net Increase in Value of Investments	<u>\$ 905</u>	<u>\$ 624</u>	<u>\$ 465</u>	<u>\$ 809</u>	<u>\$ 806</u>	<u>\$ 3,609</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, 2010

(In Thousands)

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
Student Activities				
Assets:				
Cash and cash equivalents	\$ 424	\$ 1,135	\$ 1,130	\$ 429
Liabilities:				
Deposits held for others	\$ 424	\$ 1,135	\$ 1,130	\$ 429
Performance Bonds & Escrow Accounts				
Assets:				
Cash and cash equivalents	\$ 2,187	\$ 728	\$ 836	\$ 2,079
Liabilities:				
Deposits held for others	\$ 2,187	\$ 728	\$ 836	\$ 2,079
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 2,611	\$ 1,863	\$ 1,966	\$ 2,508
Liabilities:				
Deposits held for others	\$ 2,611	\$ 1,863	\$ 1,966	\$ 2,508

Supplementary Data

CITY OF WATERBURY, CONNECTICUT
SCHEDULE OF CHANGES IN BONDS AND SERIAL NOTES

FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2009	Issued	Retired	Balance Outstanding June 30, 2010
GENERAL								
General Purpose:								
Special Capital Reserve Funds	04/01/02	04/01/22	4.0-5.5	\$ 82,075	\$ 15,390	\$	\$ 5,130	\$ 10,260
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	17,833	15,312		1,670	13,642
Refunding Bond - Special Capital Reserves	10/01/04	04/01/17	2.0-5.0	25,365	25,145		80	25,065
Refunding Bond - Special Capital Reserves	02/15/07	02/15/22	3.8-4.5	27,055	27,005		50	26,955
Capital Acquisition & Infrastructure Improvements	09/01/09	09/01/29	3.0-5.0	20,000		20,000		20,000
Total					82,852	20,000	6,930	95,922
Schools:								
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	6,286	6,286		230	6,056
School Construction	09/01/09	09/01/29	3.0-5.0	8,000		8,000		8,000
Total					6,286	8,000	230	14,056
Pension Deficit:								
Pension Obligation Bonds	09/17/09	12/01/38	2.7-7.1	313,145		313,145		313,145
Total general government bond indebtedness					89,138	341,145	7,160	423,123
BUSINESS TYPE ACTIVITIES								
Bureau of Waste Water Treatment:								
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	2,076	1,785		149	1,636
Clean Water Act*	08/30/95	08/31/15	2.0	4,008	921		178	743
Clean Water Act*	07/31/97	07/31/16	2.0	6,448	2,228		295	1,933
Clean Water Act*	12/31/00	06/30/20	2.0	69,647	42,586		3,496	39,090
Clean Water Act*	10/30/02	04/30/22	2.0	11,547	7,855		543	7,312
Clean Water Act*	11/30/03	04/30/23	2.0	2,424	1,814		115	1,699
Clean Water Act*	05/30/04	04/30/23	2.0	2,953	2,258		144	2,114
Clean Water Act*	06/30/04	07/31/20	2.0	1,138	823		67	756
Clean Water Act*	11/30/05	04/30/23	2.0	544	447		28	419
Clean Water Act*	06/29/07	07/31/20	2.0	226	195		16	179
Total business-type bond and serial note indebtedness					60,912	-	5,031	55,881
TOTAL BOND AND SERIAL NOTES INDEBTEDNESS - PRIMARY GOVERNMENT					\$ 150,050	\$ 341,145	\$ 12,191	\$ 479,004

* 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 NINE FISCAL YEARS

(In Thousands)

	<u>2010</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>
Governmental Activities:									
Invested in capital assets, net of related debt	\$ 321,056	\$ 291,451	\$ 286,264	\$ 260,385	\$ 249,075	\$ 246,269	\$ 144,847	\$ 133,948	\$ 132,832
Restricted	9,035	8,500	8,839	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted	<u>(209,579)</u>	<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>120,512</u>	<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	123,052	119,905	114,283	109,922	106,803	106,155	104,785	100,080	111,721
Unrestricted	<u>29,190</u>	<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>152,242</u>	<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	444,108	411,356	400,547	370,307	355,878	352,424	249,632	234,028	244,553
Restricted	9,035	8,500	8,839	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted (deficit)	<u>(180,389)</u>	<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>\$ 272,754</u>	<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 NINE FISCAL YEARS

(In Thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:									
Governmental activities:									
General government	\$ 114,871	\$ 124,482	\$ 117,786	\$ 103,968	\$ 107,929	\$ 107,452	\$ 108,402	\$ 100,559	\$ 95,564
Public works	61,731	34,809	30,477	26,567	24,465	23,167	22,473	22,137	13,401
Public safety	222,160	57,859	57,105	45,781	45,754	45,350	49,359	47,735	46,905
Development and community affairs	5,483	4,851	4,262	5,779	1,313	845			
Human services	10,692	6,932	6,700	5,707	7,203	5,593	6,115	6,469	10,608
Education	352,648	230,247	278,534	194,886	188,387	173,965	173,080	165,286	153,266
Culture and recreation	9,911	3,026	3,189	4,370	4,352	3,440	3,537	4,798	8,562
Interest on long-term debt	20,900	4,369	4,831	5,500	6,039	6,465	7,488	7,910	6,885
Total governmental activities expenses	798,396	466,575	502,884	392,558	385,442	366,277	370,454	354,894	335,191
Business-type activities:									
Bureau of Water	12,801	13,556	13,305	12,226	11,968	11,516	11,818	9,625	10,579
Water Pollution Control	16,298	17,451	17,383	16,732	16,731	16,122	16,081	14,333	16,359
Total business-type activities expenses	29,099	31,007	30,688	28,958	28,699	27,638	27,899	23,958	26,938
Total expenses	827,495	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	1,829	1,946	2,320	3,668	4,036	3,874	3,502	1,280	1,054
Public works	422	407	357	640	272	228	199	280	386
Public safety	3,465	3,827	3,671	3,190	2,080	2,258	3,536	2,999	2,990
Development and community affairs	953	1,413	1,542	2,050	1,481	1,057			
Human services	179	186	187	225	151	147	87	204	375
Education	1,016	834	1,336	1,067	1,911	1,700	1,299	1,608	1,047
Culture and recreation	1,562	1,429	1,422	1,345	1,481	1,434	1,428	1,911	1,731
Operating grants and contributions	212,170	193,520	237,794	169,743	166,050	158,881	156,973	155,407	154,593
Capital grants and contributions	27,301	14,043	18,982	8,103	3,327	3,208	3,062	3,826	8,082
Total governmental activities program revenues	248,897	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	11,020	12,183	9,828	10,834	11,474	10,557	11,847	11,934	13,152
Waste Treatment	16,833	17,895	16,624	17,319	19,117	16,964	21,453	21,089	21,328
Capital grants and contributions	1,377	4,976	605	609	583	742	1,777	1,388	1,049
Total business-type activities program revenues	29,230	35,054	27,057	28,762	31,174	28,263	35,077	34,411	35,529
Total program revenues	278,127	252,659	294,668	218,793	211,963	201,050	205,163	201,926	205,787

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

CHANGES IN NET ASSETS (CONTINUED)

LAST NINE FISCAL YEARS

(In Thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net (expense) revenue:									
Governmental activities	\$ (549,499)	\$ (248,970)	\$ (235,273)	\$ (202,527)	\$ (204,653)	\$ (193,490)	\$ (200,368)	\$ (187,379)	\$ (164,933)
Business-type activities	131	4,047	(3,631)	(196)	2,475	625	7,178	10,453	8,591
Total net cost of services	<u>(549,368)</u>	<u>(244,923)</u>	<u>(238,904)</u>	<u>(202,723)</u>	<u>(202,178)</u>	<u>(192,865)</u>	<u>(193,190)</u>	<u>(176,926)</u>	<u>(156,342)</u>
General revenues and other changes in net assets:									
Governmental activities:									
Property taxes	207,627	213,806	192,161	194,581	187,818	181,973	178,227	179,980	164,403
Grants and contributions not restricted to specific programs	22,888	21,985	22,719	24,965	22,865	23,269	21,120	22,360	27,572
Unrestricted investment earnings (losses)	6,308	(1,625)	4,747	9,073	3,782	3,885	1,825	2,165	2,454
Other general revenues	504	334	3,207	513	689	917	428	278	3,164
Transfers in	2,800	1,000							
Special item - pension obligation bond proceeds	313,145								
Special item - State capital asset contributions						98,799			
Special item - Consolidation of Parking Authority							5,059		
Total governmental activities	<u>553,272</u>	<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	97	418	1,267	1,562	1,172	567	203	160	217
Other general revenues	1,125	830	520	144					
Transfers out	(2,800)	(1,000)							
Special item - Mutual release agreement billing adjustment					(4,663)				
Total business-type activities	<u>(1,578)</u>	<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>551,694</u>	<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	3,773	(13,470)	(12,439)	26,605	10,501	115,353	6,291	17,404	32,660
Business-type activities	(1,447)	4,295	(1,844)	1,510	(1,016)	1,192	7,381	10,613	8,808
Total	<u>\$ 2,326</u>	<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.
- (4) 2010 includes pension obligation bond issuance proceeds and expense allocation of the employer contribution to the Pension Trust.

CITY OF WATERBURY, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS
(In Thousands)

	<u>2010</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 Fund:									
Fund Balance Unreserved:									
Designated	\$ 3,000	\$ 3,000	\$ 1,000	\$ 2,958	\$ 2,000	\$ 4,112	\$ 7,222	\$ 8,860	\$ 8,250
Unreserved	<u>18,180</u>	<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>\$ 21,180</u>	<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	\$ 85,409	\$ 83,793	\$ 73,390	\$ 40,790	\$ 33,731	\$ 20,066	\$ 14,959	\$ 16,137	\$ 12,289
Unreserved, reported in:									
Special revenue funds	6,327	3,889	4,375	8,482	6,082	5,965	6,621	5,084	4,428
Capital projects funds	<u>(106,848)</u>	<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>\$ (15,112)</u>	<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 NINE FISCAL YEARS
(In Thousands)

	<u>2010</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>
Revenues:									
Property taxes	\$ 210,060	\$ 210,092	\$ 197,239	\$ 194,680	\$ 188,416	\$ 180,545	\$ 180,371	\$ 177,721	\$ 159,134
Intergovernmental	256,264	224,881	276,284	198,468	185,327	173,029	170,683	170,979	180,062
Investment income	978	2,224	3,881	5,395	3,855	2,242	1,405	1,551	1,718
Charges for services	10,498	11,287	11,699	13,033	12,349	11,402	9,986	7,234	6,688
Reimbursements	11,420	11,340	11,696	11,089	11,199	10,123	9,336	9,911	8,914
Other	3,876	2,912	4,404	2,617	1,630	2,330	2,832	3,192	3,471
Total revenues	<u>493,096</u>	<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	10,234	9,675	9,430	8,940	8,923	8,317	8,669	8,017	8,929
Public works	18,550	19,286	17,913	17,317	18,288	17,438	19,808	14,374	14,408
Public safety	46,946	47,149	45,942	44,590	43,493	45,592	47,702	44,358	45,439
Development and community affairs	5,973	6,092	3,508	5,372	1,313	845			
Human services	7,380	7,040	7,190	5,805	6,901	5,796	6,405	8,313	10,617
Education	233,542	213,768	261,290	193,906	182,797	170,880	171,271	165,833	151,732
Culture and recreation	3,980	3,983	3,809	3,576	3,330	3,433	3,546	5,185	5,835
General financial	415,194	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	85,109	38,001	37,482	20,604	14,041	10,285	10,549	5,883	5,816
Debt service:									
Principal	7,160	7,090	9,934	12,503	12,047	12,119	11,384	14,361 *	10,921 *
Interest	19,040	4,492	5,102	6,226	6,231	6,810	7,534		
Total expenditures	<u>853,108</u>	<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>(360,012)</u>	<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	37,215	17,443	24,897	24,350	24,057	22,399	20,871	24,050	25,861
Transfers out	(34,415)	(16,443)	(24,897)	(24,476)	(24,057)	(22,399)	(20,871)	(27,058)	(38,188)
Bonds issued	341,145								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	602			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>344,547</u>	<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	(15,465)	(12,610)	(15,504)	(2,957)	(22)	(3,302)	(5,467)	7,621	100,276
Fund Balances, Beginning	<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>	<u>(46,502)</u>
Fund Balances, Ending	<u>\$ 6,068</u>	<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>3.40%</u>	<u>2.60%</u>	<u>3.08%</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.
- (3) 2010 Bonds issued includes \$313.1 million pension obligation bond.
- (4) 2010 General Financial includes \$311.1 million employer contribution of pension bond proceeds into the Pension Trust.

* 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 & Apartments	Commercial Utility & Industrial								
2010	2008	\$ 3,397,557	\$ 1,344,456	\$ 413,976	\$ 358,604	\$ 5,514,593	\$ 207,407	\$ 5,307,186	\$ 7,581,694	70%	39.92
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

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, 2008 AND OCTOBER 1, 1999

(In Thousands)

Taxpayer	Nature of Business	October 1, 2008			October 1, 1999		
		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	\$ 116,912	1	2.20%	\$ 37,535	1	2.27%
Conn. Light & Power Co.	Utility	61,411	2	1.16%	31,828	2	1.93%
DDRTC Naugatuck Valley SC LLC	Retail	45,972	3	0.87%			
Yankee Gas Company	Utility	42,469	4	0.80%	15,949	3	0.97%
Waterbury Partners, LP	Hospitality	27,680	5	0.52%			
Centro GA Waterbury LLC	Retail	18,024	6	0.34%			
Waterbury VF LLC	Retail	16,596	7	0.31%			
Yankee Gas Services Company	Utility	14,749	8	0.28%			
Benchmark GPT Waterbury LLC	Assisted Living	13,390	9	0.25%			
Macy's Retail Holding Inc	Retail	12,897	10	0.24%			
U.S. Bancorp Leasing	Leasing				13,211	4	0.80%
Truelove & Maclean Inc.	Manufacturing				11,861	5	0.72%
Olin Corp.	Manufacturing				11,313	6	0.69%
Clydel Mfg. & Company	Manufacturing				10,533	7	0.64%
MacDermid	Chemicals				10,306	8	0.62%
Webster Bank	Banking				7,306	9	0.44%
Bank Boston, NA	Banking				6,529	10	0.40%
Total		\$ 370,100		6.97%	\$ 156,371		9.48%

Source: City of Waterbury Assessor's Office

TABLE 7

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		Percentage of First Year Levy	Tax Collections in subsequent Years	Total Collections To Date		
						Amount	Amount			Amount	Percentage of Original Levy	
2010	2008	\$ 5,307,186	39.92	\$ 212,839	\$ 210,613	\$ 204,238	96.97	%	\$ -	\$ 204,238	95.89	%
2009	2007	5,253,604	39.92	212,557	209,088	203,816	97.48		2,039	205,855	96.85	
2008	2006	3,534,262	55.49	198,400	197,553	190,108	96.42		4,401	194,509	98.04	
2007	2005	3,478,896	55.49	194,842	192,284	187,525	96.68		3,709	191,234	98.15	
2006	2004	3,410,262	53.96	185,907	184,028	179,493	96.77		3,580	183,073	98.48	
2005	2003	3,343,239	53.31	179,914	178,116	172,713	96.97		4,632	177,345	98.57	
2004	2002	3,353,713	53.31	180,253	177,072	170,072	96.05		6,346	176,418	97.87	
2003	2001	3,267,707	54.86	180,856	177,343	168,809	95.19		7,775	176,584	97.64	
2002	2000	1,680,961	97.78	168,491	163,518	152,670	93.38		9,961	162,631	96.52	
2001	1999	1,649,998	80.52	135,361	133,377	124,883	93.63		7,654	132,537	97.91	

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 Purpose	General Obligation Bonds		Pension Deficit	Bond Anticipation Notes	Capital Leases	General Obligation Bonds Water	General Obligation Bonds Sewer	Clean Water Fund Serial Notes	Bond Anticipation Notes	Capital Leases					
2010	\$ 95,922	\$ 14,056		\$ 313,145	\$ 29,150			\$ 1,637	\$ 54,245	\$ 4,375	\$ 4,073	\$ 516,603	\$ 2.07%	\$ 4,750	\$ 1,011	
2009	82,852	6,286			30,100			1,785	59,129	5,000	4,547	189,699	1.70%	1,744	820	
2008	89,743	6,486			10,000	243		1,935	63,917		4,998	177,322	2.72%	1,631	885	
2007	98,475	7,566	122			824		2,180	68,612		5,427	183,206	3.05%	1,685	976	
2006	109,525	8,594	238			1,538		2,411	73,090		5,835	201,231	3.47%	1,843	1,084	
2005	120,478	9,578	348			2,220		2,575	77,633		6,224	219,056	3.90%	2,019	1,202	
2004	130,330	10,325	455			2,872	1,000	2,665	82,090		6,594	236,331	4.21%	2,186	1,305	
2003	140,196	11,105	540			2,537	2,000	2,833	79,748		6,851	245,810	4.65%	2,278	1,407	
2002	145,516	11,997	642			3,436	3,000	3,008	72,392		7,175	247,166	9.41%	2,301	1,472	
2001	53,025	12,795	731			4,709	4,000	3,170	75,862		7,483	161,775	4.03%	1,506	620	

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, 2010

(In Thousands)

Total tax collections (including interest and penalties)	\$ 209,760
State reimbursement for:	
Tax relief for elderly - freeze	<u>8</u>
Total	<u>\$ 209,768</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	\$ 471,978	\$	\$	\$	\$
4-1/2		943,956			
3-3/4			786,630		
3-1/4				681,746	
3					629,304
Total debt limitation	<u>471,978</u>	<u>943,956</u>	<u>786,630</u>	<u>681,746</u>	<u>629,304</u>
Debt as defined by Statute:					
Bonds payable	95,922	14,056	1,637		313,145
Serial notes payable			54,245		
Bonds authorized and unissued	42,390	59,979			36,855
School building grants		<u>(40,985)</u>			
Total indebtedness	<u>138,312</u>	<u>33,050</u>	<u>55,882</u>	<u>-</u>	<u>350,000</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 333,666</u>	<u>\$ 910,906</u>	<u>\$ 730,748</u>	<u>\$ 681,746</u>	<u>\$ 279,304</u>

NOTES:

- (1) In no event shall total debt exceed seven times annual receipts from taxation - \$1,468,376.
- (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 \$40,985 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, 2010
(In Thousands)

<u>Project Description</u>	<u>Date Authorized</u>	<u>Total Authorized</u>	<u>Bonds Issued</u>	<u>Bond Anticipation Notes Outstanding</u>	<u>Grants Received</u>	<u>Authorized Unissued</u>	<u>Total Estimated Project Grant Reimbursement</u>
General Purpose:							
Road Improvements III	03/22/10	\$ 1,000	\$	\$	\$	\$ 1,000	\$
Jefferson Square Property Acquisition	05/26/09	5,000		4,000		1,000	
Library - HVAC System	10/06/08	2,404	1,500			904	
Chase Avenue Reconstruction	09/03/08	8,205		2,800		5,405	
Sidewalk and Curb Improvements	09/03/08	600				600	
Road Improvement Projects - Phase II	08/11/08	4,500				4,500	
Division Street Drainage	07/21/08	1,200	500			700	
Underground Tank Removal	07/21/08	282				282	
Buckingham Garage Elevator	07/21/08	282				282	
Golf Course Equipment	12/10/07	751	500	100		151	
Police Parking Garage	12/10/07	2,671				2,671	
Police Facility Projects	12/10/07	819				819	
City Hall Improvements	05/31/07	35,900	10,000	15,000		10,900	
Road Improvement Projects	08/09/06	8,930	7,500			1,430	
Education:							
78 Special Education Facility**	11/19/07	14,635		1,000	4,043	9,592	10,593
New Elementary School #1 - Duggan*	06/25/04	31,900	2,500	2,000	14,709	12,691	24,723
New Elementary School #2 - Robinson/North Main*	06/25/04	31,900	2,000	2,000	5,093	22,807	24,723
New Elementary School #3 - Gilmartin*	06/25/04	31,900	2,500	2,000	20,295	7,105	24,723
Crosby Media Center*	06/25/04	5,800	1,000	250	4,016	534	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		175	75	660	
Chlorine Feed System	10/06/08	460		263	50	147	
Capital Improvement Projects	10/20/08	5,168		3,937	1,125	106	
Pension:							
Past Benefit Obligation	02/11/08	350,000	313,145			36,855	
Total		\$ 650,463	\$ 341,145	\$ 33,525	\$ 49,406	\$ 226,387	\$ 171,833

* 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>2010</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>	<u>2001</u>
Debt limit	\$ 1,468,376	\$ 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
Total net debt applicable to limit	<u>577,244</u>	<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>
Legal Debt Margin	<u>\$ 891,132</u>	<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>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>39.31%</u>	<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>
Calculation of Continuing Disclosure Agreement Ratios:										
Total indebtedness per legal debt limit calculation	\$ 577,244	\$ 222,627	\$ 233,905	\$ 202,451						
Bond anticipation notes	33,525	35,100	10,000							
Less authorized and unissued debt	<u>(98,239)</u>	<u>(71,824)</u>	<u>(71,824)</u>	<u>(25,496)</u>						
Total direct debt	512,530	185,903	172,081	176,955						
Less water and sewer indirect self-funding debt	<u>(60,257)</u>	<u>(65,914)</u>	<u>(65,852)</u>	<u>(70,792)</u>						
Total Net Direct Debt	<u>\$ 452,273</u>	<u>\$ 119,989</u>	<u>\$ 106,229</u>	<u>\$ 106,163</u>						
Total direct debt as a percentage of State Equalized grand list	7.3%	2.4%	2.1%	2.2%						
Total direct debt per capita	\$ 4,713	\$ 1,709	\$ 1,582	\$ 1,627						
Total net debt as a percentage of State Equalized grand list	6.4%	1.6%	1.3%	1.3%						
Total net debt per capita	\$ 4,159	\$ 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
2010	108,751	18,664	\$ 18,117	43,429	7,138	14.1%	11.8%	8.9%	9.5%
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

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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 2009 AND 2000

Business Name	Nature of Business	2009			2000		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Waterbury	Government	3,811	1	8.39%	3,653	1	7.56%
Waterbury Hospital	Medical	1,541	2	3.39%	1,345	3	2.78%
St Mary's Hospital	Medical	1,279	3	2.82%	1,225	4	2.54%
State of Connecticut	Government	1,225	4	2.70%	1,611	2	3.34%
AT&T	Communications	400	5	0.88%	500	5	1.04%
Naugatuck Valley Community College	Education	384	6	0.85%	409	7	0.85%
United States Postal Service	Government	270	7	0.59%	480	6	0.99%
Webster Bank	Financial	256	8	0.56%	181	11	0.37%
Waterbury Republican	Newspaper Publisher	252	9	0.55%	244	9	0.51%
MacDermid Inc	Chemicals	217	10	0.48%	301	8	0.62%
VNA Health Care, Inc	Health Care Provider				150	12	0.31%
Perkin-Elmer OptoElectronics	Electrical				233	10	0.48%
Total		9,635		21.21%	10,332		19.24%

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

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government (1)	1,169	1,157	1,150	1,194	1,211	1,140	1,152	1,333	1,347
Board of Education (2)	2,314	2,319	2,300	2,231	2,231	2,193	2,164	2,132	2,173
Grant Funded (2)	343	335	339	346	353	379	423	335	233
Total	3,826	3,811	3,789	3,771	3,795	3,712	3,739	3,800	3,753

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 NINE FISCAL YEARS

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003	2002
General government (1):									
Building permits issued	1,095	1,069	1,307	1,280	1,313	1,335	1,406	1,087	696
Value of permits issued (thousands)	\$68,562	\$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)	176	195	158	192	183	N/A	N/A	N/A	N/A
Cost per ton	\$63	\$62	\$70	\$70	\$70	N/A	N/A	N/A	N/A
Recyclables collected (tons per day)	14	14.54	14.76	21.16	16.4	N/A	N/A	N/A	N/A
Other public works:									
Street resurfacing (miles)	13.2	10	20	5.7	18.3	N/A	N/A	N/A	N/A
Public safety (2):									
Police:									
Physical arrests	8,373	9,885	9,082	9,842	9,127	9,793	10,260	11,273	10,798
Fire:									
Emergency responses	17,495*	4,914	5,168	4,688	4,688	5,707	5,316	4,656	4,222
Fires extinguished	722	434	777	443	443	397			
Inspections	2,526	3,812	3,722	2,663	2,663	2236	2,445	1,898	1,669
Library (3):									
Total Print Items	234,060	228,620	224,998	237,593	259,486	258,328	N/A	N/A	N/A
Total Non-Print Items	25,495	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	38
Average Daily Demand (millions of gallons)	15.0	15.5	15.2	14.9	15.6	15.4	16.3	19	15.1
Peak Hour Demand (millions of gallons)	24.4	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	27.05	N/A	N/A	N/A	N/A
Average Daily Flow Treated (millions of gallons)	24.1	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	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

Notes:

* Includes 911 first responder services taken over by the Fire Department in 2010.
 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 NINE FISCAL YEARS

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government (1):									
Municipal buildings	2	2	2	2	2	2	2	2	2
Libraries	2	2	2	2	2	2	2	2	2
Public Works (1):									
Parking garages	10	10	10	10	10	10	10	10	10
Public safety	3	3	3	3	3	3	3	3	3
Police (2):									
Stations	1	1	1	1	1	1	1	1	1
Training facility	1	1	1	1	1	1	1	1	1
Fire (2):									
Firefighting/rescue vehicles	25	21	21	22	22	22	22	21	21
Fire stations	9	9	9	9	9	9	9	9	9
Education (3):									
School buildings	27	27	26	26	26	26	26	25	25
Administrative buildings	1	1	1	1	1	1	1	1	1
Parks and Recreation (1):									
Number of parks	30	30	30	30	30	30	30	30	30
Number of basketball courts	37	37	37	37	37	37	37	37	37
Number of football fields	6	6	6	6	6	6	6	6	6
Number of golf courses	2	2	2	2	2	2	2	2	2
Number of playgrounds	22	22	22	22	22	22	22	22	22
Number of soccer fields	17	17	17	17	17	17	17	17	17
Number of ball fields	62	62	62	62	62	62	62	62	62
Number of tennis courts	64	64	64	64	64	64	64	64	64
Number of swimming pools	3	3	3	3	3	3	3	3	3
Number of recreation centers	6	6	6	6	6	6	6	6	6
Bureau of Water (4):									
Active Reservoirs	5	5	5	5	5	5	5	5	5
Inactive Reservoirs	2	2	2	2	2	2	2	2	2
Water Pollution Control (5):									
Miles of Sanitary sewers	320	320	320	320	320	320	320	320	320
Pump Stations	20	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

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