

# **City of Waterbury Connecticut**



## **Comprehensive Annual Financial Report**

Fiscal Year Ended June 30, 2008

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of the

## **City of Waterbury Connecticut**

Fiscal Year Ended June 30, 2008

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

# CITY OF WATERBURY, CONNECTICUT

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# **Introductory Section**

**CITY OF WATERBURY, CONNECTICUT**

**OFFICIALS**

**JUNE 30, 2008**

**Mayor Michael J. Jarjura**

**Town Clerk City Clerk City Sheriff**

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

**BOARD OF ALDERMEN**

J. Paul Vance, Jr.  
Laurie Singer Russo  
Paul Pernerewski, Jr.  
Joyce Petteway  
Martin J. Misset  
Paul Nogueira  
Anne Phelan  
Alberto Wegaon

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

**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, Provisional  
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  
John J. Jedrzejczyk  
Roseann Wright  
J. Emmett McSweeney  
Peter H. Abare-Brown  
Daniel Iarrpino  
John P. Lawlor  
Rocco Orso  
Michael A. Maglione  
Neil M. O'Leary  
Ken Skov  
Lynn McHale

**BOARD OF EDUCATION**

Mayor Michael J. Jarjura, Chairman Ex-Officio

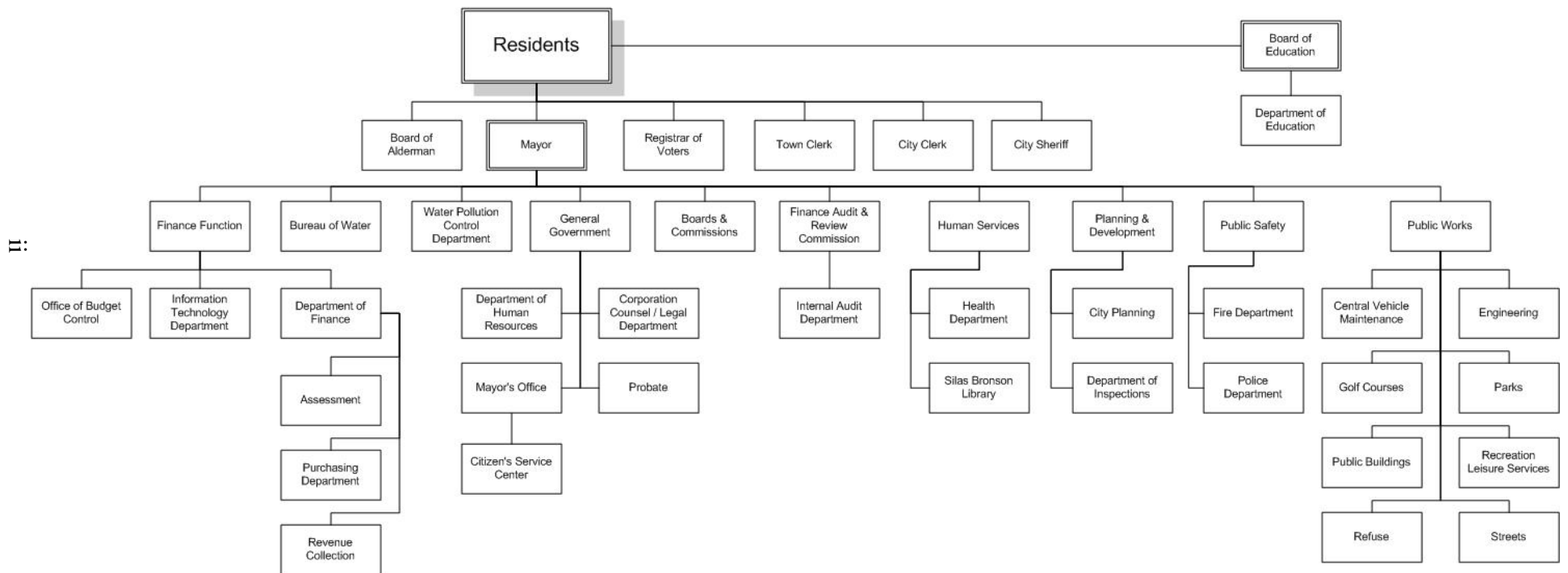
Mary S. White  
Antonio Paulo Pinto  
Stephen Laconne  
Charles L Stango  
John E. Theriault

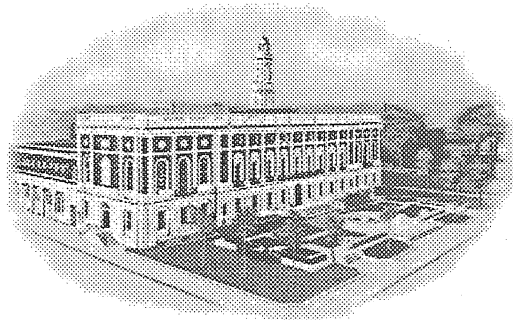
Coleen M. Flaherty-Merritt  
Patrick J. Hayes, Jr.  
Karen E. Harvey  
Ann Marie Sweeney  
Paul D. D'Angelo

Dr. David L. Snead, Superintendent of Schools

# City of Waterbury

Table of Organization - Entire Enterprise





OFFICE OF THE DIRECTOR OF FINANCE  
**THE CITY OF WATERBURY**  
CONNECTICUT

December 15, 2008

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Waterbury (the "City") for the fiscal year ended June 30, 2008. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner to present fairly the financial position and results of operations of the City of Waterbury. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **REPORTING ENTITY**

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

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, I-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, I-84 passes through Danbury and crosses the states of New York and Pennsylvania, with connections to the New York Thruway and



Interstate 80. Route 8 south meets the Connecticut Turnpike (1-95) 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, including two magnet schools. Funding has been secured from the State to assist the City to construct three new elementary schools. 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. Also, two 18-hole City-owned golf courses and an acclaimed 18-hole private course are located in Waterbury, while several 9-hole golf courses are situated immediately adjacent to the City. Mattatuck State forest with its many trails and campsites is only four miles from the center of the City. Black Rock State Park, with swimming and picnic facilities available, is a short drive away.

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

The Silas Bronson Library, the public library of the City of Waterbury, was established in 1869 by an endowment from Silas Bronson. The library is now jointly supported by the Silas Bronson endowment and public funds.

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

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

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

## **ECONOMIC DEVELOPMENT**

While manufacturing is still an important aspect of Waterbury's economy, other sectors continue to develop in the community such as the health services industry. Waterbury is a regional medical center destination served by two hospitals, Waterbury General and Saint Mary and a number of off-site medical facilities offering additional services. Both hospitals collaborated to provide a Cardiac Surgery Center in a joint venture. The Harold Leever Cancer Center remains an important component to the overall health service network.

Retail development trend continues to be in demand. Several large box retail projects are in the development phase as with Kohl's being part of a \$40 million retail complex and the opening of Target Department store. The eastern most portion of the City served by I-84 has drawn much interest with plans underway for construction of Lowe's Home Improvement retail outlet in addition to the opening of a \$25 million water park adjacent to and part of the Holiday Inn hotel complex. The park opened in September 2008.

Naugatuck Valley Community College expanded their campus facilities with the construction of a new technical facility valued at \$31.4 million, completed in February 2008. Major renovations also got under way at the State Regional Technical School. Both projects will increase the amount of monies received annually from the State taking the form of a grant referred to payment in lieu of taxes.

The Waterbury real estate market exhibited the effects of the national economy with reduced housing sales although home values remained relatively stable. Evidence in the slowdown in home sales is best illustrated with the reduction in conveyance tax revenue in fiscal 2008. Contrary to the national trend, development was approved by the City's Planning Commission in May for construction of 45 housing units. Of positive note, the number and value of building permits issued during the fiscal year was the highest in the past nine years. The City issued 1,307 building permits with a total value of \$61.2 million as compared with 1,280 of permits issued in 2007 at a value of \$45 million. The taxable value of these permits will transition over to the taxable grand list over time.

The attractiveness of Waterbury as a location with its cultural and entertainment opportunities is gaining appeal to residents best served by condominium living. A number of proposals have been put forth constructing housing units of this category. Additionally, Waterbury continues to maintain strong homeownership statistics with forty-eight percent of homes owner occupied, second to Stamford in this category for Connecticut cities.

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

The Palace Theater has clearly become the cultural cornerstone for the City with its dramatic impact in the downtown area. Industry economic impact models indicate millions of dollars have been spent in the local economy due to the presence of the Palace.

Construction on a \$100 million Yankee Liquefied Gas Storage Facility was completed prior to the October 1, 2007 assessment date. Real estate taxes on the facility are scheduled to be phased-in over the seven year enterprise zone exemption period. Plans to construct a \$120 million power plant by FirstLight Power Resources received final approval from the State Department of Environmental Protection May of 2008. Preliminary testing is underway at the two acre South Main Street location.

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

The plans and design for the renovation to City Hall got under way with the engagement of two primary contractors, the project architect and construction manager. City administrative offices have been relocated to a temporary site with the exception of the fire station and Town Clerk. The start to renovating the building is anticipated to begin the spring of 2009.

### **Waterbury Regional Educational & Arts Campus and Parking Facility**

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

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

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

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

## **CITY MANAGEMENT FINANCIAL INITIATIVES**

The City has now posted its seventh consecutive balanced budget due to financial vigilance, budgetary controls, professional management and other financial management practices. During 2007-2008, some specific highlights and initiatives included:

### **General Accounting**

- The City submitted its FY2007 Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GFOA) for certification and was awarded the “Certificate of Achievement for Excellence in Financial Reporting.” The City was awarded certification with its first such CAFR submission to GFOA.
- The City successfully secured matching funds from the Connecticut Light and Power sponsored energy conservation program retro-fitting City and Education facilities with energy efficient lighting. The \$2 million cost of the program is expected to generate energy savings of \$500 thousand per year and an investment pay-back on the City contribution of less than two years.
- Reallocated unexpended and uncommitted monies set aside for the original Lawson financial and human resource system to initiate the necessary upgrade of the Lawson System to the latest operational and module levels. A project team composed of Finance and IT staff has been designated as the lead program group for all City departments impacted by the upgrade. The project budget of \$1.2 million contemplates adding new applications if team research justifies the cost and benefit of the application. The project also focuses on system application modules not previously implemented in the original Lawson installation. Application modules most benefiting by the upgrade include human resources, payroll and purchasing.
- Developed an administrative policy for funding the actuarial liability developed for the very first time associated with Other Post Employment Benefits (OPEB). The strategy separates the funding methodology for active employees and retired beneficiaries in a manner blending future expectations of active employee costs and declining retiree expenses.

### **Pension Plan Funding & Status**

- The Board of Aldermen approved a Pension Obligation Bond (POB) in the amount of \$350m on February 11, 2008. The Finance Department compiled supporting documentation for the Issue and made a formal submission of the POB plan to the State Office of Policy and Management and the State Treasurer as required by Statute. Both State offices responded without objection to the plan on May 23, 2008. In the course of receiving Board of Aldermen approval of the POB, a benchmark savings of \$75 million from the POB was stipulated by the Mayor and Board of Aldermen. The objective of the POB is 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 is 8.5%. The expiration date for the City to issue the POB was November 23, 2008, and an extension has been applied for and is pending State approval.
- The fiscal year 2008 appropriated employer contribution to the Pension Fund included an additional \$500 thousand in addition to the annual required contribution as determined by the plan actuary. The actuarially developed funding plan is designed to amortize the unfunded liability over thirty years commencing fiscal year 2009. Additionally, prospective pension plan valuations will introduce “asset smoothing” into the actuarial methodology.

### **Collector of Revenue**

- Despite a downward spiral in the National and State housing economy and the potential consequence it represented in the amount of tax payments, the Department’s aggressive collection strategies resulted in a 96.42% collection rate on the fiscal year levy compared to the fiscal year 2007 collection rate of 96.89%.
- After years of difficult negotiations between the City and third party tax lien holders, an understanding was negotiated allowing for property tax lien sale of almost 400 parcels subject to multiple liens. Monies were appropriated by the City to facilitate the sale.

### **Office of the Assessor**

- The revaluation of real property resulted in a net taxable grand list for October 1, 2007 of \$5.2 billion, an increase of 48%. The new valuation formed the basis for setting the taxable mill rate for fiscal year 2009. Assessment appeals filed to date are in line with previous valuation cycles with no material adjustments anticipated by the Department. The City administrative strategy of conducting periodic inspections of a portion of real property each year has proven to be a sound approach with valuation methodology, compliance with State regulations and avoiding the high cost of vendor contracted services made past of the revaluation cycle.

### **Director of Purchases**

- The Director continues to take the lead for City departments by monitoring the volatility of the fuel commodity market and developing strategies for the most advantageous pricing policy for the fiscal year. A combination of short and long-term arrangements and selecting between fixed or variable pricing structures have brought stability to the operational budgets for those City departments dependent upon this commodity.

The positive impact of the above and other initiatives mentioned further along continues the trend of improving financial performance and the increase in the undesignated fund balance. However, the City is restricted by virtue of the covenants of the deficit financing of 2002 in its growth of fund balance with the provisions governing a 5% cap on working capital. A financial correlation exists with the City’s

focus of generating operating surpluses thereby increasing its undesignated fund position and working capital. The City is obligated to redeem the amount of bonds deficit bonds outstanding by the amount of monies in excess of 5% working capital. In view of the capital and operating needs of the City and the appropriations made from anticipated operating surpluses for these purposes, it is unlikely deficit bonds will be redeemed in the foreseeable years.

**FINANCIAL INFORMATION**

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

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

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

**DEBT ADMINISTRATION & MANAGEMENT**

The City’s general outstanding bonded indebtedness totaled \$96.2 million on June 30, 2008. Additionally, Water Pollution Control (WPC), one of two City enterprise funds, bonded debt totaled \$65.8 million. The Water Department, the second enterprise fund, has no outstanding debt obligations.

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

<b><u>Net Direct Bonded Debt</u></b>	<b><u>Percentage of Net Bonded Debt to Net Taxable Assessed Value</u></b>	<b><u>Net Bonded Debt per Capita</u></b>	<b><u>Percent Retired in Ten Years</u></b>
\$96.2	2.72%	\$885	77%

The City’s credit rating was upgraded by two municipal credit agencies in the course of preparing for the issuance of pension obligation bonds. The City’s current bond ratings are as follows:

- Moody’s Investor Service Baa1 stable to Baa1 positive.
- Standard & Poor’s BBB to BBB+

The upgrades are viewed as one step closer to achieving a credit rating in the single A grouping which is more in line with Waterbury’s peer Connecticut municipalities. Given the anticipated utilization of bond

monies for improvements to educational and general government facilities, the higher credit rating will translate into reduced debt issuance and long-term interest costs.

The S&P credit report assigned a rating of “Good” to the City finance management as part of their evaluation referred to as Financial Management Assessment. The report indicated it is highly likely City financial management will be graded “Strong” once the financial procedures manual is completed and implemented. The City intends to pursue the financial management assessment upgrade in the coming fiscal year.

The City is the first Connecticut municipality and only the second nationwide to apply for and receive a “Global” credit rating from Moody’s Investor Service. The agency assigned a rating of Aa2 to the City. The purpose of the Global rating is to equalize the value of the public and private sector credits.

The City issued a “Bond Anticipation Note” in September of 2007 in the amount of \$10 million for projects ranging from education to general government facilities. The short-term note of one year enabled the City to secure construction monies for the projects approved by the Board of Aldermen. It was the first such borrowing by the City since the mid-1990s. Moody’s assigned a MIG1 rating on the financing package, their highest municipal rating on Bond Anticipation Notes. The notes were issued with a “True Interest Cost” (TIC) of 3.911%.

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

**Police Parking Garage Renovations**

Bond authorization and appropriation was approved in December 2007 in the amount of \$2.7 million to repair and improve the facility flooring and ramps entering the facility. The two-story parking garage is restricted to the department employees with the lower floor serving as the repair and fueling facility for police vehicles.

**Police Facility Projects**

Bond authorization and appropriation was approved in December 2007 in the amount of \$819 thousand for renovations to Police Headquarters, the Canine Control Facility and replace the elevator at the Buckingham Public Parking Garage.

**Golf Course Equipment**

Bond authorization and appropriation was approved in December 2007 in the amount of \$752 thousand enabling the Park Department to purchase course maintenance equipment for each of the City’s 18-hole golf courses. The City has made a substantial investment to both courses with drainage and bunker improvements along with green reconstruction. The monies for these improvements were funded with a grant received from the State of Connecticut. The equipment will enable course staff to continue to improve the quality of play for all daily fee golfers.

**Allied Magnet High School Construction**

Bond authorization and appropriation was approved in June 2008 in the amount of \$63.8 million to construct a new high school, grades 9-12, at the Wilson School site. The educational focus of the school will be to provide specialized opportunities for students interested in studies leading to careers in health, manufacturing and mechanical arts. An application has been submitted to the State Department of Education - School Facilities Unit for an estimated construction grant of \$51 million.

### **Wilby High School**

Bond authorization and appropriation was approved in June 2008 in the amount of \$6.7 million to renovate the existing facility to accommodate eight new science laboratories and two general science classrooms. An application has been submitted to the State Department of Education - School Facilities Unit for an estimated construction grant of \$5.2 million.

### **Carrington Middle School**

Bond authorization and appropriation was approved in June 2008 in the amount of \$34.7 million to renovate and expand the existing educational facility to accommodate three additional grades, K-5 to K-8. An application has been submitted to the State Department of Education - School Facilities Unit for an estimated construction grant of \$26.8 million.

## **TREASURY & CASH MANAGEMENT**

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

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

- Developed an income depository system for Western Hills and East Mountain Golf Courses that improves the timeliness which monies collected at each course and deposited into City bank accounts. The system eliminated the use of valuable Police resources for collection of daily deposits and shifted the depository duties to private course management. Course professional staff now deposits City monies along with their daily income into each respective bank account.
- First full year of making use of semi-annual portfolio rebalancing in the four components of the City's Internal Service Funds to better match the relationship between the expenditure of monies, annual City contributions and the investment of resources. The intent of portfolio rebalancing is eliminating as much as possible interfund balances.
- Made use of an investment product available to Connecticut municipalities to track investment activity from proceeds of tax exempt short-term borrowings for compliance with Federal arbitrage regulations. Competitive and secure investment returns are generated while no fees are incurred by the City for the annual arbitrage calculation. The investment product relieves the City from the burden of maintaining special records and the cost of retaining professional services to periodically determine whether the city is compliant with tax-exempt proceeds spend-out guidelines.

## **RISK MANAGEMENT**

The City is self-insured for health benefits, general and auto liability, workers' compensation and heart and hypertension. Insured Stop Loss coverage has been secured for the employee health benefit program {\$500 thousand/individual} and Excess Liability coverage {\$10 million/City retention \$1 million}.



Actuarial reviews are conducted annually on the general and auto liability and the workers' compensation and heart and hypertension funds and a program of systematic funding and policies has been developed to ensure adequate future funding.

## **INDEPENDENT AUDIT**

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

## **AWARDS AND ACKNOWLEDGEMENTS**

### **Awards**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waterbury for its comprehensive annual financial report for the fiscal year ended June 30, 2007.

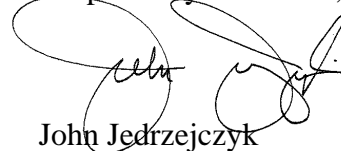
In order to receive the Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

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 should like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I should also like to thank the Mayor and Board of Aldermen for their interest and support in planning and conducting the financial operations of the City.

Respectfully submitted,



John Jedrzejczyk  
Director of Finance

# 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, 2007

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.



*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

## **Financial Section**



## 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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 11 and budgetary comparison information on pages 54 through 57 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

*Blum, Shapiro & Company, P.C.*

December 15, 2008

**CITY OF WATERBURY, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2008**

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, 2008. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

**Financial Highlights**

- The City's net assets decreased \$14.3 million as a result of this year's operations. Net assets of our governmental activities decreased \$12.4 million. Net assets of our business-type activities decreased \$1.8 million (Table 2).
- During the year, the City had governmental expenses that were \$12.4 million more than the \$490.4 million generated in tax, transfers and other revenues for governmental activities.
- In the City's business-type activities, expenses including depreciation expense of \$5.5 were \$1.8 million more than the \$28.8 million generated in user fees and other revenues.
- Total cost of all of the City's programs was \$533.6 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$19.0 million representing a decrease of \$860 thousand. The General Fund unreserved and undesignated component of fund balance increased \$1.1 million to \$18.0 million as of June 30, 2008.
- The resources available for appropriation were \$1.0 million less than budgeted for the General Fund. General Fund budgetary based expenditures were \$4.9 million less than the final amended appropriated expenditure budget. The City's results of operations produced a combined budgetary based surplus of \$3.9 million for the fiscal year ended June 30, 2008. The budgetary surplus funded \$3.9 million of the \$4.7 million in expenditure appropriations appropriated from fund balance for the 2008 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, we divide the City into three types of activities:

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

### **Fund Financial Statements**

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

- *Governmental Funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V, VI, and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self Insured Internal Service Funds.
- *Fiduciary Funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of

fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### **Government-Wide Financial Analysis**

The City's combined net assets decreased from a year ago decreasing from \$293.9 million to \$279.6 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)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 143,767	143,504	\$ 40,370	\$ 47,134	\$ 184,137	\$ 190,638
Capital assets	308,829	287,177	190,205	190,797	499,034	477,974
Total assets	<u>452,596</u>	<u>430,681</u>	<u>230,575</u>	<u>237,931</u>	<u>683,171</u>	<u>668,612</u>
Long-term liabilities:						
Long-term debt	94,696	105,189	70,850	76,219	165,546	181,408
Employee benefit obligations	149,418	117,826	600	542	150,018	118,368
Risk management and other	44,531	42,716			44,531	42,716
Other liabilities	33,742	22,302	9,731	9,932	43,473	32,234
Total liabilities	<u>322,387</u>	<u>288,033</u>	<u>81,181</u>	<u>86,693</u>	<u>403,568</u>	<u>374,726</u>
Net assets:						
Invested in capital assets, net of debt	286,264	260,385	114,283	109,922	400,547	370,307
Restricted	8,839	9,068			8,839	9,068
Unrestricted	<u>(164,894)</u>	<u>(126,805)</u>	<u>35,111</u>	<u>41,316</u>	<u>(129,783)</u>	<u>(85,489)</u>
Total Net Assets	<u>\$ 130,209</u>	<u>\$ 142,648</u>	<u>\$ 149,394</u>	<u>\$ 151,238</u>	<u>\$ 279,603</u>	<u>\$ 293,886</u>

Net assets of the City's governmental activities decreased by \$12.4 million (\$130.2 million compared to \$142.6 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 \$164.9 million at the end of this year compared with \$126.8 million at the end of last year. Contributing factors to the decrease in net assets and related increase in the unrestricted net asset deficit follows Table 2.

The governmental activities net assets invested in capital assets, net of debt amount of \$286.3 million excludes \$72.8 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 unrelated to the City's capital assets. Outstanding general obligation bonds for capital asset construction purposes totaled \$23.4 million as of June 30, 2008.



The net assets of the City's business-type activities decreased by \$1.8 million in 2008 (\$149.4 million compared to \$151.2 million). The City generally can only use these net assets to finance the continuing operations of the Bureau of Water and Water Pollution Control Enterprise Funds.

**TABLE 2**  
**CHANGES IN NET ASSETS**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 13,525	\$ 12,185	\$ 26,452	\$ 28,153	\$ 39,977	\$ 40,338
Operating grants and contributions	237,794	169,743			237,794	169,743
Capital grants and contributions	18,982	8,103	605	609	19,587	8,712
General revenues:						
Property taxes	192,161	194,581			192,161	194,581
Grants and contributions not restricted to specific purposes	22,719	24,965			22,719	24,965
Unrestricted investment earnings	4,747	9,073	1,267	1,562	6,014	10,635
Other general revenues	517	513	520	144	1,037	657
Total revenues	<u>490,445</u>	<u>419,163</u>	<u>28,844</u>	<u>30,468</u>	<u>519,289</u>	<u>449,631</u>
Expenses:						
General government	117,786	103,968			117,786	103,968
Public works	30,477	26,567			30,477	26,567
Public safety	57,105	45,781			57,105	45,781
Development and community affairs	4,262	5,779			4,262	5,779
Human services	3,189	4,370			3,189	4,370
Education	278,534	194,886			278,534	194,886
Culture and recreation	6,700	5,707			6,700	5,707
Interest on long-term debt	4,831	5,500			4,831	5,500
Bureau of Water			13,305	12,226	13,305	12,226
Water Pollution Control			17,383	16,732	17,383	16,732
Total program expenses	<u>502,884</u>	<u>392,558</u>	<u>30,688</u>	<u>28,958</u>	<u>533,572</u>	<u>421,516</u>
Change in Net Assets	\$ <u>(12,439)</u>	\$ <u>26,605</u>	\$ <u>(1,844)</u>	\$ <u>1,510</u>	\$ <u>(14,283)</u>	\$ <u>28,115</u>

The City's total revenues were \$519.3 million as compared with \$449.6 in the prior year. Included in this year's total revenue was the recognition of \$71.4 million in operating grants and contributions for the State's contribution to the State Teachers Retirement Board (STRB) on behalf of City teachers, compared with \$11.7 million in 2007. During 2008, the State's contribution to the STRB Plan on behalf of City teachers was significantly higher due to the State's issuance of pension obligation bonds and transferring of those proceeds into the STRB Plan. Capital grants increased by \$10.9 million as the City expended more on capital outlays for various State reimbursable school addition projects. Approximately 75% of eligible school construction project costs are reimbursed by the State as costs are incurred. The earned reimbursements are recorded as capital contributions to the City.

The total cost of all programs and services was \$533.6 million as compared with \$421.5 million reported last year. An amount equal to the State Teachers Retirement Board on-behalf contribution is reflected as an expense in the Education function as evidenced by the increase to \$278.5 million in the current year as compared to \$194.9 in the prior year. Additionally the cost of all programs reflects a first time

expense allocation of \$36.2 million for other post employment benefits (OPEB). In accordance with GASB #45, the City has accrued a liability for the difference between the actuarially determined annual recommended contribution to fund the City's OPEB obligations and the actual funding provided by the City in 2008. The \$36.2 million accrued liability amount is the primary contributing factor to the City's overall decrease in net assets of \$12.4 million in 2008 as compared with an increase in net assets of \$26.6 million in 2007.

**Governmental Activities**

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

**TABLE 3**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General government	\$ 117,786	\$ 103,968	\$ 115,432	\$ 100,105
Public works	30,477	26,567	25,166	22,709
Public safety	57,105	45,781	52,190	40,759
Culture and recreation	6,700	5,707	4,610	1,860
Education	278,534	194,886	31,203	30,838
All others	12,282	15,649	3,982	6,256
Totals	<u>\$ 502,884</u>	<u>\$ 392,558</u>	<u>\$ 232,583</u>	<u>\$ 202,527</u>

**Business-Type Activities**

Service revenues of the City's business-type activities (see Table 2) decreased by \$1.7 million from \$28.2 million in 2007 to \$26.5 million in 2008. The decrease in revenue is a combination of reductions in consumption and adjustments to accrued revenue amounts. The increase in Water enterprise expenses was partly a result of increased infrastructure maintenance and repairs. Additionally, both the Water and WPC enterprise operations contributed higher amounts for self-insured medical and workers compensation benefits resulting from increased claim costs.

**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 \$34.1 million. Included in this year's total change in fund balance is a decrease of \$860 thousand in the City's General Fund. General fund revenues were below budgetary revenue estimates by \$1.0 million. Intergovernmental revenues were \$5.9 million below estimates as the City's adopted intergovernmental revenues based on estimates from the State that were subsequently reduced by the State upon adoption of its budget. Charges for services were \$1.1 million below budgetary estimates as an unforeseen significant reduction in home sales transactions occurred

during the year, resulting in reduced real estate conveyance taxes collected by the City. The revenues realized below budgetary estimates were offset by unbudgeted revenues realized from a CRRA settlement payment of \$2.3 million and a transfer of \$3.8 million representing a return of funds no longer required to be reserved for debt service purposes.

The City's General Fund expenditures were \$4.9 million less than budgeted. The budgetary savings was spread amongst many of the City's departments in an effort to reduce costs in light of the economic downturn. Those savings covered the revenue estimate shortfall of \$1.0 million and nearly fully funded the \$4.7 million appropriated use of fund balance for the 2008 budget.

Fund balance in other governmental funds decreased approximately \$15.5 million principally due to the use of local funding to complete various capital projects and the use of \$10 million in bond anticipation notes issued during the year to cover the cost of ongoing capital projects. Permanent financing of the bond anticipation notes is not anticipated until 2009/2010.

### **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. During the year the City established an OPEB Reserve fund to identify those funds that have been set aside to pre-fund future retiree medical benefits. The combined net assets in the City's internal service funds of \$6.7 million, net of the amounts set aside in the OPEB Reserve Fund, is available to smooth the impact of poor claims experience in subsequent years. Net assets overall in the internal service funds increased \$6.3 million as increased contributions over the prior year were sufficient to fund increased claims paid out during the year. Claims paid and adjustments to estimated claims incurred reported/unreported increased \$7.3 million during 2008.

### **General Fund Budgetary Highlights**

The General Fund's fund balance decreased \$860 thousand during the year. The City had anticipated the use of \$2.9 million of fund balance to fund budgeted expenditures at the start of the 2008 fiscal year. During the year, the City appropriated an additional \$1.8 million from fund balance to increase the local funding component of various capital projects and to provide additional funding to the City's recreation programs to offset increased costs and reduced income.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2008 the City had \$499 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 \$21.1 million, or 4.4%, over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and land improvements	\$ 18,873	\$ 14,759	\$ 1,773	\$ 1,773	\$ 20,646	\$ 16,532
Buildings, utility plant and improvements	190,134	192,911	72,396	74,359	262,530	267,270
Infrastructure	42,045	41,055	61,808	61,791	103,853	102,846
Machinery and equipment	10,184	10,753	47,804	50,051	57,988	60,804
Vehicles	3,109	3,509	617	352	3,726	3,861
Construction in progress	44,484	24,190	5,807	2,471	50,291	26,661
Totals	\$ <u>308,829</u>	\$ <u>287,177</u>	\$ <u>190,205</u>	\$ <u>190,797</u>	\$ <u>499,034</u>	\$ <u>477,974</u>

Major capital activities during the year included the capitalization of \$24 million in school additions costs and \$2.4 million for City Hall renovations. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

**Long-Term Debt**

At June 30, 2008 the City had \$172.1 million in bonds and notes outstanding versus \$177 million last year - as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 96,229	\$ 106,163	\$ 1,935	\$ 2,180	\$ 98,164	\$ 108,343
Serial notes payable			63,917	68,612	63,917	68,612
Bond anticipation notes (backed by the City)	10,000				10,000	-
	\$ <u>106,229</u>	\$ <u>106,163</u>	\$ <u>65,852</u>	\$ <u>70,792</u>	\$ <u>172,081</u>	\$ <u>176,955</u>

The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$1.38 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 2009 budget has been crafted in a manner which takes into consideration the status of economic conditions impacting certain revenue estimates. The revenue estimates, therefore, were developed on the basis of achievable objectives and realism as a means to limit income deficiencies and thereby strengthening the likelihood of continuing increases to the undesignated fund balance.

The fiscal year 2009 budget calls for \$371.2 million in revenues and expenditures, an approximate 1.75% increase over fiscal year 2008. On the revenue side, the fiscal year 2009 mill rate was adjusted downward resulting from implementation of the revaluation of real property for the taxable grant list of October 1, 2007. The mill was reduced to 39.93 from 55.49 mills on a net taxable grand list of \$5.2 billion. The pre-revaluation taxable grant list of October 1, 2006 was \$3.5 billion. Most of the \$5.4 million increase in fiscal year 2009 revenues vs. 2008 budgeted revenue estimates is due to higher property tax collections expected from the increased taxable grant list. Income from State grants declined from fiscal 2008 estimated. The financial progress realized in the past seven years favorably portrays Waterbury with its peer Connecticut municipalities. The property tax collection rate continued to hold steady given the economic condition at 96.42% representing a slight decrease from the previous year. The high rate of tax collection is a credit to the taxpaying residents of Waterbury coupled with the forceful methods of delinquent tax collection by the Collector of Revenue.

Overall, the 2009 budgeted revenues when compared to fiscal year 2008 from sources other than taxation declined. All told, approximately 38.2% of the City's General Fund revenues are received from the State. The State's fiscal 2009 budget appears to be affected by the national economic conditions with projections of a potential deficit anticipated if preventative measures implemented to date prove unsuccessful. Should projection hold true, it may potentially impact the City's fiscal year 2010 budget through reduced grants for education and general operations.

The City's unemployment rate at fiscal year end was 10.2%. The local metropolitan area unemployment rate is 8.4%. The State and national unemployment rates were 6.4% and 6.1%, respectively. To date in fiscal year 2009, 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 with the exception of monies included for Other Post Employment Benefits (OPEB), \$5.6 million. The total budgeted increase in expenditures for fiscal year 2009 is \$5.4 million which includes more than \$6.6 million in increased funding for education. Reductions in debt service and other fixed costs offset to a great degree increased appropriations thereby limiting overall budget growth to a very modest 1.47%. As the City begins to prepare its fiscal year 2010 budget, it does so with the knowledge there will be intensified pressure on the expenditure budget by virtue of reduced revenues generated locally but also from State government sources.

The City for the first time since the late 1990's issued Bond Anticipation Notes in September 2007 for education and public improvement projects. The notes matured in September 2008, and more monies were borrowed on an interim basis for the on-going projects. A bond issue is scheduled for September 2009 with a structure sizing of \$34.5 million which effectively will convert the outstanding Bond Anticipation Notes to long term financing. A Bond Anticipation Note sale will also be scheduled in

conjunction with the Bond sale. Debt service expenses will be included in the fiscal year 2010 budget for the scheduled payments associated with the Bond sale.

In the City's business-type activities, the Bureau of Water charges for water consumption increased by seven percent for fiscal 2009. 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 2009, although increases are possible for fiscal year 2010 and beyond. Each department has aggressively pursued and implemented energy conservation measures given their operational requirements in an effort to stabilize fees.

### **Contacting the City's Financial Management**

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

# **Basic Financial Statements**

## CITY OF WATERBURY, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2008

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 57,369	\$ 27,732	\$ 85,101
Investments	48,308		48,308
Receivables, net	36,679	12,736	49,415
Internal balances	512	(512)	-
Deferred charges	808		808
Other current assets	91	414	505
Capital assets:			
Assets not being depreciated	58,592	7,580	66,172
Assets being depreciated, net	250,237	182,625	432,862
Total assets	<u>452,596</u>	<u>230,575</u>	<u>683,171</u>
Liabilities:			
Accounts payable and accrued expenses	19,435	2,885	22,320
Unearned revenue	3,217		3,217
Unamortized bond premiums	1,090		1,090
Notes payable	10,000		10,000
Deferred credits		6,846	6,846
Noncurrent liabilities:			
Due within one year	29,048	5,634	34,682
Due in more than one year	259,597	65,816	325,413
Total liabilities	<u>322,387</u>	<u>81,181</u>	<u>403,568</u>
Net Assets:			
Invested in capital assets, net of related debt	286,264	114,283	400,547
Restricted for trust purposes:			
Trust purposes	1,360		1,360
Debt service	7,479		7,479
Unrestricted	(164,894)	35,111	(129,783)
Total Net Assets	<u>\$ 130,209</u>	<u>\$ 149,394</u>	<u>\$ 279,603</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, 2008

(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	\$ 117,786	\$ 2,320	\$ 34	\$	\$ (115,432)	\$	\$ (115,432)
Public works	30,477	3,047	1,609	655	(25,166)		(25,166)
Public safety	57,105	3,671	1,191	53	(52,190)		(52,190)
Development and community affairs	4,262	1,542	2,437		(283)		(283)
Human services	3,189	187	4,134		1,132		1,132
Education	278,534	1,336	227,769	18,226	(31,203)		(31,203)
5 Culture and recreation	6,700	1,422	620	48	(4,610)		(4,610)
Interest on long-term debt	4,831				(4,831)		(4,831)
Total governmental activities	<u>502,884</u>	<u>13,525</u>	<u>237,794</u>	<u>18,982</u>	<u>(232,583)</u>	<u>-</u>	<u>(232,583)</u>
Business-type activities:							
Bureau of Water	13,305	9,828				(3,477)	(3,477)
Waste Treatment	<u>17,383</u>	<u>16,624</u>		<u>605</u>		<u>(154)</u>	<u>(154)</u>
Total business-type activities	<u>30,688</u>	<u>26,452</u>	<u>-</u>	<u>605</u>	<u>-</u>	<u>(3,631)</u>	<u>(3,631)</u>
Total	<u>\$ 533,572</u>	<u>\$ 39,977</u>	<u>\$ 237,794</u>	<u>\$ 19,587</u>	<u>(232,583)</u>	<u>(3,631)</u>	<u>(236,214)</u>
General revenues:							
Property taxes					192,161		192,161
Grants and contributions not restricted to specific programs					22,719		22,719
Unrestricted investment earnings					4,747	1,267	6,014
Miscellaneous					517	520	1,037
Total general revenues					<u>220,144</u>	<u>1,787</u>	<u>221,931</u>
Change in net assets					(12,439)	(1,844)	(14,283)
Net Assets, July 1, 2007					<u>142,648</u>	<u>151,238</u>	<u>293,886</u>
Net Assets, June 30, 2008					<u>\$ 130,209</u>	<u>\$ 149,394</u>	<u>\$ 279,603</u>

The accompanying notes are an integral part of the financial statements

## CITY OF WATERBURY, CONNECTICUT

## BALANCE SHEET

## GOVERNMENTAL FUNDS

JUNE 30, 2008

(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 27,045	\$ 7,827	\$ 12,859	\$ 486	\$ 4,440	\$ 52,657
Investments	1,004				908	1,912
Receivables, net	23,192		762	3,391	8,994	36,339
Due from other funds	487					487
Other					91	91
Total Assets	<u>\$ 51,728</u>	<u>\$ 7,827</u>	<u>\$ 13,621</u>	<u>\$ 3,877</u>	<u>\$ 14,433</u>	<u>\$ 91,486</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued expenses	\$ 11,615		\$ 1,231	\$ 2,859	\$ 2,259	\$ 17,964
Due to other funds					487	487
Notes payable			6,500	3,500		10,000
Deferred revenue	21,097		4	1,981	5,810	28,892
Total liabilities	<u>32,712</u>	<u>-</u>	<u>7,735</u>	<u>8,340</u>	<u>8,556</u>	<u>57,343</u>
Fund balances:						
Reserved		7,479	6,374	57,687	1,850	73,390
Unreserved, reported in:						
General Fund	19,016					19,016
Special Revenue Funds		348			4,027	4,375
Capital Project Funds			(488)	(62,150)		(62,638)
Total fund balances	<u>19,016</u>	<u>7,827</u>	<u>5,886</u>	<u>(4,463)</u>	<u>5,877</u>	<u>34,143</u>
Total Liabilities and Fund Balances	<u>\$ 51,728</u>	<u>\$ 7,827</u>	<u>\$ 13,621</u>	<u>\$ 3,877</u>	<u>\$ 14,433</u>	<u>\$ 91,486</u>

(Continued on next page)

## CITY OF WATERBURY, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2008

(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	\$	34,143
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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	\$	503,778	
Less accumulated depreciation		<u>(194,949)</u>	
Net capital assets			308,829

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	14,055
Interest receivable on property taxes	6,275
Other receivables	648
Unamortized bond issuance costs	808
Housing loans	4,389
Other deferred amounts	308

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.

8,722

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	(96,229)
Deferred charges on refunding	1,776
Unamortized bond premium	(1,090)
Interest payable on bonds and notes	(1,224)
Capital leases	(243)
Accrued compensated absences	(28,685)
Retired employee obligations	(4,609)
Net OPEB obligation	(36,177)
Net pension obligation	(79,947)
Landfill post-closure	<u>(1,540)</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>130,209</u></u>
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The accompanying notes are an integral part of the financial statements

## CITY OF WATERBURY, CONNECTICUT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

## GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

	General	Debt Service Fund	General Capital Improvement	Education Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	\$ 197,239	\$	\$	\$	\$	\$ 197,239
Intergovernmental	206,828		2,529	18,226	48,701	276,284
Investment income	2,957	718	93	40	73	3,881
Charges for services	7,319				4,380	11,699
Reimbursements	11,696					11,696
Other	3,462		380	35	527	4,404
Total revenues	<u>429,501</u>	<u>718</u>	<u>3,002</u>	<u>18,301</u>	<u>53,681</u>	<u>505,203</u>
Expenditures:						
Current:						
General government	8,938				492	9,430
Public works	17,910				3	17,913
Public safety	43,367				2,575	45,942
Development and community affairs	1,052				2,456	3,508
Human services	3,244				3,946	7,190
Education	218,774				42,516	261,290
Culture and recreation	1,949				1,860	3,809
General financial	119,107					119,107
Capital outlay			13,070	24,412		37,482
Debt service:						
Principal		9,934				9,934
Interest		5,102				5,102
Total expenditures	<u>414,341</u>	<u>15,036</u>	<u>13,070</u>	<u>24,412</u>	<u>53,848</u>	<u>520,707</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>15,160</u>	<u>(14,318)</u>	<u>(10,068)</u>	<u>(6,111)</u>	<u>(167)</u>	<u>(15,504)</u>
Other Financing Sources (Uses):						
Transfers in	3,812	14,772	5,640	373	300	24,897
Transfers out	(19,832)	(3,898)			(1,167)	(24,897)
Total other financing sources (uses)	<u>(16,020)</u>	<u>10,874</u>	<u>5,640</u>	<u>373</u>	<u>(867)</u>	<u>-</u>
Net Change in Fund Balances	(860)	(3,444)	(4,428)	(5,738)	(1,034)	(15,504)
Fund Balance, July 1, 2007	<u>19,876</u>	<u>11,271</u>	<u>10,314</u>	<u>1,275</u>	<u>6,911</u>	<u>49,647</u>
Fund Balance, June 30, 2008	<u>\$ 19,016</u>	<u>\$ 7,827</u>	<u>\$ 5,886</u>	<u>\$ (4,463)</u>	<u>\$ 5,877</u>	<u>\$ 34,143</u>

(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, 2008

(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)	\$	(15,504)
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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	33,948
Depreciation expense	(12,439)

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

(105)

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.

248

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	(2,698)
Property tax interest and lien revenue - accrual basis change	(2,380)
Housing assistance loans receivable - accrual basis change	469
Other receivables - accrual basis change	411

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	9,934
Amortization of deferred charge on refunding	(22)
Amortization of issuance costs	(58)
Amortization of premiums and discounts	78
Capital lease payments	581

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	(36,177)
Net pension obligation	1,853
Compensated absences	534
Retired employee obligations	2,198
Accrued interest	273
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.

6,347

Change in Net Assets of Governmental Activities (Exhibit II)	\$	<u><u>(12,439)</u></u>
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The accompanying notes are an integral part of the financial statements

## CITY OF WATERBURY, CONNECTICUT

## STATEMENT OF NET ASSETS

## PROPRIETARY FUNDS

JUNE 30, 2008

(In Thousands)

	Business-Type Activities			Governmental
	Bureau of Water Enterprise Fund	Water Pollution Control Enterprise Fund	Total	Internal Service Funds
Assets:				
Current assets:				
Cash and cash equivalents	\$ 675	\$ 27,057	\$ 27,732	\$ 4,712
Investments				46,396
Receivables, net	5,293	7,443	12,736	340
Due from other funds				512
Inventories	414		414	
Total current assets	<u>6,382</u>	<u>34,500</u>	<u>40,882</u>	<u>51,960</u>
Noncurrent assets:				
Capital assets, net	<u>54,277</u>	<u>135,928</u>	<u>190,205</u>	
Total assets	<u>60,659</u>	<u>170,428</u>	<u>231,087</u>	<u>51,960</u>
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	1,024	1,861	2,885	247
Due to other funds	512		512	
Capital lease obligations		451	451	
Bonds and serial notes payable		4,939	4,939	
Compensated absences	160	84	244	
Deferred credit		554	554	
Risk management claims				14,410
Total current liabilities	<u>1,696</u>	<u>7,889</u>	<u>9,585</u>	<u>14,657</u>
Noncurrent liabilities:				
Capital lease obligations		4,547	4,547	
Bonds and notes payable		60,913	60,913	
Compensated absences	288	68	356	
Deferred credit		6,292	6,292	
Risk management claims				28,581
Total noncurrent liabilities	<u>288</u>	<u>71,820</u>	<u>72,108</u>	<u>28,581</u>
Total liabilities	<u>1,984</u>	<u>79,709</u>	<u>81,693</u>	<u>43,238</u>
Net Assets:				
Invested in capital assets, net of related debt	54,277	60,006	114,283	
Unrestricted	<u>4,398</u>	<u>30,713</u>	<u>35,111</u>	<u>8,722</u>
Total Net Assets	<u>\$ 58,675</u>	<u>\$ 90,719</u>	<u>\$ 149,394</u>	<u>\$ 8,722</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, 2008

(In Thousands)

	Business-Type Activities			Internal Service Funds
	Bureau of Water Enterprise Fund	Water Pollution Control Enterprise Fund	Total	
Operating Revenues:				
Operations	\$ 9,828	\$ 16,624	\$ 26,452	\$
Employer premiums			-	72,282
Charges for services			-	8,325
Other	203	317	520	1,725
Total operating revenues	<u>10,031</u>	<u>16,941</u>	<u>26,972</u>	<u>82,332</u>
Operating Expenses:				
Operations	8,518	7,784	16,302	
Administration and general	3,387	3,991	7,378	
Depreciation	1,292	4,198	5,490	
Benefits, claims and administration			-	76,869
Total operating expenses	<u>13,197</u>	<u>15,973</u>	<u>29,170</u>	<u>76,869</u>
Operating Income (Loss)	<u>(3,166)</u>	<u>968</u>	<u>(2,198)</u>	<u>5,463</u>
Nonoperating Income (Loss):				
Investment income	161	1,106	1,267	884
Loss on disposal of capital assets	(108)		(108)	
Interest expense		(1,410)	(1,410)	
Net nonoperating income (loss)	<u>53</u>	<u>(304)</u>	<u>(251)</u>	<u>884</u>
Income (Loss) Before Contributions	(3,113)	664	(2,449)	6,347
Capital Grants and Contributions		605	605	
Change in Net Assets	(3,113)	1,269	(1,844)	6,347
Total Net Assets, July 1, 2007	<u>61,788</u>	<u>89,450</u>	<u>151,238</u>	<u>2,375</u>
Total Net Assets, June 30, 2008	<u>\$ 58,675</u>	<u>\$ 90,719</u>	<u>\$ 149,394</u>	<u>\$ 8,722</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, 2008

(In Thousands)

	Business-Type Activities			Governmental
	Bureau of Water Enterprise Fund	Water Pollution Control	Total	Internal
		Enterprise Fund		Service Funds
Cash Flows from Operating Activities:				
Cash received from operations	\$ 10,684	\$ 17,600	\$ 28,284	\$
City's contribution				71,997
Cash received from employees and other	203	317	520	9,730
Cash paid to employees for services	(6,032)	(5,167)	(11,199)	
Cash paid to vendors	(5,777)	(6,049)	(11,826)	(74,906)
Net cash provided by (used in) operating activities	<u>(922)</u>	<u>6,701</u>	<u>5,779</u>	<u>6,821</u>
Cash Flows from Capital and Related Financing Activities:				
Capital grants		54	54	
Acquisition and construction of capital assets	(4,052)	(954)	(5,006)	
Principal payment - bonds, notes and leases		(5,369)	(5,369)	
Interest paid on bonds and notes		(1,407)	(1,407)	
Net cash provided by (used in) capital and related financing activities	<u>(4,052)</u>	<u>(7,676)</u>	<u>(11,728)</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities:				
Advances from (to) other funds			-	(5,547)
Cash Flows from Investing Activities:				
Income on investments	161	1,106	1,267	1,968
Net purchases and sales of investments			-	(7,395)
Net cash provided by (used in) investing activities	<u>161</u>	<u>1,106</u>	<u>1,267</u>	<u>(5,427)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(4,813)	131	(4,682)	(4,153)
Cash and Cash Equivalents, July 1, 2007	<u>5,488</u>	<u>26,926</u>	<u>32,414</u>	<u>8,865</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ 675</u>	<u>\$ 27,057</u>	<u>\$ 27,732</u>	<u>\$ 4,712</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (3,166)	\$ 968	\$ (2,198)	\$ 5,463
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	1,292	4,198	5,490	
(Increase) decrease in receivables	856	976	1,832	(320)
(Increase) decrease in due from other funds				(285)
(Increase) decrease in inventory	(35)		(35)	
Increase (decrease) in accounts payable and accrued expenses	(197)	544	347	78
Increase (decrease) in due to other funds	285		285	
Increase (decrease) in compensated absences	43	15	58	
Increase (decrease) in risk management claim liabilities			-	1,885
Net Cash Provided by (Used in) Operating Activities	<u>\$ (922)</u>	<u>\$ 6,701</u>	<u>\$ 5,779</u>	<u>\$ 6,821</u>
Noncash Investing, Capital and Financing Activities:				
Amortization of deferred credit		\$ 551		
Increase (decrease) in value of investments				\$ (1,084)

The accompanying notes are an integral part of the financial statements



## CITY OF WATERBURY, CONNECTICUT

## FIDUCIARY FUNDS

## STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2008

(In Thousands)

	<b>Pension Trust Fund</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
Assets:		
Cash and cash equivalents	\$ 2,598	\$ 2,676
Investments:		
Corporate bonds	8,735	
U.S. treasury obligations	8,538	
Common stock and equities	43,414	
	<u>                    </u>	<u>                    </u>
Total assets	63,285	\$ 2,676
	<u>                    </u>	<u>                    </u>
Liabilities:		
Accounts payable and accrued liabilities	31	\$
Deposits held for others		2,676
	<u>                    </u>	<u>                    </u>
Total liabilities	31	\$ 2,676
	<u>                    </u>	<u>                    </u>
Net Assets:		
Held in trust for pension benefits	\$ 63,254	
	<u>                    </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, 2008

(In Thousands)

Additions:		
Contributions:		
Employer		\$ 43,974
Plan members		5,875
Total contributions		<u>49,849</u>
Investment income:		
Net depreciation in fair value of investments	\$ (3,417)	
Interest and dividends	<u>1,881</u>	
Total investment income		<u>(1,536)</u>
Total additions		48,313
Deductions:		
Benefits	43,527	
Refunds	718	
Administration	<u>739</u>	
Total deductions		<u>44,984</u>
Net Increase		3,329
Net Assets Held in Trust for Pension Benefits, Beginning of Year		<u>59,925</u>
Net Assets Held in Trust for Pension Benefits, End of Year		<u>\$ 63,254</u>

The accompanying notes are an integral part of the financial statements

# CITY OF WATERBURY, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS

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(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.

#### Related Organizations

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

The Mayor is responsible for appointing board members to the City's Housing Authority and the Naugatuck Valley Development Corporation (NVDC). The City's accountability for these organizations extends beyond making these appointments. The City has provided for certain guarantees in the event a future environmental liability associated with NVDC's Brass Mill Center Project were to occur.

## **B. Government-Wide and Fund Financial Statements**

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

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

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

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

### **Governmental Funds**

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

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

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

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

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

### **Proprietary Funds**

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

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

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

### **Fiduciary Funds**

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

*Pension Trust Fund* accounts for the Waterbury Retirement System.

*Agency Funds* are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The school system Student Activity Fund and the Performance Bonds & Escrow Accounts are the City's agency funds.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for financial resources transferred in from other funds to fund debt service obligations. Additionally, the Debt Service Fund accounts for the City's equivalent to the highest annual debt service payment remaining on the City's outstanding special capital reserve financing bonds.

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Bureau of Water and Water Pollution Control enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **D. Deposits and Investments**

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

State statutes authorize the City and the component units to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

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

## **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$4,198 is equal to 21.5% of outstanding property taxes at June 30, 2008.

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 \$14,055.

## **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.

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

#### **I. Long-Term Obligations**

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

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

#### **J. Fund Equity**

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

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

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

- The Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.



- The Board of Aldermen holds two public hearings and adjusts the proposed budget to incorporate taxpayer comments, as considered necessary.
- The budget is legally enacted through a Board of Aldermen resolution.
- At any time, in any fiscal year, upon recommendation of the Mayor and approval of the Board of Aldermen, the City may transfer any unexpended balance or any part thereof of any specific appropriation as made for that year to such other department or for such other purposes as the Board of Aldermen may designate.
- At any time, in any fiscal year, upon recommendation of the Mayor and approval of the Board of Aldermen, the City may increase the amount of any specific appropriation as made for that year to such department or for such purpose as the Board of Aldermen may designate. Any increased appropriation must be reconciled by an accompanying increase in revenue.
- During Fiscal Year 2007/08 the Mayor recommended, and the Board of Aldermen approved, additional appropriations in the amount of \$1.8 million.

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

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

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

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

## **B. Deficit Fund Equity**

The following funds had deficit net asset balances as of June 30, 2008:

	<u>Amount</u>
Education Capital Improvement Fund	\$ 4,463*
Nonmajor Funds:	
Internal Service Funds:	
Workers' Compensation	10,035**
Special Revenue Funds	
Recreational Programs	228***

\* 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 do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

#### A. Cash and Cash Equivalents

The following is a summary of the City’s cash and cash equivalents at June 30, 2008:

Deposits:	
Demand accounts	\$ 7,049
Certificates of deposit	1,142
Money market and other savings accounts	<u>37,874</u>
Total deposits	46,065
Petty cash	1
Cash equivalents:	
State Short-Term Investment Fund (STIF)	42,583
State Tax Exempt Bond Proceeds Fund (TEPF)	466
American Freedom Funds	2,264
Less certificates of deposit classified as investments	<u>(1,004)</u>
Total Cash and Cash Equivalents	\$ <u><u>90,375</u></u>

## Deposits

At June 30, 2008, the carrying amount of the City's deposits, including \$1,004 of certificates of deposit classified as investments, was \$46,065, and the bank balance was \$56,587.

*Custodial Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's formal deposit policy includes sections regarding safekeeping and custody of deposits to mitigate custodial credit risk. Of the June 30, 2008 bank balance, \$1,137 was covered by federal depository insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk based capital ratio. A minimum of \$5,637, based on June 30, 2008 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the City's name). The balance of deposits of \$49,813 was uninsured and uncollateralized.

## Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2008, the City's cash equivalents amounted to \$45,313. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

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

\*Not rated by rating organization

## B. Investments

Investments as of June 30, 2008 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest-bearing investments:		
Corporate bonds	\$ 21,339	4.56
Corporate asset backed securities	1,313	32.42
U.S. government agencies and obligations	18,279	4.69
Government asset backed securities	5,411	11.32
Certificates of deposit*	1,004	.92
Other investments:		
Common stock and equities	<u>61,649</u>	
Total	\$ <u><u>108,995</u></u>	
Portfolio weighted average maturity for interest bearing investments		6.98

\* Subject to coverage by federal depository insurance and collateralization as described under "Deposits" above.

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

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

	<u>Standard and Poor's</u>		<u>Moody's Investor Service</u>	
	<u>Rating</u>	<u>Percentage</u>	<u>Rating</u>	<u>Percentage</u>
Corporate bonds	AAA to A- BBB+ to B+	66.9% 33.1%	Aaa to A3 Baa1 to B3	65.7% 34.3%
Corporate asset backed securities	AAA	100%	Aaa	100%
U.S. government agencies/securities*	AAA	100%	Aaa	100%

\*Includes individual securities that have not been rated

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

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

#### 4. RECEIVABLES

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

	<u>General</u>	<u>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Bureau of Water</u>	<u>Water Pollution Control</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:							
Taxes	\$ 19,492						\$ 19,492
Accrued interest on taxes	10,239						10,239
Service fees				9,935	11,412		21,347
Unbilled revenue				1,589	1,932		3,521
Intermunicipal fees					1,001		1,001
Intergovernmental		762	3,391		54	4,363	8,570
Loans						4,389	4,389
Accounts and other	3,187			329	444	666	4,626
Gross receivables	<u>32,918</u>	<u>762</u>	<u>3,391</u>	<u>11,853</u>	<u>14,843</u>	<u>9,418</u>	<u>73,185</u>
Less allowance for uncollectibles:							
Taxes	(4,198)						(4,198)
Accrued interest on taxes	(3,964)						(3,964)
Service fees				(6,500)	(7,400)		(13,900)
Accounts	(1,564)			(60)		(84)	(1,708)
Total allowance	<u>(9,726)</u>	<u>-</u>	<u>-</u>	<u>(6,560)</u>	<u>(7,400)</u>	<u>(84)</u>	<u>(23,770)</u>
Net Total Receivables	<u>\$ 23,192</u>	<u>\$ 762</u>	<u>\$ 3,391</u>	<u>\$ 5,293</u>	<u>\$ 7,443</u>	<u>\$ 9,334</u>	<u>\$ 49,415</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	\$ 14,055		\$ 14,055
Accrued interest on delinquent property taxes	6,275		6,275
Other account receivables	648		648
Advance tax collections		40	40
Other deferred revenue		79	79
Nonmajor funds and other funds:			
Grant drawdowns prior to meeting all eligibility requirements		3,098	3,098
Housing loans and accrued interest	4,389		4,389
Other deferred revenue	308		308
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 25,675</u>	<u>\$ 3,217</u>	<u>\$ 28,892</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 12,957	\$ 1,151	\$	\$ 14,108
Construction in progress	24,190	31,109	(10,815)	44,484
Total capital assets not being depreciated	<u>37,147</u>	<u>32,260</u>	<u>(10,815)</u>	<u>58,592</u>
Capital assets being depreciated:				
Land improvements	7,477	3,186		10,663
Buildings and improvements	262,053	3,998	(2,009)	264,042
Infrastructure	124,882	3,108		127,990
Machinery and equipment	29,706	1,902	(163)	31,445
Vehicles	10,961	557	(472)	11,046
Total capital assets being depreciated	<u>435,079</u>	<u>12,751</u>	<u>(2,644)</u>	<u>445,186</u>
Less accumulated depreciation for:				
Land improvements	(5,675)	(223)		(5,898)
Buildings and improvements	(69,142)	(6,714)	1,948	(73,908)
Infrastructure	(83,827)	(2,118)		(85,945)
Machinery and equipment	(18,953)	(2,436)	128	(21,261)
Vehicles	(7,452)	(948)	463	(7,937)
Total accumulated depreciation	<u>(185,049)</u>	<u>(12,439)</u>	<u>2,539</u>	<u>(194,949)</u>
Total capital assets being depreciated, net	<u>250,030</u>	<u>312</u>	<u>(105)</u>	<u>250,237</u>
Governmental Activities Capital Assets, Net	<u>\$ 287,177</u>	<u>\$ 32,572</u>	<u>\$ (10,920)</u>	<u>\$ 308,829</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,773	\$	\$	\$ 1,773
Construction in progress	2,471	4,709	(1,373)	5,807
Total capital assets not being depreciated	<u>4,244</u>	<u>4,709</u>	<u>(1,373)</u>	<u>7,580</u>
Capital assets being depreciated:				
Utility plant	97,497			97,497
Infrastructure	96,005	1,373	(138)	97,240
Machinery and equipment	72,008	68		72,076
Vehicles	2,048	229	(52)	2,225
Total capital assets being depreciated	<u>267,558</u>	<u>1,670</u>	<u>(190)</u>	<u>269,038</u>
Less accumulated depreciation for:				
Utility plant	(23,138)	(1,963)		(25,101)
Infrastructure	(34,317)	(1,145)	30	(35,432)
Machinery and equipment	(22,089)	(2,183)		(24,272)
Vehicles	(1,461)	(199)	52	(1,608)
Total accumulated depreciation	<u>(81,005)</u>	<u>(5,490)</u>	<u>82</u>	<u>(86,413)</u>
Total capital assets being depreciated, net	<u>186,553</u>	<u>(3,820)</u>	<u>(108)</u>	<u>182,625</u>
Business-Type Activities Capital Assets, Net	<u>\$ 190,797</u>	<u>\$ 889</u>	<u>\$ (1,481)</u>	<u>\$ 190,205</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 964
Public works (including parks)	2,741
Public safety	2,234
Human services	20
Education	5,465
Culture and recreation	<u>1,015</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 12,439</u>
Business-type activities:	
Water	\$ 1,292
Water Pollution Control	<u>4,198</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,490</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, 2008:

<u>Program</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Balance June 30, 2008</u>
General Capital Improvement	\$ 119,471	\$ 58,115	\$ 6,374	\$ 54,982
Education Capital Improvement	210,605	82,238	57,687	70,680
Water Enterprise Improvement	14,076	6,679	4,293	3,104
WPC Enterprise CAF Improvement	9,284	2,076	968	6,240
WPC Enterprise CIP Improvement	<u>37,356</u>	<u>4,145</u>	<u>1,720</u>	<u>31,491</u>
	<u>\$ 390,792</u>	<u>\$ 153,253</u>	<u>\$ 71,042</u>	<u>\$ 166,497</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, 2008 is presented below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental	\$ 487
Internal Service	Enterprise	<u>512</u>
		<u>\$ 999</u>

A summary of interfund transfers is presented below:

	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>General Capital Improvement</u>	<u>Education Capital Improvement</u>	<u>Nonmajor Governmental</u>	
Transfers out:						
General Fund	\$	\$ 14,772	\$ 4,760	\$	\$ 300	\$ 19,832
Debt Service	3,812		86			3,898
Nonmajor Governmental Funds			794	373		1,167
Total	<u>\$ 3,812</u>	<u>\$ 14,772</u>	<u>\$ 5,640</u>	<u>\$ 373</u>	<u>\$ 300</u>	<u>\$ 24,897</u>

Transfers from the General Fund to the Debt Service and Nonmajor Governmental Funds are in accordance with budgetary appropriations authorizing the transfer of funds for designated purposes. During the year, transfers were made from the Debt Service Fund to align the fund balance in the Debt Service Fund with the special capital reserve requirements on the City's outstanding deficit financing bonds.



**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, 2008 amounting to \$6,846 and will be amortized and recorded as revenue as the contributing municipalities make payments to the State of Connecticut.

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Credit Amortization</u>
2009	\$ 554
2010	557
2011	560
2012	563
2013-2020	<u>4,612</u>
Total	<u>\$ 6,846</u>

**8. LONG-TERM DEBT**

**Governmental Activities**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2008 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	\$ 106,163	\$	\$ 9,934	\$ 96,229	\$ 7,090
Less deferred amount on refunding	(1,798)		(22)	(1,776)	
Total bonds payable	<u>104,365</u>	<u>-</u>	<u>9,912</u>	<u>94,453</u>	<u>7,090</u>
Capital leases	824		581	243	243
Accrued compensated absences	29,219	3,988	4,522	28,685	4,666
Retired employee obligations	6,807	673	2,871	4,609	2,569
Net OPEB obligation		36,177		36,177	
Net pension obligation	81,800		1,853	79,947	
Landfill post-closure	1,610		70	1,540	70
Risk management	<u>41,106</u>	<u>76,869</u>	<u>74,984</u>	<u>42,991</u>	<u>14,410</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 265,731</u>	<u>\$ 117,707</u>	<u>\$ 94,793</u>	<u>\$ 288,645</u>	<u>\$ 29,048</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, 2008 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, 2008</u>
General purpose bonds payable:				
General Improvement	11/15/98	4.75	\$ 18,004	\$ 942
Special Capital Reserve Funds	04/01/02	4.0-5.5	82,075	19,055
Special Capital Reserve Funds	04/01/02	4.0-5.5	15,390	1,465
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	17,833	16,001
Refunding Bond - Special Capital Reserves	10/01/04	2.0-5.0	25,365	25,225
Refunding Bond - Special Capital Reserves	02/15/07	3.8-4.5	27,055	27,055
Total general purpose				<u>89,743</u>
School bonds payable:				
Schools	11/15/98	4.25-5.25	3,795	200
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	6,286	6,286
Total school obligations				<u>6,486</u>
Total				<u>\$ 96,229</u>

A schedule of governmental activities bonds outstanding at June 30, 2008 is presented below:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 7,090	\$ 4,375	\$ 11,465
2010	7,161	4,034	11,195
2011	7,217	3,717	10,934
2012	7,272	3,388	10,660
2013	7,347	3,075	10,422
2014-2018	37,930	10,269	48,199
2019-2022	22,212	2,420	24,632
Total	<u>\$ 96,229</u>	<u>\$ 31,278</u>	<u>\$ 127,507</u>

## Capital Leases

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

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2008.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 248
Less: Amount representing interest at the City's incremental borrowing rate of interest	<u>(5)</u>
Present Value of Minimum Lease Payments	<u>\$ 243</u>

## Compensated Absences

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

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

	<u>June 30, 2008</u>
Vested:	
Sick	\$ 18,099
Vacation	3,093
Nonvested:	
Sick	<u>7,493*</u>
Total	<u>\$ 28,685</u>

\*Based on estimated percentage of total nonvested obligation that potentially will vest in future years.

## Retired Employee Obligations

### Board of Education

Board of Education obligations to retired employees of \$4,609 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>
2009	\$ 2,569
2010	675
2011	477
2012	379
2013	244
2014-2015	<u>265</u>
Total	<u>\$ 4,609</u>

### Net Pension Obligation

Refer to Note 13D

### Landfill Post Closure Care Costs

The City received a consent order from the State of Connecticut Department of Environmental Protection requiring as of October 9, 1994 that its landfill no longer accept any solid waste and that by October 31, 1996 the facility be capped. The City has closed and capped the landfill and is in the fifth 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 \$1,540 for the postclosure monitoring liability as of June 30, 2008. 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, 2008 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	\$ 70,792	\$	\$ 4,940	\$ 65,852	\$ 4,939
Capital leases	5,427		429	4,998	451
Accrued compensated absences	<u>542</u>	<u>283</u>	<u>225</u>	<u>600</u>	<u>244</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 76,761</u>	<u>\$ 283</u>	<u>\$ 5,594</u>	<u>\$ 71,450</u>	<u>\$ 5,634</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, 2008 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, 2008</u>
Business Type Activities:				
Water Pollution Control:				
Bonds payable:				
Platts Mill	11/15/98	4.25-5.25	\$ 1,326	\$ 68
Refunding Bond - 1998 and 2000	10/01/04	3.0-5.0	2,076	1,867
Serial notes payable - State of Connecticut:				
Clean Water Act	08/30/95	2.0	4,008	1,099
Clean Water Act	07/31/97	2.0	6,448	2,519
Clean Water Act	12/31/00	2.0	69,647	46,014
Clean Water Act	10/30/02	2.0	11,547	8,386
Clean Water Act	11/30/03	2.0	2,424	1,927
Clean Water Act	05/30/04	2.0	2,953	2,398
Clean Water Act	06/30/04	2.0	1,138	888
Clean Water Act	11/30/05	2.0	544	475
Clean Water Act	06/29/07	2.0	226	211
Total			\$	<u><u>65,852</u></u>

A schedule of business-type activities bonds and serial notes outstanding at June 30, 2008 is presented below:

<u>Due During Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,939	\$ 1,310	\$ 6,249
2010	5,031	1,209	6,240
2011	5,130	1,105	6,235
2012	5,232	999	6,231
2013	5,336	890	6,226
2014-2018	27,020	2,781	29,801
2019-2023	<u>13,164</u>	<u>382</u>	<u>13,546</u>
Total	\$ <u><u>65,852</u></u>	\$ <u><u>8,676</u></u>	\$ <u><u>74,528</u></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, 2008.

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 707
2010	707
2011	707
2012	707
2013	707
2014-2017	<u>2,827</u>
Minimum Lease Payments	6,362
Less: Amount representing interest at the City’s incremental borrowing rate of interest	<u>(1,364)</u>
Present Value of Minimum Lease Payments	<u>\$ 4,998</u>

**Bonds Authorized/Unissued**

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

<u>Project Description</u>	<u>Date Authorized</u>	<u>Total Authorized</u>	<u>Notes Outstanding</u>	<u>Grants Received</u>	<u>Authorized Unissued</u>
General Purpose:					
Road Improvement Projects	08/09/06	\$ 8,930	\$ 5,000	\$	\$ 3,930
City Hall Improvements	05/31/07	35,900	1,500		34,400
Education:					
Special Education Facility	11/19/07	14,635	500		14,135
New Elementary School #1	06/25/04	31,900	1,000	1,787	29,113
New Elementary School #2	06/25/04	31,900	1,000	788	30,112
New Elementary School #3	06/25/04	31,900	1,000	1,745	29,155
Crosby Media Center	06/25/04	<u>5,800</u>		<u>3,938</u>	<u>1,862</u>
Total		<u>\$ 160,965</u>	<u>\$ 10,000</u>	<u>\$ 8,258</u>	<u>\$ 142,707</u>

### Bond Anticipation Notes

The following is a schedule of changes in bond anticipation notes outstanding for the year ended June 30, 2008:

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

### Defeasance of Debt

The City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2008, 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	9,120
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	\$ 443,619	\$ 134,573	\$ 309,046
Schools	887,238	33,480	853,758
Sewers	739,365	65,852	673,513
Urban renewal	640,783		640,783
Pension deficit	591,492		591,492

The total of the City's net statutory indebtedness of \$233.9 million does not exceed the legal debt limitation of \$1.38 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 \$8.3 million and estimated grants of \$80.9 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.

### **Potential Issuance of Taxable General Obligation Pension Bonds**

The City has approved pursuant to Section 7-374c of the Connecticut General Statutes (the Act), the Charter of the City of Waterbury and a resolution adopted by the Board of Aldermen on February 11, 2008 the authorization for the issuance of bonds in the amount of up to \$350 million to fund all or a part of the unfunded past benefit obligation of the City's Employee Retirement Plan.

**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.

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, 2008, \$60.2 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 \$5.1 million as of June 30, 2008.

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 \$22.6 million as of June 30, 2008.

The present value of future costs to current eligible recipients subject to Heart and Hypertension benefits is estimated at \$10.7 million as of June 30, 2008. The actuarial estimate is based on the present value of seven times current year paid benefits.

Changes in the reserve amounts in fiscal years 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Beginning of year	\$ 41,106	\$ 41,921
Fiscal year claims incurred and changes in prior years' estimates	76,869	69,526
Fiscal year claims payments	<u>(74,984)</u>	<u>(70,341)</u>
End of year	<u>\$ 42,991</u>	<u>\$ 41,106</u>

**10. OPERATING LEASES**

Lease Agreements as Lessor

The City entered into a twenty-year lease commencing on November 10, 2004 with the Palace Theater Group to have them serve as the sole and exclusive manager of the Theater and to provide any maintenance to the Theater as needed. The agreement permits use of the facility by the Board of Education for its programs at an annual contribution of \$250 defraying operating costs of the Theater.



## Lease Agreements as Lessee

The City entered into a two-year lease commencing on March 19, 2007 for the rental of office and storage space from Waterbury Commons, LLC, for Tax, Assessor and Legal offices. In addition, there is an option to extend the lease term for one additional year commencing on March 19, 2009 and terminating on March 18, 2010. Payments made for the fiscal year ended June 30, 2008 was \$384. Future minimum lease payments, including the extension, are projected as follows:

2009	\$	387
2010		297

The City entered into an a two-year lease commencing on January 1, 2006 for the rental of office and storage space from Waterbury Commons, LLC, for Public Works offices. The City optioned to extend the lease term for one additional year commencing on January 1, 2008 and terminating on December 31, 2008. The City is in the process of negotiating an extension of the current lease. Payments made for the fiscal year ended June 30, 2008 was \$384. Future minimum lease payments under the current lease arrangement are projected as follows:

2009	\$	198
------	----	-----

The City entered into a five-year lease with Northern Expansion, LLC, commencing on January 31, 2007 for the rental of a building at 49 Leavenworth Street for the use of the Probate Court office. In addition to the base rent, the City pays additional rent for its proportionate share of any increase in real property taxes assessed against the property, over the assessed amount on the Grand List of October 1, 2005. Payments made for the fiscal year ended June 30, 2008 was \$112. Future minimum lease payments are projected as follows:

2009	\$	112
2010		123
2011		123
2012		130

The City has entered into various other operating leases related to the rental of property for City office space, storage, and Board of Education instructional use. Payments made for the fiscal year ended June 30, 2008 was \$907. Future minimum lease payments are projected as follows:

2009	\$	923
2010		555
2011		320
2012		162
2013		167

## **11. FUND EQUITY**

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

### **A. Fund Balance**

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

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

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

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

Fund balance reserves are as follows:

	<b>Debt Service Fund</b>	<b>General Capital Improvement Fund</b>	<b>Education Capital Improvement Fund</b>	<b>Nonmajor Governmental Funds</b>
Encumbrances	\$	\$ 6,374	\$ 57,687	\$ 445
Debt service	7,479			
Inventory				45
Trusts				1,360
<b>Total</b>	<b>\$ 7,479</b>	<b>\$ 6,374</b>	<b>\$ 57,687</b>	<b>\$ 1,850</b>

## **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 \$1,000 has been designated to balance the General Fund budget for the 2008-2009 fiscal year.

## **12. OTHER POSTEMPLOYMENT BENEFITS**

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the City and the various unions representing City employees. The City pays the full cost of life insurance premiums. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving benefits under the City's self-insured medical benefits program.

### **Funding Policy**

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

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

The City's goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers. Although a trust fund may be established in the future to exclusively control the funding and reporting of postemployment benefits, since a combination of a trust fund and internal service fund control structure may be used, the City anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability.

As of June 30, 2008, 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, 2008, 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, 2006:

	<i>(not rounded)</i>
Active members	3,041
Retirees	<u>3,871</u>
Total	<u><u>6,912</u></u>

Postemployment retiree benefit payments for the year ended June 30, 2008, net of retiree and other contributions, amounted to approximately \$28,011. For the year ended June 30, 2008, retirees contributed \$433. The City set aside an additional \$2,000 in an OPEB Reserve Fund as of June 30, 2008 to prefund benefits for active employees hired after June 30, 2004.

#### **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):

	<b>Other Post Employment Benefits (OPEB)</b>
Annual required contribution (ARC)	\$ 64,188
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>64,188</u>
Contributions made	<u>(28,011)</u>
Decrease in net OPEB obligation	<u>36,177</u>
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ 36,177</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 year ending June 30, 2008 is presented below. Data is only presented for the fiscal year ending June 30, 2008, due to this being the year of implementation.

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/08	\$ 64,188	\$ 28,011	43.6%	\$ 36,177

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, 2006 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 2012 and later. The remaining amortization period at July 1, 2006 was 30 years. As of July 1, 2006, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was approximately \$804 million, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$804 million.

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. Data is only presented for July 1, 2006 due to this being the first valuation.

<b>Schedule of Funding Progress</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) Entry Age (b)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UFAL as a % of Covered Payroll ((b-a)/c)</b>	
7-1-06	\$ -0-	\$ 803,860	0%	\$ 148,864	540%	

### 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.

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

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

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

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

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

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

## **B. Significant Accounting Policies and System Assets**

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

## **C. Funding Status and Progress**

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

**D. Annual Pension Cost and Net Pension Obligation**

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

Annual required contribution	\$ 42,238
Interest on net pension obligation	6,953
Adjustment to annual required contribution	<u>(7,070)</u>
Annual pension cost	42,121
Contributions made	<u>43,974</u>
Decrease in net pension obligation	(1,853)
Net pension obligation, beginning of year	<u>81,800</u>
Net Pension Obligation, End of Year	<u>\$ 79,947</u>

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

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

**E. Trend Information**

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 40,380	104 %	\$ 82,863
6/30/07	42,282	103	81,800
6/30/08	42,121	104	79,947

**F. Pension Plan Required Supplemental Information**

**Schedule of Employer Contributions**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
2003	\$ 30,719	117%
2004	38,979	100
2005	40,374	103
2006	40,257	104
2007	42,345	102
2008	42,238	104

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability(AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a-b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a % of Covered Payroll (b-a)/c</b>
7/1/02	\$ 19,717	\$ 451,973	\$ 432,256	4.4%	\$ 66,515	\$ 649.9%
7/1/03	24,826	470,813	445,987	5.3	68,223	653.7
7/1/04	32,655	483,955	451,301	6.7	66,159	682.1
7/1/05	41,621	507,434	465,813	8.2	63,992	727.9
7/1/06	47,405	515,860	468,455	9.2	69,555	673.5
7/1/07	59,935	522,177	462,242	11.5	70,371	656.9

**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 2008, members contributed \$7.1 million.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not contribute to the Connecticut Teachers' Retirement System nor has any legal obligation for benefits. For the year ended June 30, 2008, the City has recorded in the General Fund, revenues and expenditures in the amount of \$71.4 million as payments made by the State of Connecticut on behalf of the City. The 2008 contribution includes an additional contribution towards the unfunded liability resulting from the State's issuance of pension obligation bonds. The total State contribution is significantly higher than the previous year. 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 \$5.1 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 August 26, 2008, the City issued \$30.1 million general obligation bond anticipation notes to renew maturing notes of \$10 million and issued additional notes of \$20.1 million in accordance with existing capital project bond authorizations. The notes were issued at an interest rate of 4% and are due to mature on September 2, 2009.

**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, 2008

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Property taxes:				
Current property taxes	\$ 186,282	\$ 186,282	\$ 187,735	\$ 1,453
Prior year property taxes	5,500	5,500	4,457	(1,043)
Supplemental auto list	2,568	2,568	2,374	(194)
Interest and penalties prior year	2,350	2,350	1,658	(692)
Interest and penalties current year	1,100	1,100	1,015	(85)
Total property taxes	<u>197,800</u>	<u>197,800</u>	<u>197,239</u>	<u>(561)</u>
Intergovernmental:				
Exemptions for elderly	900	900	875	(25)
Veterans additional exemption	182	182	203	21
Grant abatement for elderly housing	185	185	199	14
Manufacturing equipment incentive	1,900	1,900	2,307	407
Pequot - State properties	5,214	5,214	4,743	(471)
PILOT - State owned properties	4,826	4,826	4,355	(471)
PILOT - Private tax exempt property	8,967	8,967	8,384	(583)
PILOT - Housing Authority	35	35	39	4
PILOT - Vessels	14	14	14	-
Industrial incentive program	300	300	262	(38)
Education equalization	110,525	110,525	106,432	(4,093)
Nonpublic school transportation	344	344	446	102
Public school transportation	2,372	2,372	2,302	(70)
Nonpublic school medical services	550	550	575	25
Special Education - excess cost and agency placement	3,506	3,506	2,887	(619)
Education services for the blind	305	305	264	(41)
Special Education - Medicaid	930	930	934	4
Special revenue - federal grants	25	25	-	(25)
Special revenue - State grants	210	210	189	(21)
Total intergovernmental	<u>141,290</u>	<u>141,290</u>	<u>135,410</u>	<u>(5,880)</u>
Investment income:				
Income from investments	<u>4,000</u>	<u>4,000</u>	<u>2,957</u>	<u>(1,043)</u>
Charges for services:				
Probate court costs - Wolcott/Md	55	55	49	(6)
Proceeds - off track revenue	145	145	174	29
Deed transfer and recording fees	782	782	473	(309)
Real estate conveyance tax	2,500	2,500	1,358	(1,142)
Vital statistics and fees	153	153	234	81
Dog pound fees and licenses	12	12	17	5
Zoning appeal fees	12	12	18	6

(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, 2008

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Refuse disposal charge	\$ 125	\$ 125	\$ 195	\$ 70
Sewer permits	240	240	96	(144)
False alarm fines	55	55	59	4
Parking violation fees	600	600	478	(122)
Garage and meters parking fees	925	925	757	(168)
Marriott ramp garage	10	10	-	(10)
Building permits	875	875	895	20
Electrical work permits	170	170	174	4
Heating etc. permits	130	130	163	33
Plumbing permits	95	95	130	35
Restaurant license permits	145	145	122	(23)
Outside tuition	625	625	1,014	389
Building rental fees	60	60	62	2
Departmental charges	233	233	176	(57)
Other permits, licenses and fees	468	468	675	207
Total charges for services	<u>8,415</u>	<u>8,415</u>	<u>7,319</u>	<u>(1,096)</u>
Reimbursements:				
Employee fringe benefit contribution	6,050	6,050	7,212	1,162
Park Department	250	250	232	(18)
Bureau of Water	2,493	2,493	2,493	-
Waste Treatment	1,759	1,759	1,759	-
Total reimbursements	<u>10,552</u>	<u>10,552</u>	<u>11,696</u>	<u>1,144</u>
Other:				
Telephone access lines	585	585	568	(17)
Public works/CRRRA refund			2,690	2,690
Miscellaneous sources	275	275	204	(71)
Total other	<u>860</u>	<u>860</u>	<u>3,462</u>	<u>2,602</u>
Other Financing Sources:				
Transfers In:				
Debt Service Fund			3,812	3,812
Total	\$ <u>362,917</u>	\$ <u>362,917</u>	361,895	\$ <u>(1,022)</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 budgeted71,418Total Revenues and Other Financing Sources as Reported on the Statement of Revenues  
Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV\$ 433,313

## 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, 2008

(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
General Government:				
Office of the Mayor	\$ 526	\$ 573	\$ 492	\$ 81
Board of Aldermen	64	64	59	5
Legal Department	1,624	1,944	1,647	297
Town Clerk	835	860	812	48
Department of Human Resources	804	814	767	47
Registrar of Voters	334	386	370	16
City Sheriff	15	15	12	3
Probate Court	147	156	154	2
Finance Department	1,314	1,314	1,230	84
Department of Assessment	837	852	838	14
Collector of Revenue	1,162	1,162	1,056	106
Department of Purchases	212	225	223	2
Department of Audit	143	148	132	16
Department of Budget Control	185	186	163	23
Department of Information Technology	1,141	1,141	983	158
Total general government	9,343	9,840	8,938	902
Public Works:				
Public Works	520	520	454	66
Engineering	1,229	1,229	1,066	163
Public Works Services	4,917	4,947	4,562	385
Public Works Operations	12,610	12,604	11,828	776
Total public works	19,276	19,300	17,910	1,390
Public Safety:				
Police Department	25,900	25,623	25,229	394
Fire Department	18,521	18,248	18,138	110
Total public safety	44,421	43,871	43,367	504
Planning and Development:				
Office of the City Plan	378	381	334	47
Department of Inspections	726	726	718	8
Total planning and development	1,104	1,107	1,052	55
Human Services:				
Department of Health	3,389	3,389	3,244	145
Education:				
Department of Education	149,000	149,000	147,356	1,644
Culture and Recreation:				
Silas Bronson Library	1,945	1,996	1,949	47

(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, 2008

(In Thousands)

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General Financial:				
Contractual services	\$ 852	\$ 991	\$ 937	\$ 54
Employee benefits	4,725	4,925	4,925	-
Health benefits	54,840	53,340	53,340	-
Pension	44,156	44,156	44,052	104
Legal - general liability	1,720	1,720	1,720	-
Heart and hypertension	3,100	3,100	3,100	-
Workers compensation	8,500	9,500	9,500	-
Municipal groups	968	1,445	1,430	15
Contingency and other	1,125	138	103	35
Total general financial	<u>119,986</u>	<u>119,315</u>	<u>119,107</u>	<u>208</u>
Total expenditures	<u>348,464</u>	<u>347,818</u>	<u>342,923</u>	<u>4,895</u>
Other Financing Uses:				
Transfers Out:				
Debt Service Fund	14,911	14,772	14,772	-
Special revenue programs	-	300	300	-
Capital Improvement	2,500	4,760	4,760	-
Total other financing uses	<u>17,411</u>	<u>19,832</u>	<u>19,832</u>	<u>-</u>
Total	<u>\$ 365,875</u>	<u>\$ 367,650</u>	362,755	<u>\$ 4,895</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.71,418Total Expenditures and Other Financing Uses as Reported on the Statement of  
Revenues, Expenditures and Changes in Fund Balances - Governmental Funds -  
Exhibit IV\$ 434,173

# **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, 2008 AND 2007

(In Thousands)

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 27,045	\$ 23,849
Investments	1,004	
Receivables:		
Property taxes receivable, net	15,294	17,897
Property taxes accrued interest receivable, net	6,275	8,655
Accounts receivable, net	1,623	637
Due from other funds	<u>487</u>	<u>5,832</u>
Total Assets	<u>\$ 51,728</u>	<u>\$ 56,870</u>
<b>Liabilities and Fund Balance</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 11,615	\$ 11,136
Deferred revenue	<u>21,097</u>	<u>25,858</u>
Total liabilities	<u>32,712</u>	<u>36,994</u>
Fund balance:		
Unreserved:		
Designated for subsequent budget	1,000	2,958
Undesignated	<u>18,016</u>	<u>16,918</u>
Total fund balance	<u>19,016</u>	<u>19,876</u>
Total	<u>\$ 51,728</u>	<u>\$ 56,870</u>

CITY OF WATERBURY, CONNECTICUT

REPORT OF TAX COLLECTOR

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

Grand List Year	Combined Uncollected Taxes July 1, 2007	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Principal Tax Collections	Interest, Liens and Warrants	Total Collections	Combined Uncollected Taxes June 30, 2008*	Uncollected Taxes Non-City Owned	Uncollected Taxes City Owned
		Additions	Deductions								
2006	\$ 198,400	\$ 358	\$ 1,572	\$ 25	\$ 197,161	\$ 190,108	\$ 1,093	\$ 191,201	\$ 7,053	\$ -	\$ 7,053
2005	6,539	162	234	26	6,441	3,047	683	3,730	3,394	-	3,394
2004	2,916	30	57	37	2,852	303	223	526	2,549	-	2,549
2003	2,210	7	10	1,270	937	122	113	235	815	-	815
2002	2,099	1	7	1,309	784	65	104	169	719	-	719
2001	2,368	1	2	1,468	899	71	88	159	828	-	828
2000	3,745	1	6	2,719	1,021	112	252	364	909	-	909
1999	2,285	1	4	1,304	978	80	92	172	898	64	834
1998	863		2	79	782	36	46	82	746	-	746
1997	2,193		11		2,182	49	110	159	2,133	1,962	171
1996	1,739		6		1,733	42	97	139	1,691	1,606	85
1995	1,510		12		1,498	33	91	124	1,465	1,388	77
1994	1,222		9		1,213	9	21	30	1,204	1,167	37
1993	1,059	1	8		1,052	7	17	24	1,045	993	52
1992	831		826	**	5	5	15	20	-	-	-
	<u>\$ 229,979</u>	<u>\$ 562</u>	<u>\$ 2,766</u>	<u>\$ 8,237</u>	<u>\$ 219,538</u>	<u>\$ 194,089</u>	<u>\$ 3,045</u>	197,134	<u>\$ 25,449</u>	<u>\$ 7,180</u>	<u>\$ 18,269</u>
								Suspense Collections			61
								Less:			
								Collection agency fees			(45)
								Bank fees			(25)
								Change in overpayments liability			557
								Principal tax collections paid to lien holder agencies			(157)
								Interest, liens, and fees paid to lien holder agencies			(381)
								Subtotal			197,144
								City Owned - Property taxes receivable considered available:			
								June 30, 2007			(1,144)
								June 30, 2008			1,239
								Total			<u>\$ 197,239</u>

\* Represents total receivable of \$26,672 net of \$1,223 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
Labor Grants and Programs	State and federal grants	Workforce development and training
Housing Grants and Programs	Federal grants and loan repayments	Community development and housing assistance
Recreational Programs	Charges for services	Recreation Department programs and municipal golf courses
Miscellaneous Grants and Programs	Various	Miscellaneous activities
Special Projects	General Fund transfers	Nonrecurring special purpose projects
Waterbury Development Agency	State and federal grants	Development
Educational Grants	State and federal grants	Education programs not included in general fund budget
Food Service	Sale of food and grants	School lunch and breakfast programs
Silas Bronson Library	Charges for services, contributions and grants	City library operations
Expendable Trust Funds	Trust and investment Income	Various specified purposes and activities

### Permanent Funds

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

CITY OF WATERBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2008

(In Thousands)

09

	<u>Special Revenue</u>							
	<u>Public Safety Grants and Programs</u>	<u>Health Grants and Programs</u>	<u>Labor Grants and Programs</u>	<u>Housing Grants and Programs</u>	<u>Recreational Programs</u>	<u>Miscellaneous Grants and Programs</u>	<u>Special Projects</u>	<u>Waterbury Development Agency</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,160	\$ 16	\$ -	\$ 556	\$ 302	\$ 141	\$ 959	\$ 100
Investments								
Intergovernmental receivables	29	551		315				
Accounts receivable, net	234				8			
Loans receivable				4,389				
Other assets					33			
Inventory								
Total Assets	<u>\$ 1,423</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 5,260</u>	<u>\$ 343</u>	<u>\$ 141</u>	<u>\$ 959</u>	<u>\$ 100</u>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Accounts payable and accrued liabilities	\$ 35	\$ 469	\$ -	\$ 317	\$ 48	\$ -	\$ 20	\$ -
Due to other funds					449			
Deferred revenue	650	4		4,389	74			
Total liabilities	<u>685</u>	<u>473</u>	<u>-</u>	<u>4,706</u>	<u>571</u>	<u>-</u>	<u>20</u>	<u>-</u>
Fund Balance:								
Reserved:								
Encumbrances							358	
Inventory								
Trust purposes								
Unreserved:								
Undesignated	738	94		554	(228)	141	581	100
Total fund balance	<u>738</u>	<u>94</u>	<u>-</u>	<u>554</u>	<u>(228)</u>	<u>141</u>	<u>939</u>	<u>100</u>
Total Liabilities and Fund Balance	<u>\$ 1,423</u>	<u>\$ 567</u>	<u>\$ -</u>	<u>\$ 5,260</u>	<u>\$ 343</u>	<u>\$ 141</u>	<u>\$ 959</u>	<u>\$ 100</u>

(Continued on next page)

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

**JUNE 30, 2008**  
(In Thousands)

Special Revenue

		<u>Educational Grants</u>	<u>Food Service</u>	<u>Silas Bronson Library</u>	<u>Expendable Trust Funds</u>	<u>Total</u>	<u>Permanent Trust Funds</u>	<u>Interfund Eliminations</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$		743	23	322	4,322	118		4,440
Investments				908		908			908
Intergovernmental receivables		2,496	972			4,363			4,363
Accounts receivable, net						242			242
Loans receivable						4,389			4,389
Other assets			13			46			46
Inventory			45			45			45
<b>Total Assets</b>	<b>\$</b>	<b><u>2,496</u></b>	<b><u>1,773</u></b>	<b><u>931</u></b>	<b><u>322</u></b>	<b><u>14,315</u></b>	<b><u>118</u></b>	<b><u>-</u></b>	<b><u>14,433</u></b>
<b>LIABILITIES AND FUND BALANCE</b>									
<b>Liabilities:</b>									
Accounts payable and accrued liabilities	\$	1,337	22	2	9	2,259			2,259
Due to other funds		38				487			487
Deferred revenue		693				5,810			5,810
<b>Total liabilities</b>		<b><u>2,068</u></b>	<b><u>22</u></b>	<b><u>2</u></b>	<b><u>9</u></b>	<b><u>8,556</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>8,556</u></b>
<b>Fund Balance:</b>									
<b>Reserved:</b>									
Encumbrances		87				445			445
Inventory			45			45			45
Trust purposes				929	313	1,242	118		1,360
<b>Unreserved:</b>									
Undesignated		341	1,706			4,027			4,027
<b>Total fund balance</b>		<b><u>428</u></b>	<b><u>1,751</u></b>	<b><u>929</u></b>	<b><u>313</u></b>	<b><u>5,759</u></b>	<b><u>118</u></b>	<b><u>-</u></b>	<b><u>5,877</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$</b>	<b><u>2,496</u></b>	<b><u>1,773</u></b>	<b><u>931</u></b>	<b><u>322</u></b>	<b><u>14,315</u></b>	<b><u>118</u></b>	<b><u>-</u></b>	<b><u>14,433</u></b>

## CITY OF WATERBURY, CONNECTICUT

## NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

## Special Revenue

	Public Safety Grants and Programs	Health Grants and Programs	Labor Grants and Programs	Housing Grants and Programs	Recreational Programs	Miscellaneous Grants and Programs	Special Projects	Waterbury Development Agency
Revenues:								
Intergovernmental	\$ 910	\$ 3,834	\$	\$ 2,378	\$	\$ 213	\$	\$
Investment income	8			3				
Charges for services	1,898	8			1,354	36		
Other	41		1	96	177	58		
Total revenues	<u>2,857</u>	<u>3,842</u>	<u>1</u>	<u>2,477</u>	<u>1,531</u>	<u>307</u>	<u>-</u>	<u>-</u>
Expenditures:								
General government						75	417	
Public works								
Public safety	2,575							
Development and community affairs				2,456				
Human services		3,767				179		
Education								
Culture and recreation					1,725			
Total expenditures	<u>2,575</u>	<u>3,767</u>	<u>-</u>	<u>2,456</u>	<u>1,725</u>	<u>254</u>	<u>417</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>282</u>	<u>75</u>	<u>1</u>	<u>21</u>	<u>(194)</u>	<u>53</u>	<u>(417)</u>	<u>-</u>
Other Financing Sources (Uses):								
Transfers in					303			
Transfers out		(255)	(196)			(15)	(270)	
Total other financing sources (uses)	<u>-</u>	<u>(255)</u>	<u>(196)</u>	<u>-</u>	<u>303</u>	<u>(15)</u>	<u>(270)</u>	<u>-</u>
Net Change in Fund Balances	282	(180)	(195)	21	109	38	(687)	-
Fund balance, July 1, 2007	<u>456</u>	<u>274</u>	<u>195</u>	<u>533</u>	<u>(337)</u>	<u>103</u>	<u>1,626</u>	<u>100</u>
Fund balance, June 30, 2008	<u>\$ 738</u>	<u>\$ 94</u>	<u>\$ -</u>	<u>\$ 554</u>	<u>\$ (228)</u>	<u>\$ 141</u>	<u>\$ 939</u>	<u>\$ 100</u>

(Continued on next page)



## CITY OF WATERBURY, CONNECTICUT

## NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2008  
(In Thousands)

## Special Revenue

	Educational Grants	Food Service	Silas Bronson Library	Expendable Trust Funds	Total	Permanent Trust Funds	Interfund Eliminations	Total Nonmajor Governmental Funds
Revenues:								
Intergovernmental	\$ 34,657	\$ 6,701	\$ 8	\$	\$ 48,701	\$	\$	\$ 48,701
Investment income			(24)	81	68	5		73
Charges for services	77	992	15		4,380			4,380
Other	59		27	68	527			527
Total revenues	<u>34,793</u>	<u>7,693</u>	<u>26</u>	<u>149</u>	<u>53,676</u>	<u>5</u>	<u>-</u>	<u>53,681</u>
Expenditures:								
General government					492			492
Public works				3	3			3
Public safety					2,575			2,575
Development and community affairs					2,456			2,456
Human services					3,946			3,946
Education	34,704	7,800		12	42,516			42,516
Culture and recreation			57	78	1,860			1,860
Total expenditures	<u>34,704</u>	<u>7,800</u>	<u>57</u>	<u>93</u>	<u>53,848</u>	<u>-</u>	<u>-</u>	<u>53,848</u>
Excess (Deficiency) of Revenues over Expenditures	<u>89</u>	<u>(107)</u>	<u>(31)</u>	<u>56</u>	<u>(172)</u>	<u>5</u>	<u>-</u>	<u>(167)</u>
Other Financing Sources (Uses):								
Transfers in					303		(3)	300
Transfers out	(61)	(373)			(1,170)		3	(1,167)
Total other financing sources (uses)	<u>(61)</u>	<u>(373)</u>	<u>-</u>	<u>-</u>	<u>(867)</u>	<u>-</u>	<u>-</u>	<u>(867)</u>
Net Change in Fund Balances	28	(480)	(31)	56	(1,039)	5	-	(1,034)
Fund balance, July 1, 2007	400	2,231	960	257	6,798	113	-	6,911
Fund balance, June 30, 2008	<u>\$ 428</u>	<u>\$ 1,751</u>	<u>\$ 929</u>	<u>\$ 313</u>	<u>\$ 5,759</u>	<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 5,877</u>

**CITY OF WATERBURY, CONNECTICUT**  
**GENERAL CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF CHANGES IN PROJECT FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	<u>Accounting</u> <u>Unit</u>	<u>Fund</u> <u>Balance</u> <u>July 1, 2007</u>	<u>Capital</u> <u>Grants</u>	<u>Investment</u> <u>Income</u>	<u>Other</u> <u>Income</u>	<u>Capital</u> <u>Outlay</u> <u>Expenditures</u>	<u>Internal</u> <u>Transfers</u> <u>In (Out)</u>	<u>External</u> <u>Transfers</u> <u>In (Out)</u>	<u>Fund</u> <u>Balance</u> <u>June 30, 2008</u>
Capital Projects and Programs:									
	60010	\$ 8	\$	\$	\$				8
	60015	8				8			-
	60020	2,180				1,073			1,107
	60030	127				46			81
	60060	17					(17)		-
	60075		6			6			-
	60076	(16)	3			(13)			-
	60085	772	542			297			1,017
	60106		1,032			1,033			(1)
	60115	593	197			1,692	540	1,100	738
	60120			39	12	751			(700)
☒	60125	(6)							(6)
	60145	35					(35)		-
	60146					15			(15)
	60180	3,760	23		43	1,636	(367)	2,054	3,877
	60181	96			187	57			226
	60182	(1,478)		54		3,010			(4,393)
	60184				26	97	52	880	861
	60185	2,567			17	1,859		1,593	2,318
	60221	132			54		(173)		13
	60225	336				127			209
	60226	1,084				85			999
	60233		230			230			-
	60234	1	53			67		13	-
	61000	31	13			13			31
	61001		14			14			-
	61008		48			48			-
	61011		281			281			-
	61012		87			87			-
	61013					551			(551)
	61035	3							3
	61050	64							64
Total		<u>\$ 10,314</u>	<u>\$ 2,529</u>	<u>\$ 93</u>	<u>\$ 380</u>	<u>\$ 13,070</u>	<u>-</u>	<u>\$ 5,640</u>	<u>\$ 5,886</u>

**CITY OF WATERBURY, CONNECTICUT**  
**EDUCATION CAPITAL IMPROVEMENT FUND**  
**STATEMENT OF CHANGES IN PROJECT FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2008**  
(In Thousands)

	<u>Accounting Unit</u>	<u>Fund Balance July 1, 2007</u>	<u>Capital Grants</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Capital Outlay Expenditures</u>	<u>Transfers In</u>	<u>Fund Balance June 30, 2008</u>
Capital Projects and Programs:								
	School Improvement Code Compliance	65005	\$ (1,898)	\$ 26	\$	\$ 149	\$	\$ (2,021)
	Kennedy Media Expansion	65020	836	2,398		3,219		15
	Crosby School	65025	1,397	3,950		5,319		28
	Wilby Addition	65030	1,397	3,937		5,306		28
	School Building Maintenance Program	65035.65040.65041	136					136
⊕	Consolidated Construction Grant	65050	(1,454)	278		234		(1,410)
	New Elementary School #1	65051	466	2,585	5	13	3,338	(269)
	New Elementary School #2	65052	711	363	9	6	436	653
	New Elementary School #3	65053	(179)	1,316	6	6	1,666	(517)
	Crosby/Wallace School	65054	(117)	3,373	6	6	4,553	(1,285)
	Alternative/Special Education School Facility	65055			14	4	11	7
	Kitchen Renovations	65060	(20)			181	373	172
	<b>Total</b>	<b>\$ 1,275</b>	<b>\$ 18,226</b>	<b>\$ 40</b>	<b>\$ 35</b>	<b>\$ 24,412</b>	<b>\$ 373</b>	<b>\$ (4,463)</b>

## **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, 2008**

(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>
<b>Assets:</b>						
Cash and cash equivalents	\$ 368	\$ 2,000	\$ 443	\$ 1,616	\$ 285	\$ 4,712
Investments	16,499		8,139	10,497	11,261	46,396
Receivables - other	297			43		340
Due from other funds				512		512
Total assets	<u>17,164</u>	<u>2,000</u>	<u>8,582</u>	<u>12,668</u>	<u>11,546</u>	<u>51,960</u>
<b>Liabilities:</b>						
<b>Current:</b>						
Accounts payable	27		160	55	5	247
<b>Risk management claim liabilities:</b>						
Current	4,533		1,382	5,995	2,500	14,410
Noncurrent			3,728	16,653	8,200	28,581
Total liabilities	<u>4,560</u>	<u>-</u>	<u>5,270</u>	<u>22,703</u>	<u>10,705</u>	<u>43,238</u>
<b>Net Assets:</b>						
Unrestricted	<u>\$ 12,604</u>	<u>\$ 2,000</u>	<u>\$ 3,312</u>	<u>\$ (10,035)</u>	<u>\$ 841</u>	<u>\$ 8,722</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, 2008

(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	\$ 55,768	\$	\$ 2,722	\$ 10,692	\$ 3,100	\$ 72,282
Charges for services	8,325					8,325
Other	1,555		33	127	10	1,725
Total operating revenues	<u>65,648</u>	<u>-</u>	<u>2,755</u>	<u>10,819</u>	<u>3,110</u>	<u>82,332</u>
Operating expenses:						
Benefits, claims, and administration:						
Paid	60,111		2,713	9,344	2,816	74,984
Claims incurred reported/unreported	53		314	1,768	(250)	1,885
Total operating expenses	<u>60,164</u>	<u>-</u>	<u>3,027</u>	<u>11,112</u>	<u>2,566</u>	<u>76,869</u>
Operating income (loss)	5,484	-	(272)	(293)	544	5,463
Nonoperating income:						
Investment income	356		59	287	182	884
Income (loss) before transfers	5,840	-	(213)	(6)	726	6,347
Transfers in (out)	<u>(2,000)</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	3,840	2,000	(213)	(6)	726	6,347
Total net assets, July 1, 2007	<u>8,764</u>	<u>-</u>	<u>3,525</u>	<u>(10,029)</u>	<u>115</u>	<u>2,375</u>
Total Net Assets, June 30, 2008	<u>\$ 12,604</u>	<u>\$ 2,000</u>	<u>\$ 3,312</u>	<u>\$ (10,035)</u>	<u>\$ 841</u>	<u>\$ 8,722</u>

## CITY OF WATERBURY, CONNECTICUT

## INTERNAL SERVICE FUNDS

## COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

	Health Benefits	OPEB Reserve	General Liability	Workers' Compensation	Heart and Hypertension	Total
Cash Flows from Operating Activities:						
Employer premiums	\$ 55,768	\$	\$ 2,722	\$ 10,407	\$ 3,100	\$ 71,997
Cash received from users and other	9,601		33	86	10	9,730
Cash paid to suppliers and other	<u>(60,104)</u>		<u>(2,621)</u>	<u>(9,365)</u>	<u>(2,816)</u>	<u>(74,906)</u>
Net cash provided by operating activities	<u>5,265</u>	<u>-</u>	<u>134</u>	<u>1,128</u>	<u>294</u>	<u>6,821</u>
Cash Flows from Noncapital Financing Activities:						
Transfers (to) from other funds	(2,000)	2,000				-
Advances (to) from other funds	<u>(3,323)</u>			<u>(2,224)</u>		<u>(5,547)</u>
Net cash provided by (used in) noncapital financing activities	<u>(5,323)</u>	<u>2,000</u>	<u>-</u>	<u>(2,224)</u>	<u>-</u>	<u>(5,547)</u>
Cash Flows from Investing Activities:						
Investment income	658		330	506	474	1,968
Net (purchases) and sales of investments	<u>(2,554)</u>		<u>(4,761)</u>	<u>1,895</u>	<u>(1,975)</u>	<u>(7,395)</u>
Net cash provided by (used in) investing activities	<u>(1,896)</u>	<u>-</u>	<u>(4,431)</u>	<u>2,401</u>	<u>(1,501)</u>	<u>(5,427)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,954)	2,000	(4,297)	1,305	(1,207)	(4,153)
Cash and Cash Equivalents, July 1, 2007	<u>2,322</u>	<u>-</u>	<u>4,740</u>	<u>311</u>	<u>1,492</u>	<u>8,865</u>
Cash and Cash Equivalents, June 30, 2008	<u>\$ 368</u>	<u>\$ 2,000</u>	<u>\$ 443</u>	<u>\$ 1,616</u>	<u>\$ 285</u>	<u>\$ 4,712</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Operating income (loss)	\$ 5,484	\$	\$ (272)	\$ (293)	\$ 544	\$ 5,463
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
(Increase) decrease in receivables	(279)			(41)		(320)
(Increase) decrease in due from other funds				(285)		(285)
Increase (decrease) in accounts payable	7		92	(21)		78
Increase (decrease) in risk management claim liabilities	<u>53</u>		<u>314</u>	<u>1,768</u>	<u>(250)</u>	<u>1,885</u>
Total adjustments	<u>(219)</u>	<u>-</u>	<u>406</u>	<u>1,421</u>	<u>(250)</u>	<u>1,358</u>
Net Cash Provided by Operating Activities	<u>\$ 5,265</u>	<u>\$ -</u>	<u>\$ 134</u>	<u>\$ 1,128</u>	<u>\$ 294</u>	<u>\$ 6,821</u>
Noncash Investing, Capital and Financing Activities:						
Net increase (decrease) in value of investments	<u>\$ (302)</u>	<u>\$ -</u>	<u>\$ (271)</u>	<u>\$ (219)</u>	<u>\$ (292)</u>	<u>\$ (1,084)</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, 2008

(In Thousands)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>Student Activities</b>				
Assets:				
Cash and cash equivalents	\$ <u>465</u>	\$ <u>1,107</u>	\$ <u>1,098</u>	\$ <u>474</u>
Liabilities:				
Deposits held for others	\$ <u>465</u>	\$ <u>1,107</u>	\$ <u>1,098</u>	\$ <u>474</u>
<b>Performance Bonds &amp; Escrow Accounts</b>				
Assets:				
Cash and cash equivalents	\$ <u>          </u>	\$ <u>2,449</u>	\$ <u>247</u>	\$ <u>2,202</u>
Liabilities:				
Deposits held for others	\$ <u>          </u>	\$ <u>2,449</u>	\$ <u>247</u>	\$ <u>2,202</u>
<b>Total Agency Funds</b>				
Assets:				
Cash and cash equivalents	\$ <u>465</u>	\$ <u>3,556</u>	\$ <u>1,345</u>	\$ <u>2,676</u>
Liabilities:				
Deposits held for others	\$ <u>465</u>	\$ <u>3,556</u>	\$ <u>1,345</u>	\$ <u>2,676</u>

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

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

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

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

## CITY OF WATERBURY, CONNECTICUT

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## COMPARATIVE SCHEDULE BY SOURCE

JUNE 30, 2008 AND 2007

(In Thousands)

	<u>2008</u>	<u>2007</u>
Governmental funds capital assets:		
Land and land improvements	\$ 24,771	\$ 20,434
Buildings and improvements	264,042	262,053
Infrastructure	127,990	124,882
Machinery and equipment	31,445	29,706
Vehicles	11,046	10,961
Construction in progress	<u>44,484</u>	<u>24,190</u>
Total	<u>\$ 503,778</u>	<u>\$ 472,226</u>
Investment in governmental funds capital assets	<u>\$ 503,778</u>	<u>\$ 472,226</u>

## CITY OF WATERBURY, CONNECTICUT

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## SCHEDULE BY FUNCTION AND ACTIVITY

JUNE 30, 2008

(In Thousands)

	<u>Total</u>	<u>Land</u>	<u>Land Improvements</u>	<u>Buildings and Improvements</u>	<u>Infrastructure</u>	<u>Machinery and Equipment</u>	<u>Vehicles</u>	<u>Construction In Progress</u>
General government	\$ 22,538	\$ 6,890	\$	\$ 39	\$	\$ 7,213	\$ 21	\$ 8,375
Public works	145,354	218	115	6,321	127,713	3,262	6,114	1,611
Public safety	53,954	1,392	446	31,866	277	15,533	3,151	1,289
Human services	148					55	93	
Education	227,111	1,880	2,447	186,940		3,450	1,084	31,310
Culture and recreation	<u>54,673</u>	<u>3,728</u>	<u>7,655</u>	<u>38,876</u>		<u>1,932</u>	<u>583</u>	<u>1,899</u>
Total	<u>\$ 503,778</u>	<u>\$ 14,108</u>	<u>\$ 10,663</u>	<u>\$ 264,042</u>	<u>\$ 127,990</u>	<u>\$ 31,445</u>	<u>\$ 11,046</u>	<u>\$ 44,484</u>

## CITY OF WATERBURY, CONNECTICUT

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

## SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2008

(In Thousands)

	<b>Governmental Funds Capital Assets July 1, 2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Governmental Funds Capital Assets June 30, 2008</b>
General government	\$ 19,248	\$ 3,312	\$ 22	\$ 22,538
Public works	141,748	3,926	320	145,354
Public safety	53,267	926	239	53,954
Human services	128	20		148
Education	205,774	23,364	2,027	227,111
Culture and recreation	<u>52,061</u>	<u>2,648</u>	<u>36</u>	<u>54,673</u>
Total	<u>\$ 472,226</u>	<u>\$ 34,196</u>	<u>\$ 2,644</u>	<u>\$ 503,778</u>



**Supplementary Data**

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

**FOR THE YEAR ENDED JUNE 30, 2008**

(In Thousands)

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Amount of Original Issue	Balance Outstanding July 1, 2007	Issued	Retired	Balance Outstanding June 30, 2008
GENERAL								
General Purpose:								
Washington Ave Bridge*	07/01/98	04/01/08	6.00	\$ 462	\$ 47		\$ 47	-
General Improvement	11/15/98	02/15/09	4.75	18,004	1,841		899	942
Special Capital Reserve Funds	04/01/02	04/01/22	4.0-5.5	82,075	21,055		2,000	19,055
Special Capital Reserve Funds	04/01/02	04/01/09	4.0-5.5	15,390	4,600		3,135	1,465
Refunding Bond	05/01/03	02/01/08	2.5-5.0	7,749	1,746		1,746	-
Refunding Bond - Parking Authority	05/01/03	02/01/08	2.5-5.0	653	148		148	-
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	17,833	16,678		677	16,001
Refunding Bond - Special Capital Reserves	10/01/04	04/01/17	2.0-5.0	25,365	25,305		80	25,225
Refunding Bond - Special Capital Reserves	02/15/07	02/15/22	3.8-4.5	27,055	27,055			27,055
Total					98,475	-	8,732	89,743
Schools:								
Schools	11/15/98	02/15/09	4.25-5.25	3,795	390		190	200
Refunding Bond	05/01/03	02/01/08	2.5-5.0	3,950	890		890	-
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	6,286	6,286		-	6,286
Total					7,566	-	1,080	6,486
Urban Renewal:								
Refunding Bond	05/01/03	02/01/08	2.5-5.0	540	122		122	-
Total general government bond and serial note indebtedness					106,163	-	9,934	96,229
BUSINESS TYPE ACTIVITIES								
Bureau of Waste Water Treatment:								
Platts Mill	11/15/98	02/15/09	4.25-5.25	1,326	135		67	68
Refunding Bond	05/01/03	02/01/08	2.5-5.0	438	99		99	-
Refunding Bond - 1998 & 2000	10/01/04	02/01/20	3.0-5.0	2,076	1,946		79	1,867
Clean Water Act**	08/30/95	08/31/15	2.0	4,008	1,277		178	1,099
Clean Water Act**	07/31/97	07/31/16	2.0	6,448	2,803		284	2,519
Clean Water Act**	12/31/00	06/30/20	2.0	69,647	49,373		3,359	46,014
Clean Water Act**	10/30/02	04/30/22	2.0	11,547	8,906		520	8,386
Clean Water Act**	11/30/03	04/30/23	2.0	2,424	2,038		111	1,927
Clean Water Act**	05/30/04	04/30/23	2.0	2,953	2,535		137	2,398
Clean Water Act**	06/30/04	07/31/20	2.0	1,138	952		64	888
Clean Water Act**	11/30/05	04/30/23	2.0	544	502		27	475
Clean Water Act**	06/29/07	07/31/20	2.0	226	226		15	211
Total business-type bond and serial note indebtedness					70,792	-	4,940	65,852
<b>TOTAL BOND AND SERIAL NOTES INDEBTEDNESS - PRIMARY GOVERNMENT</b>					<b>\$ 176,955</b>	<b>\$ -</b>	<b>\$ 14,874</b>	<b>\$ 162,081</b>

\* State of Connecticut serial notes payable - Bridge Program Loan Repayment

\*\* 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 SEVEN FISCAL YEARS

(In Thousands)

	<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	\$ 286,264	\$ 260,385	\$ 249,075	\$ 246,269	\$ 144,847	\$ 133,948	\$ 132,832
Restricted	8,839	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted	<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>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	114,283	109,922	106,803	106,155	104,785	100,080	111,721
Unrestricted	<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>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	400,547	370,307	355,878	352,424	249,632	234,028	244,553
Restricted	8,839	9,068	10,147	10,513	10,818	10,927	11,084
Unrestricted (deficit)	<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>\$ 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 SEVEN FISCAL YEARS

(In Thousands)

	2008	2007	2006	2005	2004	2003	2002
Expenses:							
Governmental activities:							
General government	\$ 117,786	\$ 103,968	\$ 107,929	\$ 107,452	\$ 108,402	\$ 100,559	\$ 95,564
Public works	30,477	26,567	24,465	23,167	22,473	22,137	13,401
Public safety	57,105	45,781	45,754	45,350	49,359	47,735	46,905
Development and community affairs	4,262	5,779	1,313	845			
Human services	3,189	4,370	7,203	5,593	6,115	6,469	10,608
Education	278,534	194,886	188,387	173,965	173,080	165,286	153,266
Culture and recreation	6,700	5,707	4,352	3,440	3,537	4,798	8,562
Interest on long-term debt	4,831	5,500	6,039	6,465	7,488	7,910	6,885
Total governmental activities expenses	502,884	392,558	385,442	366,277	370,454	354,894	335,191
Business-type activities:							
Bureau of Water	13,305	12,226	11,968	11,516	11,818	9,625	10,579
Water Pollution Control	17,383	16,732	16,731	16,122	16,081	14,333	16,359
Total business-type activities expenses	30,688	28,958	28,699	27,638	27,899	23,958	26,938
Total expenses	533,572	421,516	414,141	393,915	398,353	378,852	362,129
Program Revenues:							
Governmental activities:							
Charges for services	13,525	12,185	11,412	10,698	10,051	8,282	7,583
Operating grants and contributions	237,794	169,743	166,050	158,881	156,973	155,407	154,593
Capital grants and contributions	18,982	8,103	3,327	3,208	3,062	3,826	8,082
Total governmental activities program revenues	270,301	190,031	180,789	172,787	170,086	167,515	170,258
Business-type activities:							
Charges for services:							
Bureau of Water	9,828	10,834	11,474	10,557	11,847	11,934	13,152
Waste Treatment	16,624	17,319	19,117	16,964	21,453	21,089	21,328
Capital grants and contributions	605	609	583	742	1,777	1,388	1,049
Total business-type activities program revenues	27,057	28,762	31,174	28,263	35,077	34,411	35,529
Total program revenues	297,358	218,793	211,963	201,050	205,163	201,926	205,787
Net (expense) revenue:							
Governmental activities	(232,583)	(202,527)	(204,653)	(193,490)	(200,368)	(187,379)	(164,933)
Business-type activities	(3,631)	(196)	2,475	625	7,178	10,453	8,591
Total net cost of services	(236,214)	(202,723)	(202,178)	(192,865)	(193,190)	(176,926)	(156,342)

(Continued on next page)

## CITY OF WATERBURY, CONNECTICUT

## CHANGES IN NET ASSETS (CONTINUED)

## LAST SEVEN FISCAL YEARS

(In Thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General revenues and other changes in net assets:							
Governmental activities:							
Property taxes	\$ 192,161	\$ 194,581	\$ 187,818	\$ 181,973	\$ 178,227	\$ 179,980	\$ 164,403
Grants and contributions not restricted to specific programs	22,719	24,965	22,865	23,269	21,120	22,360	27,572
Unrestricted investment earnings	4,747	9,073	3,782	3,885	1,825	2,165	2,454
Other general revenues	517	513	689	917	428	278	3,164
Special item - State capital asset contributions				98,799			
Special item - Consolidation of Parking Authority					5,059		
Total governmental activities	<u>220,144</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	1,267	1,562	1,172	567	203	160	217
Other general revenues	520	144					
Special item - Mutual release agreement billing adjustment			(4,663)				
Total business-type activities	<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>221,931</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	(12,439)	26,605	10,501	115,353	6,291	17,404	32,660
Business-type activities	<u>(1,844)</u>	<u>1,510</u>	<u>(1,016)</u>	<u>1,192</u>	<u>7,381</u>	<u>10,613</u>	<u>8,808</u>
Total	<u>\$ (14,283)</u>	<u>\$ 28,115</u>	<u>\$ 9,485</u>	<u>\$ 116,545</u>	<u>\$ 13,672</u>	<u>\$ 28,017</u>	<u>\$ 41,468</u>

## Notes:

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

**CITY OF WATERBURY, CONNECTICUT**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST SEVEN FISCAL YEARS**  
(In Thousands)

	<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	\$ 1,000	\$ 2,958	\$ 2,000	\$ 4,112	\$ 7,222	\$ 8,860	\$ 8,250
Unreserved	<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>\$ 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	\$ 73,390	\$ 40,790	\$ 33,731	\$ 20,066	\$ 14,959	\$ 16,137	\$ 12,289
Unreserved, reported in:							
Special revenue funds	4,375	8,482	6,082	5,965	6,621	5,084	4,428
Capital projects funds	<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>\$ 15,127</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 SEVEN FISCAL YEARS**  
(In Thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues:</b>							
Property taxes	\$ 197,239	\$ 194,680	\$ 188,416	\$ 180,545	\$ 180,371	\$ 177,721	\$ 159,134
Intergovernmental	276,284	198,468	185,327	173,029	170,683	170,979	180,062
Investment income	3,881	5,395	3,855	2,242	1,405	1,551	1,718
Charges for services	11,699	13,033	12,349	11,402	9,986	7,234	6,688
Reimbursements	11,696	11,089	11,199	10,123	9,336	9,911	8,914
Other	4,404	2,617	1,630	2,330	2,832	3,192	3,471
Total revenues	<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>
<b>Expenditures:</b>							
General government	9,430	8,940	8,923	8,317	8,669	8,017	8,929
Public works	17,913	17,317	18,288	17,438	19,808	14,374	14,408
Public safety	45,942	44,590	43,493	45,592	47,702	44,358	45,439
Development and community affairs	3,508	5,372	1,313	845			
Human services	7,190	5,805	6,901	5,796	6,405	8,313	10,617
Education	261,290	193,906	182,797	170,880	171,271	165,833	151,732
Culture and recreation	3,809	3,576	3,330	3,433	3,546	5,185	5,835
General financial	119,107	109,777	105,434	101,458	94,568	89,358	85,708
Library and other						4,277	5,846
Capital outlay	37,482	20,604	14,041	10,285	10,549	5,883	5,816
<b>Debt service:</b>							
Principal	9,934	12,503	12,047	12,119	11,384	14,361 *	10,921 *
Interest	5,102	6,226	6,231	6,810	7,534		
Total expenditures	<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>(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>
<b>Other Financing Sources (Uses):</b>							
Transfers in	24,897	24,350	24,057	22,399	20,871	24,050	25,861
Transfers out	(24,897)	(24,476)	(24,057)	(22,399)	(20,871)	(27,058)	(38,188)
Bonds issued							97,465
Multi-year lease purchase agreements					1,356		
Refunding bonds issued		27,055		49,484		13,330	
Refunding bonds - payment to refunding bond escrow agent		(27,511)		(52,626)		(13,906)	
Bonds/Refunding bonds - net original issue premium		959		4,010		884	1,558
Bonds/Refunding bonds - cost of issuance and other bonding costs				(868)		(308)	(1,156)
Total Other Financing Sources (Uses)	<u>-</u>	<u>377</u>			<u>1,356</u>	<u>(3,008)</u>	<u>85,540</u>
Net Change in Fund Balances	<u>(15,504)</u>	<u>(2,957)</u>	<u>(22)</u>	<u>(3,302)</u>	<u>(5,467)</u>	<u>7,621</u>	<u>100,276</u>
Fund Balances, Beginning	<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>\$ 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>3.00%</u>	<u>4.58%</u>	<u>4.70%</u>	<u>5.08%</u>	<u>5.10%</u>	<u>4.06%</u>	<u>3.22%</u>

## Notes:

- (1) Schedule prepared on the modified accrual basis of accounting.
- (2) Data has not been presented for years prior to the implementation of GASB Statement No. 34 in 2002.

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

**CITY OF WATERBURY, CONNECTICUT**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**

**LAST TEN FISCAL YEARS**  
(In Thousands)

Fiscal Year	Grand List	Real Property				Motor Vehicle	Gross Taxable Grand List	Less Tax Exempt Property	Net Taxable Grand List	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
		Residential	Commercial Residential and Industrial	Personal Property							
2008	2006	\$ 2,094,622	\$ 869,171	\$ 339,594	\$ 354,931	\$ 3,658,318	\$ 124,056	\$ 3,534,262	\$ 5,048,945	70%	
2007	2005	2,059,673	828,849	327,271	341,500	3,557,293	78,397	3,478,896	4,969,850	70	
2006	2004	1,896,635	960,205	315,531	321,038	3,493,409	83,147	3,410,262	4,871,803	70	
2005	2003	1,843,847	985,444	309,025	295,291	3,433,607	90,368	3,343,239	4,776,056	70	
2004	2002	1,832,201	999,069	318,043	307,671	3,456,984	103,271	3,353,713	4,791,019	70	
2003	2001	1,720,167	1,020,610	331,191	307,535	3,379,503	111,796	3,267,707	4,668,153	70	
2002	2000	730,238	426,716	333,874	294,595	1,785,423	104,462	1,680,961	2,401,373	70	
2001	1999	724,140	433,081	308,592	287,553	1,753,366	103,368	1,649,998	2,357,140	70	
2000	1998	638,024	512,098	266,963	261,925	1,679,010	106,163	1,572,847	2,246,924	70	
1999	1997	638,713	511,861	267,345	261,090	1,679,009	106,862	1,572,147	2,245,924	70	

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

Notes:

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

TABLE 6

## CITY OF WATERBURY, CONNECTICUT

## PRINCIPAL PROPERTY TAXPAYERS

OCTOBER 1, 2006 AND OCTOBER 1, 1997

(In Thousands)

Taxpayer	Nature of Business	October 1, 2006			October 1, 1997		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
G G P Brass Mill Inc.	Retail	\$ 83,969	1	2.38%			
Conn. Light & Power Co.	Utility	44,902	2	1.27%	\$ 29,122	1	1.85%
Inland Southeast Naugatuck LLC	Retail	33,899	3	0.96%			
Yankee Gas Co.	Utility	33,289	4	0.94%	16,779	2	1.07%
Waterbury VF LLC	Retail	14,592	5	0.41%			
Thomaston Ave. Ctr LLC	Retail	12,112	6	0.34%			
Galilio Waterbury LLC	Retail	11,750	7	0.33%			
Olin Corp.	Leasing	10,204	8	0.29%	8,276	7	0.53%
Costco Wholesale Corp.	Retail	9,610	9	0.27%			
Target Corporation	Retail	9,082	10	0.26%			
Clydel Mfg. Co.	Manufacturing				7,063	9	0.45%
Center Bank	Bank				13,012	3	0.83%
Calabrese, Joe	Real Estate				9,691	4	0.62%
MacDermid	Chemicals				9,071	5	0.58%
Webster Bank	Bank				8,881	6	0.56%
Allegheny Ludlum Corp.	Manufacturing				7,470	8	0.48%
Truelove & Maclean Inc.	Manufacturing				6,711	10	0.43%
Total		\$ 263,409		7.45%	\$ 116,076		7.38%

Source: City of Waterbury Assessor's Office

**CITY OF WATERBURY, CONNECTICUT  
PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST NINE FISCAL YEARS**  
(In Thousands)

<b>Fiscal Year Ended June 30,</b>	<b>Grand List Year</b>	<b>Net Taxable Grand List</b>	<b>Mill Rate</b>	<b>Adjusted Tax Levy</b>	<b>Collected Within the Fiscal Year of Levy</b>		<b>Tax Collections in subsequent Years</b>	<b>Total Collections To Date</b>	
					<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2008	2006	\$ 3,534,262	\$ 55.49	\$ 197,161	\$ 190,108	96.42 %	\$	\$ 190,108	96.42 %
2007	2005	3,478,896	55.49	193,966	187,525	96.68	3,047	190,572	98.25
2006	2004	3,410,262	53.96	185,478	179,493	96.77	3,436	182,929	98.63
2005	2003	3,343,239	53.31	178,115	172,713	96.97	4,587	177,300	99.54
2004	2002	3,353,713	53.31	177,082	170,072	96.04	6,291	176,363	99.59
2003	2001	3,267,707	54.86	177,377	168,809	95.17	7,740	176,549	99.53
2002	2000	1,680,961	97.78	163,501	152,670	93.38	9,922	162,592	99.44
2001	1999	1,649,998	80.52	133,394	124,883	93.62	7,613	132,496	99.33
2000	1998	1,572,847	74.64	121,144	114,401	94.43	5,997	120,398	99.38

**CITY OF WATERBURY, CONNECTICUT**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**  
(In Thousands)

Fiscal Year	Governmental Activities				Business-Type Activities				Total	Ratio of Net Bonded Debt to Taxable Assessed Value	Net Bonded Debt Per Capita
	General Purpose	Schools	Urban Renewal	Capital Leases	Water	Sewer	Clean Water Fund Serial Notes				
2008	\$ 89,743	\$ 6,486	\$	\$ 243	\$	\$ 1,935	\$ 63,917	\$ 162,324	2.72%	\$ 885	
2007	98,475	7,566	122	824		2,180	68,612	177,779	3.05%	976	
2006	109,525	8,594	238	1,538		2,411	73,090	195,396	3.47%	1,084	
2005	120,478	9,578	348	2,220		2,575	77,633	212,832	3.90%	1,202	
2004	130,330	10,325	455	2,872	1,000	2,665	82,090	229,737	4.21%	1,305	
2003	140,196	11,105	540	2,537	2,000	2,833	79,748	238,959	4.65%	1,407	
2002	145,516	11,997	642	3,436	3,000	3,008	72,392	239,991	9.41%	1,472	
2001	53,025	12,795	731	4,709	4,000	3,170	75,862	154,292	4.03%	620	
2000	57,650	13,872	816	2,629	6,000	3,289	89,995	174,251	4.60%	674	
1999	40,196	25,197	898	5,541	8,000	2,055	63,603	145,490	4.22%	636	

Note:

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

## CITY OF WATERBURY, CONNECTICUT

## STATEMENT OF DEBT LIMITATION

JUNE 30, 2008

(In Thousands)

Total tax collections (including interest and penalties)	\$ 197,144
State reimbursement for:	
Tax relief for elderly - freeze	<u>20</u>
Total	<u>\$ 197,164</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	\$ 443,619	\$	\$	\$	\$
4-1/2		887,238			
3-3/4			739,365		
3-1/4				640,783	
3					591,492
	<u>443,619</u>	<u>887,238</u>	<u>739,365</u>	<u>640,783</u>	<u>591,492</u>
Total debt limitation	<u>443,619</u>	<u>887,238</u>	<u>739,365</u>	<u>640,783</u>	<u>591,492</u>
Debt as defined by Statute:					
Bonds payable	89,743	6,486	1,935		
Serial notes payable			63,917		
Bonds authorized and unissued	44,830	107,877			
School building grants		(80,883)			
	<u>134,573</u>	<u>33,480</u>	<u>65,852</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>134,573</u>	<u>33,480</u>	<u>65,852</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 309,046</u>	<u>\$ 853,758</u>	<u>\$ 673,513</u>	<u>\$ 640,783</u>	<u>\$ 591,492</u>

## NOTES:

- (1) In no event shall total debt exceed seven times annual receipts from taxation - \$1,380,148.
- (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 \$80,883 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.

## CITY OF WATERBURY, CONNECTICUT

## OUTSTANDING BOND AUTHORIZATIONS

JUNE 30, 2008

(In Thousands)

<u>Project Description</u>	<u>Date Authorized</u>	<u>Total Authorized</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 Improvement Projects	08/09/06	\$ 8,930	\$ 5,000	\$	\$ 3,930	\$
City Hall Improvements	05/31/07	35,900	1,500		34,400	
Golf Course Equipment	12/10/07	751			751	
Police Parking Garage	12/10/07	2,671			2,671	
Police Facility Projects	12/10/07	819			819	
Education:						
84 Special Education Facility**	11/19/07	14,635	500		14,135	10,593
New Elementary School #1*	06/25/04	31,900	1,000	1,787	29,113	24,723
New Elementary School #2*	06/25/04	31,900	1,000	788	30,112	24,723
New Elementary School #3*	06/25/04	31,900	1,000	1,745	29,155	24,723
Crosby Media Center*	06/25/04	5,800		3,938	1,862	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
Pension:						
Past Benefit Obligation	02/11/08	<u>350,000</u>			<u>350,000</u>	
Total		\$ <u>620,452</u>	\$ <u>10,000</u>	\$ <u>8,258</u>	\$ <u>602,194</u>	<u>171,833</u>

\* 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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Debt limit	\$ 1,380,148	\$ 1,364,321	\$ 1,322,804	\$ 1,265,096	\$ 1,263,360	\$ 1,251,838	\$ 1,108,660	\$ 907,291	\$ 816,574	\$ 834,300
Total net debt applicable to limit	<u>233,905</u>	<u>202,451</u>	<u>217,598</u>	<u>232,660</u>	<u>248,086</u>	<u>276,677</u>	<u>294,048</u>	<u>275,404</u>	<u>96,495</u>	<u>102,473</u>
Legal Debt Margin	<u>\$ 1,146,243</u>	<u>\$ 1,161,870</u>	<u>\$ 1,105,206</u>	<u>\$ 1,032,436</u>	<u>\$ 1,015,274</u>	<u>\$ 975,161</u>	<u>\$ 814,612</u>	<u>\$ 631,887</u>	<u>\$ 720,079</u>	<u>\$ 731,827</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	<u>16.95%</u>	<u>14.84%</u>	<u>16.45%</u>	<u>18.39%</u>	<u>19.64%</u>	<u>22.10%</u>	<u>26.52%</u>	<u>30.35%</u>	<u>11.82%</u>	<u>12.28%</u>
Calculation of Continuing Disclosure Agreement Ratios:										
Total indebtedness per legal debt limit calculation	\$ 233,905	\$ 202,451								
Bond anticipation notes	10,000									
Less authorized and unissued debt	<u>(71,824)</u>	<u>(25,496)</u>								
Total direct debt	172,081	176,955								
Less water and sewer indirect self-funding debt	<u>(65,852)</u>	<u>(70,792)</u>								
Total Net Direct Debt	<u>\$ 106,229</u>	<u>\$ 106,163</u>								
Total direct debt as a percentage of State Equalized grand list	N/A	2.2%								
Total direct debt per capita	\$ 1,582	\$ 1,627								
Total net debt as a percentage of State Equalized grand list	N/A	1.3%								
Total net debt per capita	\$ 977	\$ 976								

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

(2) The City has no overlapping debt.

(N/A) October 1, 2006 Equalized Grand List is not available



**CITY OF WATERBURY, CONNECTICUT**  
**DEMOGRAPHIC AND EMPLOYMENT STATISTICS**

**LAST TEN CALENDAR YEARS**  
(In Thousands)

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Enrollment (2)</u>	<u>Income (3)</u>	<u>Labor Force</u>		<u>Percentage Unemployed (4)</u>			
				<u>Employed (4)</u>	<u>Unemployed (4)</u>	<u>City of Waterbury</u>	<u>Waterbury Labor Market</u>	<u>State of Connecticut</u>	<u>United States</u>
2008	108,751	18,524	18,117	45,940	5,211	10.2%	8.4%	6.4%	6.1%
2007	108,751	18,284	18,117	46,354	3,677	7.3	5.9	4.6	4.7
2006	109,192	18,211	18,117	46,495	3,396	6.8	5.5	4.3	4.6
2005	108,487	18,102	17,701	46,066	3,940	7.9	6.3	4.9	4.9
2004	108,130	17,915	17,701	45,838	3,829	7.7	6.3	4.6	5.8
2003	107,883	17,714	17,701	48,684	4,907	9.2	7.3	5.5	6.5
2002	107,413	17,411	14,209	48,917	4,076	7.7	6.0	4.3	5.4
2001	107,413	16,762	14,209	48,303	3,095	6.0	4.6	3.3	4.7
2000	107,271	16,280	14,209	50,159	1,908	3.7	2.8	2.3	3.8
1999	104,263	15,782	14,209	49,553	2,507	4.8	3.8	3.2	4.3

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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

## CITY OF WATERBURY, CONNECTICUT

## PRINCIPAL EMPLOYERS

## CALENDAR YEAR 2007 AND 1998

Business Name	Nature of Business	2007			1998		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Waterbury	Government	3,739	1	8.07%	2,928	1	5.91%
Waterbury Hospital	Medical	1,541	2	3.32%	1,650	2	3.33%
St Mary's Hospital	Medical	1,279	3	2.76%	1,340	4	2.70%
State of Connecticut	Government	1,225	4	2.64%	1,574	3	3.18%
AT&T	Communications	400	5	0.86%	514	5	1.04%
Naugatuck Valley Community College	Education	384	6	0.83%			
United States Postal Service	Government	270	7	0.58%	450	6	0.91%
Webster Bank	Financial	256	8	0.55%			
Waterbury Republican	Newspaper Publisher	252	9	0.54%	266	10	0.54%
MacDermid Inc	Chemicals	217	10	0.47%	315	9	0.64%
Voltarc Technologies	Electrical				324	7	0.65%
VNA Healthcare	Health Care				320	8	0.65%
Total		9,563		20.63%	9,681		19.55%

## CITY OF WATERBURY, CONNECTICUT

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

## LAST SEVEN FISCAL YEARS

(In Thousands)

<u>Function/Program</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government	1,095	1,084	1,098	1,140	1,152	1,333	1,347
Board of Education	2,157	2,265	2,231	2,193	2,164	2,132	2,173
Grant Funded	339	346	353	379	423	335	233
Total	<u>3,591</u>	<u>3,695</u>	<u>3,682</u>	<u>3,712</u>	<u>3,739</u>	<u>3,800</u>	<u>3,753</u>

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

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

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

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