OFFICIAL STATEMENT DATED AUGUST 11, 2010

New Issue - Book Entry Only

Ratings (See "Ratings" herein): **Bonds:** Standard & Poor's Underlying "A-" / Insured "AAA" (negative outlook)
Moody's Underlying "A1" / Insured "Aa3" (negative outlook)
Fitch Underlying "A+"
Notes: Standard & Poor's "SP-1+"

TAX-EXEMPT / TAXABLE

In the opinion of Bond Counsel, based on existing statutes and court decisions and rendered in reliance upon and assuming the material accuracy of representations and continuing compliance by the City of Waterbury with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2010 Subseries A Bonds and the Notes (as hereinafter defined) is excludable from the gross income of the owners thereof for Federal income tax purposes and will not be treated as an item of tax preference for purposes of computing the Federal alternative minimum tax for individuals and corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds (as hereinafter defined) is not excluded from the gross income of the owners thereof for Federal income tax purposes. Bond Counsel is also of the opinion that under current law, interest on the Bonds and Notes (as hereinafter defined) is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds or Notes. See "TAX MATTERS – Tax Exemption of the 2010 Subseries A Bonds and Notes" and "TAX MATTERS – Tax Status of the 2010 Subseries B Bonds, 2010 Subseries C Bonds and 2010 Subseries D Bonds" herein regarding certain other tax considerations.

CITY OF WATERBURY, CONNECTICUT
$45,000,000
GENERAL OBLIGATION BONDS, SERIES 2010

$8,125,000 2010 Subseries A (Tax-Exempt Bonds)
$8,000,000 2010 Subseries B (Federally Taxable – Issuer Subsidy – Build America Bonds)
$24,175,000 2010 Subseries C (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds)
$4,700,000 2010 Subseries D (Federally Taxable – Issuer Subsidy – Qualified Energy Conservation Bonds)

Dated: Date of Delivery **Due: September 1, as detailed on inside cover**

The $8,125,000 2010 Subseries A Bonds (Tax-Exempt Bonds) (the "2010 Subseries A Bonds"), the $8,000,000 2010 Subseries B Bonds (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "2010 Subseries B Bonds"), the $24,175,000 2010 Subseries C Bonds (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds) (the "2010 Subseries C Bonds") and the $4,700,000 2010 Subseries D Bonds (Federally Taxable – Issuer Subsidy – Qualified Energy Conservation Bonds) (the "2010 Subseries D Bonds" and, together with the 2010 Subseries A Bonds, the 2010 Subseries B Bonds, and the 2010 Subseries C Bonds, collectively, the "Bonds") will be general obligations of the City of Waterbury, Connecticut (the "City"), and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due (see "SECURITY AND REMEDIES" herein).

The Bonds are being issued pursuant to an Indenture of Trust dated September 1, 2008, as amended and supplemented (the "Indenture"), by and between the City and U.S. Bank National Association, as Trustee (the "Trustee").

See "THE BONDS – Redemption" herein for information on redemption prior to the Bonds' stated maturity.

Interest on the Bonds will be payable semi-annually on the first day of March and September in each year until maturity as shown on the inside cover, commencing March 1, 2011. The Bonds will bear interest at the rates per annum and will mature on September 1st of the years and in the amounts set forth in the table on the inside cover of this Official Statement.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)**.

ASSURED GUARANTY® MUNICIPAL

The Bonds will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form, in principal amounts of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

$8,750,000
General Obligation Bond Anticipation Notes, Series 2010

Dated: September 1, 2010 **Due: August 31, 2011**

The Notes will be general obligations of the City, secured by the pledge of the City's full faith and credit. See "SECURITY AND REMEDIES" herein.

The Notes will be issued by means of a book-entry-only system without coupons and will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York. DTC will act as securities depository for the Notes. Beneficial Owners of the Notes will not receive certificates representing their ownership interest in the Notes. Principal of and interest on the Notes will be payable by the City or its agent to DTC or its nominee as registered owner of the Notes. Ownership of the Notes may be in principal amounts of $5,000 or integral multiples thereof. So long as Cede & Co. is the Noteowner, as nominee of DTC, reference herein to the Noteowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM" herein.) The Notes are not subject to redemption prior to maturity.

Interest and principal on the Notes will be payable at maturity.

The Notes are being issued pursuant to the Indenture. The Registrar, Transfer Agent, Certifying Agent and Paying Agent in respect to the Bonds and the Notes will be U.S. Bank National Association, Hartford, Connecticut.

The Bonds and Notes are offered for delivery when, as and if issued and received by William Blair & Company, L.L.C., Chicago, Illinois (the "Underwriter"), subject to the final approving opinion of Shipman & Goodwin LLP, Hartford, Connecticut, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Updike, Kelly & Spellacy, P.C., Hartford, Connecticut. It is expected that delivery of the Bonds and Notes in book-entry-only form will be made through the facilities of DTC on or about September 1, 2010.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

William Blair & Company

MATURITY SCHEDULE

2010 Subseries A (Tax-Exempt Bonds)

Maturity	Principal Amount	Interest Rate (%)	Yield (%)	CUSIP	Maturity	Principal Amount	Interest Rate (%)	Yield (%)	CUSIP
2011	$2,000,000	2.000	0.520	941247 N87	2013	$2,000,000	2.000	1.510	941247 P28
2012	2,125,000	2.000	1.210	941247 N95	2014	2,000,000	2.000	1.710	941247 P36

2010 Subseries B (Federally Taxable – Issuer Subsidy – Build America Bonds)

Maturity	Principal Amount	Interest Rate (%)	Yield (%)	CUSIP	Maturity	Principal Amount	Interest Rate (%)	Yield (%)	CUSIP
2015	$2,000,000	2.876	2.876	941247 P44	2017	$2,000,000	3.668	3.668	941247 P69
2016	2,000,000	3.218	3.218	941247 P51	2018	2,000,000	3.940	3.940	941247 P77

2010 Subseries C (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds)

Maturity	Principal Amount	Interest Rate (%)	Yield (%)	CUSIP	Maturity	Principal Amount	Interest Rate (%)	Yield (%)	CUSIP
2019	$2,000,000	4.190	4.190	941247 P85	2022	$2,500,000	4.790	4.790	941247 Q35
2020	2,175,000	4.440	4.440	941247 P93	2023	2,500,000	4.940	4.940	941247 Q43
2021	2,500,000	4.590	4.590	941247 Q27	2024	2,500,000	5.140	5.140	941247 Q50

$10,000,000 6.098% Term Bond Due September 1, 2030 – Yield 6.098% (CUSIP 941247 Q68)

MANDATORY SINKING FUND REDEMPTION SCHEDULE – TERM BOND DUE SEPTEMBER 1, 2030

Year	Amount
2025	$2,500,000
2028	2,500,000
2029	2,500,000
2030*	2,500,000

**Final Maturity*

2010 Subseries D (Federally Taxable – Issuer Subsidy – Qualified Energy Conservation Bonds)

$4,700,000 5.628% Term Bond Due September 1, 2027 – Yield 5.628% (CUSIP 941247 Q76)

MANDATORY SINKING FUND REDEMPTION SCHEDULE – TERM BOND DUE SEPTEMBER 1, 2027

Year	Amount
2026	$2,300,000
2027*	2,400,000

**Final Maturity*

BOND ANTICIPATION NOTES MATURITY SCHEDULE

Maturity	Principal	Interest Rate	Yield	CUSIP
August 31, 2011	$8,750,000	2.000%	0.480%	941247 Q84

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy, nor shall there be any sale of the Bonds or Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter for the Bonds and Notes has reviewed the information in this Official Statement in accordance with and as part of its responsibility to investors under Federal securities laws as applied to the facts and circumstances of this transaction but the Underwriter does not guarantee the accuracy or completeness of such information and it makes no representation that it has independently verified the same.

The independent auditors for the City were not engaged to review this Official Statement. The independent auditors are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendix A "Auditor's Report" herein) and they make no representation that they have independently verified the same.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendix C-1 "Form of Opinion of Bond Counsel for the 2010 Subseries A Bonds", C-2 "Form of Opinion of Bond Counsel for the 2010 Subseries B Bonds, C-3 "Form of Opinion of Bond Counsel for the 2010 Subseries C Bonds and C-4 "Form of Opinion of Bond Counsel for the 2010 Subseries D Bonds" and Appendix C-5 "Form of Opinion of Bond Counsel for the Notes" herein) and it makes no representation that it has independently verified the same.

Where the constitution or statutes of the State of Connecticut are referred to, reference should be made to such constitution or statutes for a complete statement of the matters referred to herein. Any statements which are contained in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. Prospective financial information is to be based on assumptions believed to be reasonable, however there is no assurance that the prospective financial information will prove to be accurate. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds or Notes.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof or any earlier date as of which any information contained herein is given. This Official Statement is submitted in connection with the sale of the Bonds and Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The Bonds and Notes have not been registered under the Securities Act of 1933, as amended, and the Indenture (as defined herein) has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. In addition, the Bonds and Notes have not been registered under any state securities laws.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

This information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has no material change in the affairs of the City since the date of this Official Statement.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy".

IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OR NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT PRIOR NOTICE.

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TABLE OF CONTENTS

BOND ISSUE SUMMARY – 2010 SUBSERIES A BONDS

The information in this Summary Statement, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer	City of Waterbury, Connecticut (the "City")
Issue	$8,125,000 General Obligation Bonds, 2010 Subseries A (Tax-Exempt Bonds) (the "2010 Subseries A Bonds")
Dated Date	Date of Delivery
Interest Due	Payable semi-annually on the first day of March and September in each year until maturity, commencing March 1, 2011.
Principal Due	Serially, September 1, 2011 through September 1, 2014, as detailed on the inside cover page.
Purpose	The 2010 Subseries A Bonds are being issued to finance various road, school facilities and municipal improvements.
Redemption	The 2010 Subseries A Bonds are not subject to optional redemption prior to maturity.
Security	The 2010 Subseries A Bonds will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the 2010 Subseries A Bonds when due.
Credit Rating	See "Ratings" herein.
Tax Exemption	See Appendix C-1 "Form of Opinion of Bond Counsel for the 2010 Subseries A Bonds" and "TAX MATTERS – Tax Exemption of the 2010 Subseries A Bonds and Notes" herein.
Bank Qualification	The 2010 Subseries A Bonds shall <u>NOT</u> be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the 2010 Subseries A Bonds.
Availability of Continuing Disclosure	See Appendix B-1 "Form of Continuing Disclosure Agreement for the Bonds" herein.
Trustee	U.S. Bank National Association, Hartford, Connecticut
Certification, Transfer Agent, Registrar and Paying Agent	U.S. Bank National Association, Hartford, Connecticut
Financial Advisor…………………	Webster Bank, National Association, Waterbury, Connecticut
Underwriter………………………..	William Blair & Company, LLC
Legal Opinion	Shipman & Goodwin LLP, Hartford, Connecticut will serve as bond counsel.
Delivery and Payment	It is expected that delivery of the 2010 Subseries A Bonds in book-entry-only form will be made to The Depository Trust Company on or about September 1, 2010 against payment in Federal Funds.
Issuer Official	For further information regarding this Official Statement and the City contact: Mr. Michael LeBlanc, Finance Director, City Hall, 236 Grand Street, Waterbury, CT 06702.

BOND ISSUE SUMMARY – 2010 SUBSERIES B BONDS

The information in this Summary Statement, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer	City of Waterbury, Connecticut (the "City")
Issue	$8,000,000 General Obligation Bonds, 2010 Subseries B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "2010 Subseries B Bonds")
Dated Date..	Date of Delivery
Interest Due......................................	Payable semi-annually on the first day of March and September in each year until maturity, commencing March 1, 2011.
Principal Due	Serially, September 1, 2015 through September 1, 2018, as detailed on the inside cover page.
Purpose	The 2010 Subseries B Bonds are being issued to finance various road, school facilities and municipal improvements.
Redemption......................................	The 2010 Subseries B Bonds are subject to redemption prior to maturity. (See "THE BONDS – Redemption" herein).
Security...	The 2010 Subseries B Bonds will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the 2010 Subseries B Bonds when due.
Credit Rating	See "Ratings" herein.
Tax Exemption	See Appendix C-2 "Form of Opinion of Bond Counsel for the 2010 Subseries B Bonds" and "TAX MATTERS – Tax Status of the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds" herein.
Bank Qualification	The 2010 Subseries B Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the 2010 Subseries B Bonds.
Availability of Continuing Disclosure	See Appendix B-1 "Form of Continuing Disclosure Agreement for the Bonds" herein.
Trustee..	U.S. Bank National Association, Hartford, Connecticut
Certification, Transfer Agent, Registrar and Paying Agent	U.S. Bank National Association, Hartford, Connecticut
Financial Advisor…………………	Webster Bank, National Association, Waterbury, Connecticut
Underwriter………………………..	William Blair & Company, LLC
Legal Opinion	Shipman & Goodwin LLP, Hartford, Connecticut will serve as bond counsel.
Delivery and Payment.....................	It is expected that delivery of the 2010 Subseries B Bonds in book-entry-only form will be made to The Depository Trust Company on or about September 1, 2010 against payment in Federal Funds.
Issuer Official	For further information regarding this Official Statement and the City contact: Mr. Michael LeBlanc, Finance Director, City Hall, 236 Grand Street, Waterbury, CT 06702.

BOND ISSUE SUMMARY – 2010 SUBSERIES C BONDS

The information in this Summary Statement, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer	City of Waterbury, Connecticut (the "City")
Issue	$24,175,000 General Obligation Bonds, 2010 Subseries C (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds) (the "2010 Subseries C Bonds")
Dated Date	Date of Delivery
Interest Due	Payable semi-annually on the first day of March and September in each year until maturity, commencing March 1, 2011.
Principal Due	Serially, September 1, 2019 through September 1, 2024, and Term Bond due September 1, 2030, as detailed on the inside cover page.
Purpose	The 2010 Subseries C Bonds are being issued to finance the construction of road improvements, the renovation of City Hall and the purchase of the Wachovia building.
Redemption	The 2010 Subseries C Bonds are subject to redemption and mandatory sinking fund redemption prior to maturity as more fully described herein. (See "THE BONDS – Redemption" herein.)
Security	The 2010 Subseries C Bonds will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the 2010 Subseries C Bonds when due.
Credit Rating	See "Ratings" herein.
Tax Exemption	See Appendix C-3 "Form of Opinion of Bond Counsel for the 2010 Subseries C Bonds" and "TAX MATTERS – Tax Status of the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds" herein.
Bank Qualification	The 2010 Subseries C Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the 2010 Subseries C Bonds.
Availability of Continuing Disclosure	See Appendix B-1 "Form of Continuing Disclosure Agreement for the Bonds" herein.
Trustee	U.S. Bank National Association, Hartford, Connecticut
Certification, Transfer Agent, Registrar and Paying Agent	U.S. Bank National Association, Hartford, Connecticut
Financial Advisor	Webster Bank, National Association, Waterbury, Connecticut
Underwriter	William Blair & Company, LLC
Legal Opinion	Shipman & Goodwin LLP, Hartford, Connecticut will serve as bond counsel.
Delivery and Payment	It is expected that delivery of the 2010 Subseries C Bonds in book-entry-only form will be made to The Depository Trust Company on or about September 1, 2010 against payment in Federal Funds.
Issuer Official	For further information regarding this Official Statement and the City contact: Mr. Michael LeBlanc, Finance Director, City Hall, 236 Grand Street, Waterbury, CT 06702.

BOND ISSUE SUMMARY – 2010 SUBSERIES D BONDS

The information in this Summary Statement, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer	City of Waterbury, Connecticut (the "City")
Issue	$4,700,000 General Obligation Bonds, 2010 Subseries D (Federally Taxable – Issuer Subsidy – Qualified Energy Conservation Bonds) (the "2010 Subseries D Bonds")
Dated Date..	Date of Delivery
Interest Due......................................	Payable semi-annually on the first day of March and September in each year until maturity, commencing March 1, 2011.
Principal Due	Term bond due September 1, 2027, as detailed on the inside cover page.
Purpose	The 2010 Subseries D Bonds are being issued to finance improvements resulting in energy savings within the City Hall renovation project and the Silas Bronson library project.
Redemption......................................	The 2010 Subseries D Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as more fully described herein. (See "THE BONDS – Redemption" herein.)
Security...	The 2010 Subseries D Bonds will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the 2010 Subseries D Bonds when due.
Credit Rating	See "Ratings" herein.
Tax Exemption	See Appendix C-4 "Form of Opinion of Bond Counsel for the 2010 Subseries B Bonds" and "TAX MATTERS – Tax Status of the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds" herein.
Bank Qualification	The 2010 Subseries D Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the 2010 Subseries D Bonds.
Availability of Continuing Disclosure	See Appendix B-1 "Form of Continuing Disclosure Agreement for the Bonds" herein.
Trustee..	U.S. Bank National Association, Hartford, Connecticut
Certification, Transfer Agent, Registrar and Paying Agent	U.S. Bank National Association, Hartford, Connecticut
Financial Advisor…………………	Webster Bank, National Association, Waterbury, Connecticut
Underwriter………………………..	William Blair & Company, LLC
Legal Opinion	Shipman & Goodwin LLP, Hartford, Connecticut will serve as bond counsel.
Delivery and Payment.....................	It is expected that delivery of the 2010 Subseries D Bonds in book-entry-only form will be made to The Depository Trust Company on or about September 1, 2010 against payment in Federal Funds.
Issuer Official	For further information regarding this Official Statement and the City contact: Mr. Michael LeBlanc, Finance Director, City Hall, 236 Grand Street, Waterbury, CT 06702.

NOTE ISSUE SUMMARY

The information in this Summary Statement, the front cover page and inside cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed decision. The Official Statement speaks only as of its date and the information herein is subject to change.

Issuer	City of Waterbury, Connecticut (the "City")
Issue	$8,750,000 General Obligation Bond Anticipation Notes, Series 2010 (the "Notes")
Dated Date..	Date of Delivery
Interest Due..	At maturity, August 31, 2011
Principal Due	August 31, 2011
Purpose	The Notes are being issued to finance the construction and renovation of educational facilities, the renovation of City Hall, and the construction of various water system improvements.
Redemption..	The Notes are <u>NOT</u> subject to redemption.
Security..	The Notes will be general obligations of the City of Waterbury, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating	See "Ratings" herein.
Tax Exemption	See Appendix C-5 "Form of Opinion of Bond Counsel for the Notes" and "TAX MATTERS– Tax Exemption of the 2010 Subseries A Bonds and Notes" herein.
Bank Qualification	The Notes shall <u>NOT</u> be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Notes.
Availability of Continuing Disclosure	See Appendix B-2 "Form of Continuing Disclosure Agreement for the Notes" herein.
Certification, Transfer Agent, Registrar and Paying Agent	U.S. Bank National Association, Hartford, Connecticut
Financial Advisor…………………	Webster Bank, National Association, Waterbury, Connecticut
Underwriter………………………..	William Blair & Company, LLC
Legal Opinion	Shipman & Goodwin LLP, Hartford, Connecticut will serve as bond counsel.
Delivery and Payment.....................	It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about September 1, 2010 against payment in Federal Funds.
Issuer Official	For further information regarding this Official Statement and the City contact: Mr. Michael LeBlanc, Finance Director, City Hall, 236 Grand Street, Waterbury, CT 06702.

INTRODUCTION

This Official Statement is provided for the purpose of presenting certain information relating to the City of Waterbury, Connecticut (the "City") (see "THE ISSUER" herein) in connection with the City's sale of $8,125,000 General Obligation Bonds, 2010 Subseries A (Tax-Exempt Bonds) (the "2010 Subseries A Bonds"), $8,000,000 General Obligation Bonds, 2010 Subseries B (Federally Taxable – Issuer Subsidy – Build America Bonds) (the "2010 Subseries B Bonds"), $24,175,000 General Obligation Bonds, 2010 Subseries C (Federally Taxable – Issuer Subsidy – Recovery Zone Economic Development Bonds) (the "2010 Subseries C Bonds"), and $4,700,000 General Obligation Bonds, 2010 Subseries D (Federally Taxable – Issuer Subsidy – Qualified Energy Conservation Bonds) (the "2010 Subseries D Bonds") (collectively, the "Bonds") and $8,750,000 General Obligation Bond Anticipation Notes, Series 2010 (the "Notes"). The proceeds from the Bonds and Notes are expected to be used to finance various capital projects of the City and to pay costs of issuance associated with the Bonds and Notes. The City has the power to incur indebtedness by issuing bonds and notes as provided by the Connecticut General Statutes.

The Bonds are being issued through a negotiated sale with the Underwriter, William Blair & Company, LLC, Chicago, Illinois. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of this information.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds or Notes. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. References to statutes, charters, or other laws herein may not be complete and are qualified in their entirety by reference to the original documents and such provisions of law are subject to repeal or amendment.

AUTHORIZATION

The Bonds and Notes are issued pursuant to the Connecticut General Statutes, as amended, the Charter of the City of Waterbury and various resolutions adopted by the Board of Aldermen, as described herein.

THE BONDS

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the inside cover, payable semiannually on March 1 and September 1 in each year until maturity, commencing March 1, 2011. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of February and August (or the preceding business day if such fifteenth day is not a business day), in each year by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree. The Bonds are issuable only as fully registered bonds in book-entry form in denominations of $5,000 or any integral multiple thereof. The Bonds will mature as shown on the inside cover of this Official Statement. The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut which will also act as the Registrar, Transfer Agent, and Paying Agent.

DESIGNATION OF 2010 SUBSERIES B BONDS AS BUILD AMERICA BONDS

The federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the "Recovery Act") permits the City to issue taxable bonds referred to as "Build America Bonds" to finance certain capital expenditures for which it could otherwise issue tax-exempt bonds, and to elect to receive payments from the federal government equal to 35% of the corresponding interest payable on such taxable bonds (the "BAB Subsidy Payments"). The City elects to designate the 2010 Subseries B Bonds as "Build America Bonds" for purposes of the Recovery Act and to receive BAB Subsidy Payments from the United States Treasury in connection therewith. BAB Subsidy Payments for the 2010 Subseries B Bonds will be paid to the City on or about each interest payment date; the holders of the 2010 Subseries B Bonds are not entitled to a tax credit. Such BAB Subsidy Payments are not pledged to pay the 2010 Subseries B Bonds, nor is their receipt by the City a condition of payment of any portion of the principal and interest on the 2010 Subseries B Bonds.

DESIGNATION OF 2010 SUBSERIES C BONDS AS RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS

The City elects to designate the 2010 Subseries C Bonds as "Recovery Zone Economic Development Bonds" under Section 1400U-2 of the Internal Revenue Code of 1986, as amended (the "Code"). On July 19, 2010, the Board of Aldermen of the City adopted a resolution designating the City as a "recovery zone" as described in Section 1400U-1(b) of the Code. The 2010 Subseries C Bonds will be issued to finance "qualified economic development purposes" (as defined in Section 1400U-2(c) of the Code) within the recovery zone.

The City has been allocated $24,177,000 of volume cap for the issuance of Recovery Zone Economic Development Bonds under which the City anticipates issuing $24,175,000 in the form of the 2010 Subseries C Bonds. The City elects to receive a subsidy payment from the United States Treasury equal to 45% of the corresponding interest payable on the 2010 Subseries C Bonds (the "RZEDB Subsidy Payments"). RZEDB Subsidy Payments for the 2010 Subseries C Bonds will be paid to the City on or about each interest payment date; the holders of the 2010 Subseries C Bonds are not entitled to a tax credit. Such RZEDB Subsidy Payments are not pledged to pay the 2010 Subseries C Bonds, nor is their receipt by the City a condition of payment of any portion of the principal and interest on the 2010 Subseries C Bonds.

DESIGNATION OF 2010 SUBSERIES D BONDS AS QUALIFIED ENERGY CONSERVATION BONDS

The City elects to designate the 2010 Subseries D Bonds as "qualified energy conservation bonds" under Section 54D of the Code and as such are "qualified tax credit bonds" within the meaning of Section 54A of the Code. The City has received a Qualified Energy Conservation Bond allocation in the amount of $4,700,000. The City will make an irrevocable election to have Section 6431 of the Code apply to the 2010 Subseries D Bonds so that the 2010 Subseries D Bonds are treated as "specified tax credit bonds," with respect to which the City will be allowed a credit payable by the United States Treasury to the City pursuant to Section 6431 of the Code. In general, the credit allowed to the City shall be in an amount equal to the lesser of (i) the amount of interest payable with respect to the 2010 Subseries D Bonds on each interest payment date or (ii) 70% of the amount of interest which would have been payable with respect to the 2010 Subseries D Bonds on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code with respect to the 2010 Subseries D Bonds.

As a result of this election, interest with respect to the 2010 Subseries D Bonds is not excludable from gross income of the owners of the 2010 Subseries D Bonds under Section 103 of the Code, and owners of the 2010 Subseries D Bonds will not be allowed any federal tax credits as a result of ownership of or receipt of interest payments on the 2010 Subseries D Bonds. The obligation of the United States Treasury under Section 6431 of the Code to make direct payments to the City in respect of interest payments on the 2010 Subseries D Bonds does not constitute a full faith and credit guarantee of the 2010 Subseries D Bonds by the United States of America.

REDEMPTION

Optional Redemption

The 2010 Subseries A Bonds are not subject to optional redemption prior to maturity.

The 2010 Subseries B Bonds are not subject to optional redemption prior to maturity.

The 2010 Subseries C Bonds with a stated maturity on or after September 1, 2021 will be subject to redemption, at the election of the City, at any time on or after September 1, 2020, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the respective redemption prices equal to 100% of the principal amount of the 2010 Subseries C Bonds to be so redeemed, together with interest accrued and unpaid to the redemption date.

The 2010 Subseries D Bonds will be subject to redemption, at the election of the City, at any time on or after September 1, 2020, in whole or in part and by lot within a maturity, in such amounts and, at any time, in such order of maturity as the City may determine, at the respective redemption prices equal to 100% of the principal amount of the 2010 Subseries D Bonds to be so redeemed, together with interest accrued and unpaid to the redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the City in its discretion may determine; provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some multiple thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by $5,000.

Make-Whole Extraordinary Optional Redemption

The 2010 Subseries B Bonds, 2010 Subseries C Bonds and 2010 Subseries D Bonds (collectively and individually the "2010 Taxable Bonds") are subject to redemption prior to maturity at the option of the City, in whole or in part (if in part, the partial redemption of a maturity to be effected on a pro-rata basis), on any date in the event that the government of the United States of America evidences, in the sole judgment of the City, by action or failure to act, that it will fail to provide for direct payment to be made to the City in an amount equal to or greater than thirty-five percent (35%) of the interest payable on the 2010 Subseries B Bonds, an amount equal to or greater than forty-five percent (45%) of the interest payable on the 2010 Subseries C Bonds and an amount equal to or greater than seventy percent (70%) of the interest payable on the 2010 Subseries D Bonds on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Code.

The redemption price (Extraordinary Redemption Price) will be equal to the greater of:

1) 100% of the principal amount of 2010 Taxable Bonds to be redeemed; or,

2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the 2010 Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which those 2010 Taxable Bonds are to be redeemed, discounted to the date on which those 2010 Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate"(defined below) plus 100 basis points; plus, in each case accrued interest on the 2010 Taxable Bonds to be redeemed to the redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular bond, the yield to maturity for the stated maturity of such bond of United States Treasury securities with a constant maturity (excluding inflation indexed securities) as compiled and published and publicly available in the Federal Reserve Statistical Release H.15 (519), at least two business days, but not more than 45 calendar days, prior to the redemption date, as determined by the City (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Notice of Redemption

Notice of redemption shall be given by the City or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption to the registered owner of any Bonds designated for redemption in whole or in part, at the address of such registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with U.S. Bank National Association, Hartford, Connecticut, or with its successors as paying agent for the Bonds, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

The City, so long as a book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a discussion of DTC and definitions of "DTC Participant", "Indirect Participant", and "Beneficial Owner"). Any failure of DTC to advise any Direct Participant or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption.

Redemption of a portion of the Bonds of any maturity by the City will reduce the outstanding principal amount of Bonds held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interests to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Bonds and will not be conducted by the City, the Registrar or Paying Agent.

Mandatory Sinking Fund Redemption

The 2010 Subseries C Bond maturing on September 1, 2030, is issued as a term bond and is subject to mandatory sinking fund redemption prior to maturity in part, selected on a pro rata basis, in the amounts, and on September 1 of the years set forth below from funds deposited with the Paying Agent in amounts necessary to redeem such term bond to be so redeemed, plus accrued interest to the date of redemption. Any optional redemption payments shall be applied against mandatory sinking fund redemption payments as determined by the City.

2010 Subseries C Bond

Year	Amount
2025	$2,500,000
2028	2,500,000
2029	2,500,000
2030	2,500,000*

*final maturity

The 2010 Subseries D Bond maturing on September 1, 2027, is issued as a term bond and is subject to mandatory sinking fund redemption prior to maturity in part, selected on a pro rata basis, in the amounts, and on September 1 of the years set forth below from funds deposited with the Paying Agent in amounts necessary to redeem such term bond to be so redeemed, plus accrued interest to the date of redemption. Any optional redemption payments shall be applied against mandatory sinking fund redemption payments as determined by the City.

2010 Subseries D Bond

Year	Amount
2026	$2,300,000
2027	2,400,000*

*final maturity

THE NOTES

DESCRIPTION OF THE NOTES

The Notes will be dated September 1, 2010 and will bear interest at the rate or rates per annum shown on the inside cover, payable at maturity. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes will be certified by U.S. Bank National Association, which will also act as the Registrar, Transfer Agent and Paying Agent.

REDEMPTION

The Notes are not subject to redemption prior to maturity.

DESCRIPTION OF PROJECTS

Alternative and Special Education School Facilities: The Board of Aldermen approved at its meetings held on May 16, 2006, an appropriation in the amount of $31,091,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $31,091,000 for the construction of Alternative and Special Education school facilities for the Waterbury Public Schools in accordance with the Educational Specifications for the Alternative and Special Education Program Facilities dated March 2006 consisting of substantial renovations to the current facilities located at the Church and State Street Campus and other various existing school facilities. The authorization was amended by the Board of Aldermen on November 19, 2007 to remove from the authorization the construction of the Alternative Education School. Both the appropriation and the bond authorization were reduced to $14,635,000.

Pre-K – 12 Comprehensive School Facilities Plan: The Board of Aldermen approved at its meetings held on June 25, 2004 and March 5, 2007, an appropriation in the amount of $108,050,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $101,500,000 for the purpose of funding the costs and expenses in connection with the Waterbury Pre-K-12 Comprehensive School Facilities Plan, including the cost of design, engineering, land acquisition, leasing, site development, construction, expansion, renovation, utilities, furniture, fixtures, equipment, legal fees, net interest on borrowing and other financing costs and expenses related to three new elementary schools and an expansion to the Crosby High School for a media center. The authorization was amended by the Board of Aldermen on January 22, 2008 to reflect an increase in the appropriation in connection with the Waterbury Pre-K-12 Comprehensive School Facilities Plan to $120,382,255. The authorization was further amended by the Board of Alderman on April 5, 2010 to reflect an increase in the appropriation in connection with the Waterbury Pre-K-12 Comprehensive School Facilities Plan to $125,382,255. The bond authorization remains at $101,500,000.

Road Improvements: The Board of Aldermen approved at its meetings held on August 9, 2006, an appropriation in the amount of $8,930,000 and financing of the appropriation by issuing its bonds or notes in an amount not to exceed $8,930,000 for road improvements to Pearl Lake Road and Trumpet Road, and for road milling and paving to various roads in the City, including planning and engineering fees and construction costs. The project scope was amended by the Board of Aldermen on February 11, 2008 to defer the Pearl Lake Road component and allocate those monies toward drainage improvements associated with Trumpet Road. The bond authorization appropriation remains at $8,930,000.

Road Improvements II: The Board of Aldermen approved at its meeting held on August 11, 2008, an appropriation in the amount of $4,500,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $4,500,000 for City-wide milling, paving, resurfacing and other street improvements.

Road Improvements III: The Board of Aldermen approved at its meeting held on March 22, 2010, an appropriation in the amount of $1,000,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $1,000,000 for City-wide milling, paving, resurfacing and other street improvements.

Police Facility Projects: The Board of Aldermen approved at its meeting held on December 10, 2007, an appropriation in the amount of $819,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $819,000 for improvements to the City's police department facility including HVAC, garage elevator and general building improvements.

Golf Course Equipment: The Board of Aldermen approved at its meeting held on December 10, 2007, an appropriation in the amount of $751,210 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $751,210 for the purchase of ground maintenance equipment for each of the two municipal golf courses.

Renovation of City Hall: The Board of Aldermen approved at its meeting held on May 31, 2007, an appropriation in the amount of $35,900,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $35,900,000 for the renovation of City Hall, including interior and exterior building restorations, code compliance improvements and office reorganization costs, and the renovation of the existing firehouse within City Hall. This project includes land improvements and any environmental remediation related thereto, planning, design and engineering fees, demolition costs, hazardous materials removal and disposal costs, construction costs, and other costs related to the project.

Water Department Capital Projects: The Board of Aldermen approved at its meeting held on October 20, 2008 financing previously approved appropriations by issuing its bonds or notes in an amount not to exceed $5,168,075 for various capital projects of the Water Department's Capital Improvement Program, comprised of cleaning and rehabilitation of water mains, dam repairs, replacement of tank, acquisition of light trucks, sludge removal equipment for the water treatment plant, HVAC systems at department office and water treatment plant, variable drive unit HS pump at the water treatment plant, pump station roof replacement, watershed forest management plan and acquisition of other vehicles and apparatus.

Chlorine Feed System Replacement: The Board of Aldermen approved at its meeting held on October 6, 2008, an appropriation in the amount of $460,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $460,000 for the replacement of the chlorine feed system at the water treatment plant, including planning, engineering, construction and/or installation, scales and a chlorine leak detection alarm system.

Rehabilitation of Water Mains: The Board of Aldermen approved at its meeting held on October 6, 2008, an appropriation in the amount of $910,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed

$910,000 for the cleaning, lining and rehabilitation of water mains and pre-stressed concrete cylinder pipe, including planning, engineering, construction, materials and equipment.

Wachovia Building Purchase: The Board of Aldermen approved at its meeting held on May 26, 2009, an appropriation in the amount of $5,000,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $5,000,000 for the acquisition of the Wachovia Building on South Main Street.

Library HVAC Improvements: The Board of Aldermen approved at its meeting held on October 6, 2008, an appropriation in the amount of $2,404,115 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $2,404,115 for the replacement of the Silas Bronson Library's heating and air conditioning system.

Division Street Drainage: The Board of Aldermen approved at its meeting held on September 3, 2008, an appropriation in the amount of $900,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $900,000 for Division Street drainage design and construction. The project and bond authorization was amended by the Board of Aldermen on October 20, 2008 to reflect an increase in the appropriation and bond authorization to $1,200,000.

Chase Avenue Reconstruction: The Board of Aldermen approved at its meeting held on September 3, 2008, an appropriation in the amount of $8,205,000 and financing for the appropriation by issuing its bonds or notes in an amount not to exceed $8,205,000 for the reconstruction of Chase Avenue and Homer Street.

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Proceeds of the Bonds will be used for the following projects:

Project	Total Bond Authorization	Notes Maturing On 09/01/10	(Paydowns) or New Money	The Bonds *(This Issue)*	The Notes *(This Issue)*
Alternative And Special Education School Facilities	$ 14,635,000	$1,000,000		$500,000	$500,000
Pre-K – 12 Comprehensive School Facilities Plan	101,500,000	6,250,000	$750,000	4,500,000	2,500,000
Road Improvements	8,930,000		600,000	600,000	
Road Improvements II	4,500,000		4,500,000	4,500,000	
Road Improvements III	1,000,000		500,000	500,000	
Golf Course Equipment	751,210	100,000	100,000	200,000	
Police Facility Projects	819,000		700,000	700,000	
Renovation of City Hall	35,900,000	15,000,000	8,800,000	21,800,000	2,000,000
Water Department Capital Projects	5,168,075	3,937,500	(625,000)		3,312,500
Chlorine Feed System Replacement	460,000	175,000			175,000
Rehabilitation of Water Mains	910,000	262,500			262,500
Wachovia Building Purchase	5,000,000	4,000,000	1,000,000	5,000,000	
Library HVAC Improvements	2,404,115		700,000	700,000	
Division Street Drainage	1,200,000		400,000	400,000	
Chase Avenue Reconstruction	8,205,000	2,800,000	2,800,000	5,600,000	
Total	$191,382,400	$33,525,000	$20,225,000	$45,000,000	$8,750,000

Project Breakout by Bond Subseries

Project	The Bonds *(This Issue)*	Subseries A	Subseries B	Subseries C	Subseries D
Alternative & Special Education School Facilities	$500,000	$500,000	--	--	--
Pre-K – 12 Comprehensive School Facilities Plan	4,500,000	2,000,000	$2,500,000	--	--
Road Improvements	600,000	--	--	$600,000	--
Road Improvements II	4,500,000	--	--	4,500,000	--
Road Improvements III	500,000	107,500	107,500	285,000	--
Golf Course Equipment	200,000	100,000	100,000	--	--
Police Facility Projects	700,000	350,000	350,000	--	--
Renovation of City Hall	21,800,000	4,867,500	4,742,500	8,190,000	$4,000,000
Wachovia Building Purchase	5,000,000	--	--	5,000,000	--
Library HVAC Improvements	700,000	--	--	--	700,000
Division Street Drainage	400,000	200,000	200,000	--	--
Chase Avenue Reconstruction	5,600,000	--	--	5,600,000	--
Total	$45,000,000	$8,125,000	$8,000,000	$24,175,000	$4,700,000

School Projects

The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. The projects being financed by the Bonds and Notes are anticipated to receive the estimated reimbursements shown below as such projects are constructed.

The following projects with bonds or notes outstanding will be reimbursed under the current school construction grants program at the estimated reimbursement rates shown below:

Project	Total Appropriation	Estimate of Eligible Costs For Reimbursement[1]	Reimbursement Rate (%) [1]	Estimated Grants [1]
Alternative and Special Education School Facilities	$ 14,635,000	$13,544,000	78.21%	$10,593,000
Pre-K – 12 Comprehensive School Facilities Plan	$125,382,255	$119,530,000	77.50%	$92,636,000
Total	**$140,017,255**	**$133,074,000**	**--**	**$103,229,000**

(1) Costs eligible for reimbursement are subject to final approval by the State of Connecticut Department of Education and are subject to change.

SECURITY AND REMEDIES

General

The Bonds and Notes will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds and Notes when due.

Unless paid from other sources, the Bonds and Notes are payable from general property tax revenues. The City has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate, dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bondholder Remedies

The City is subject to suit on its bonds and notes, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order the payment of a judgment on such bonds and notes from funds lawfully available therefor or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such bonds and notes would also be subject to the applicable provisions of Federal bankruptcy laws and to provisions of other statutes, if any, hereafter enacted by Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied. Connecticut General Statutes Section 7-566 provides that no Connecticut municipality shall file a petition to become a debtor under Chapter 9 of the Federal Bankruptcy Code, without the express prior written consent of the Governor.

THE INDENTURE

Attached as APPENDIX D – "SUMMARY OF THE INDENTURE" is a summary of certain provisions of the Indenture, as supplemented by the Third Supplemental Indenture of Trust between the City and U.S. Bank National Association dated as of September 1, 2010, pursuant to which the Bonds and Notes are issued. The summary attached as Appendix D should not be regarded as a full statement of the document itself or of the portions summarized. Reference is made to the Indenture in its entirety for a complete statement of the provisions thereof, copies of which are on file at the principal corporate trust office of the Trustee and at City Hall.

SOURCES AND USES OF PROCEEDS OF THE BONDS AND NOTES

Proceeds of the Bonds and Notes are to be applied as follows:

	2010 Subseries A	2010 Subseries B	2010 Subseries C	2010 Subseries D	Notes
Sources:					
Principal amount	$8,125,000.00	$8,000,000.00	$24,175,000.00	$4,700,000.00	$8,750,000.00
Original issue premium	113,485.00	--	--	--	132,300.00
Total sources	$8,238,485.00	$8,000,000.00	$24,175,000.00	$4,700,000.00	$8,882,300.00
Uses:					
Project fund deposits	$8,122,407.91	$7,875,681.12	$23,641,953.78	$4,578,286.30	$8,829,637.78
Costs of issuance	35,391.13	35,779.69	113,005.51	35,065.06	31,428.61
Credit Enhancement	42,650.00	49,088.40	300,825.35	63,471.30	--
Underwriter's discount	38,035.96	39,450.79	119,215.36	23,177.34	21,233.61
Total uses	$8,238,485.00	$8,000,000.00	$24,175,000.00	$4,700,000.00	$8,882,300.00

QUALIFICATION FOR FINANCIAL INSTITUTIONS

The Bonds and Notes shall NOT be designated by the City as "qualified tax-exempt obligations" under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

BOOK-ENTRY-ONLY SYSTEM

Unless otherwise noted, the description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds and the Notes, payment of interest and other payments on the Bonds and the Notes to DTC participants or beneficial owners of the Bonds and Notes, confirmation and transfer of beneficial ownership interest in the Bonds and the Notes and other bond-related transactions by and between DTC, the DTC participants and beneficial owners of the Bonds and the Notes is based solely on information provided on the DTC's website and presumed to be reliable. Accordingly, neither the City nor the Underwriter make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and Notes (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and one fully-registered Note certificate will be issued for each interest rate of the Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other Securities transactions in deposited Securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in the beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue or maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC’s receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the paying agent, or the City subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities depository with respect to the Securities at any time by giving reasonable notice to the City or its Agent. Under such circumstances, in the event that a successor securities depository is not obtained Security certificates of the Securities are required to be printed and delivered.

The City may decide to discontinue use of the system of the book-entry-only transfers through DTC (or a successor securities depository). In that event, Securities certificates will be printed and delivered to DTC.

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE

GIVEN TO BONDHOLDERS OR NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OR NOTEHOLDER.

AVAILABILITY OF CONTINUING DISCLOSURE

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management within six months of the end of its fiscal year. The City provides, and will continue to provide, to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access System ongoing disclosure in the form of the Comprehensive Annual Financial Report, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested (see Appendix B-1 - "FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE BONDS" and "APPENDIX B-2 – "FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE NOTES").

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission in connection with the issuance of the Bonds and Notes, the City will agree to provide or cause to be provided, timely notice of certain material events with respect to the Bonds and Notes pursuant to the Continuing Disclosure Agreements to be executed in substantially the form attached as Appendices B-1 and B-2 to this Official Statement.

The City has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date the City has not failed to meet any of its undertakings under such agreements.

RATINGS

Standard & Poor's Rating Service ("Standard & Poor's") has assigned a rating of "AAA" (negative outlook) on the Bonds, with the understanding that upon delivery of the Bonds, a municipal bond policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Standard & Poor's also assigned an underlying rating of "A-" positive outlook to the Bonds, and an "A-" rating on the City's currently outstanding general obligation bonds. Standard & Poor's assigned a rating of "SP-1+" to the Notes.

Moody's Investors Service ("Moody's") has assigned a rating of "Aa3" (negative outlook) on the Bonds, with the understanding that upon delivery of the Bonds, a municipal bond policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's also assigned an underlying rating of "A1" stable outlook to the Bonds, and an "A1" rating on the City's currently outstanding general obligation bonds.

Fitch Ratings ("Fitch") has assigned an underlying rating of "A+" stable outlook to the Bonds, and "A+" rating on the City's currently outstanding general obligation bonds.

The City furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement. A rating obtained reflects only the view of each rating agency and will be subject to revision or withdrawal, which could affect the market price of the City's bonds or notes, including the Bonds and Notes.

Generally, a rating agency bases its rating upon such information and materials and upon investigations, studies and assumptions by the rating agency. There can be no assurance that a rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of outstanding securities, including the Bonds and Notes. Each rating agency should be contacted directly for its rating on the Bonds and Notes and the explanation of such rating.

BOND INSURANCE

The Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AAA" (negative outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On May 17, 2010, S&P published a Research Update in which it affirmed its "AAA" counterparty credit and financial strength ratings on AGM. At the same time, S&P continued its negative outlook on AGM. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010.

Capitalization of AGM

At June 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately $2,264,680,337 and its total net unearned premium reserve was approximately $2,259,557,420, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);

(ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010); and

(iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a), 13(c) or 15(d) of the Securities Exchange Act, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

OPINIONS OF COUNSEL

Legal matters incident to the delivery of the Bonds and Notes are subject to the approving opinion of Shipman & Goodwin LLP, Hartford, Connecticut, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Updike, Kelly & Spellacy, P.C., Hartford, Connecticut.

UNDERWRITING

The Bonds and Notes are being purchased by William Blair & Company, LLC (the "Underwriter"). The Underwriter has agreed to purchase the 2010 Subseries A Bonds at the net aggregate purchase price of $8,157,799.04 (representing the par amount of the 2010 Subseries A Bonds less an underwriter's discount of $38,035.96, less bond insurance premium of $42,650.00, plus a net original issue premium of $113,485.00).

The Underwriter has agreed to purchase the 2010 Subseries B Bonds at the net aggregate purchase price of $7,911,460.81 (representing the par amount of the 2010 Subseries B Bonds less an underwriter's discount of $39,450.79, less bond insurance premium of $49,088.40).

The Underwriter has agreed to purchase the 2010 Subseries C Bonds at the net aggregate purchase price of $23,754,959.29 (representing the par amount of the 2010 Subseries C Bonds less an underwriter's discount of $119,215.36, less bond insurance premium of $300,825.35).

The Underwriter has agreed to purchase the 2010 Subseries D Bonds at the net aggregate purchase price of $4,613,351.36 (representing the par amount of the 2010 Subseries D Bonds less an underwriter's discount of $23,177.34, less bond insurance premium of $63,471.30).

The Underwriter has agreed to purchase the Notes at the net aggregate purchase price of $8,861,066.39 (representing the par amount of the Notes less an underwriter's discount of $21,233.61, plus a net original issue premium of $132,300.00).

The aggregate purchase price of the Bonds and Notes is $53,298,636.89.

The Contract of Purchase between the Underwriter and the City (the "Purchase Contract") provides that the Underwriter will purchase all of the Bonds and Notes, if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds and Notes is subject to various conditions contained in the Purchase Contract.

The Underwriter intends to offer the Bonds and Notes to the public initially at the offering prices or yields set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Bonds and Notes to certain dealers (including dealers depositing Bonds and Notes into unit investment trusts) and others at prices lower or yields higher than the public offering prices or yields stated on the inside cover page hereof. The initial offering prices or yields may be changed from time to time by the Underwriter without any requirement of prior notice.

The Bonds and Notes are offered by the Underwriter for sale in those jurisdictions in the United States, Puerto Rico and Guam where it is lawful to make such offers. The Underwriter has undertaken that it has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any of the Bonds or Notes or distribute this Official Statement or other material relating to the Bonds or Notes in or from any jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with the applicable laws and regulations thereof. The Underwriter makes no representation that the Bonds and Notes will at any time be lawfully sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, and does not assume any responsibility for facilitating such sales.

MISCELLANEOUS

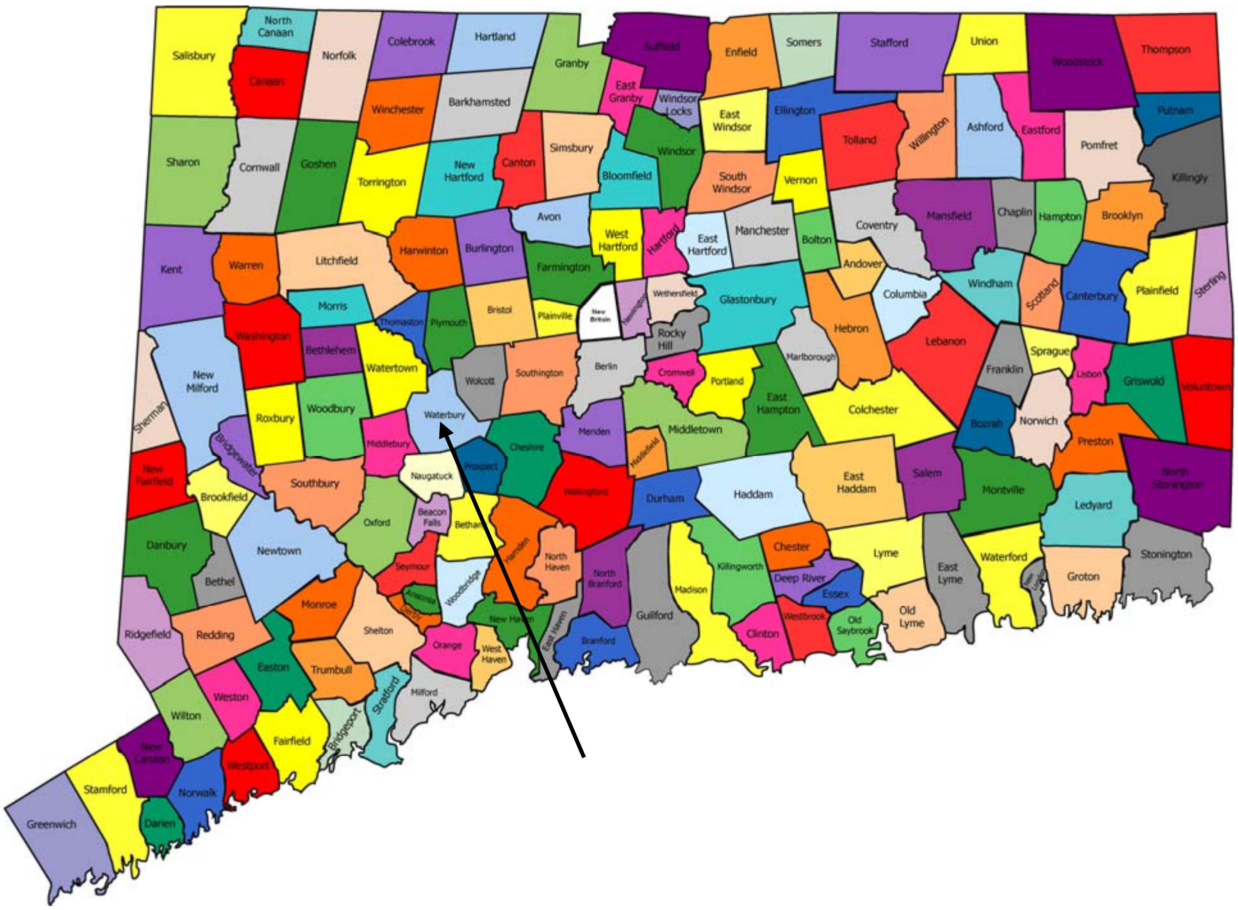
The foregoing and subsequent summaries or descriptions of provisions of the Bonds and Notes and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement has been approved by the City. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds or Notes.

THE CITY OF WATERBURY, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OF OR INTEREST ON ITS BONDS OR NOTES.

THE ISSUER



Description of the Municipality

Waterbury 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 with officials elected at regular biennial elections.

Waterbury is conveniently located at the crossroads of two major expressways, Interstate 84 and Connecticut Route 8. To the east, 1-84 provides direct access to Hartford and joins the Massachusetts Turnpike for travel to Boston and northern New England. Heading west, 1-84 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 College, and a branch of the University of Connecticut. Graduate school needs are met by the Waterbury extensions of the 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 for grades 6-12, three middle schools and 20 elementary schools, including two magnet 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 low- and middle-income families 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, and 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 Mattatuck 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 entitlement and public funds. There are over 240,000 volumes and 120 computer workstations in the main library available to the public, while a branch library operates in the Bunker Hill section of the City.

Principal Municipal Officials

Name and Office	Manner of Selection/Term	Initial Term/ Dates of Appointment
Michael J. Jarjura, Mayor	Elected – 2 years	January 1, 2002
Paul Pernerewski Jr., President, Board of Aldermen	Elected – 2 years	January 1, 2010
Patrick Hayes, President, Board of Education	Elected – 4 years	January 1, 2004
Dr. David L. Snead, Superintendent of Schools	Appointed	August 2000
Michael LeBlanc, Director of Finance	Appointed	January 2009
Ofelia Matos, Director of Budget	Appointed	April 2002
Craig Sullivan, Corporation Counsel	Appointed	April 2004

Organization of City Government

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

Issuance of Bonds and Notes

In accordance with Chapter 10 of the City Charter, the Board of Aldermen by ordinance shall adopt procedures for the structure, timing and method or manner of the issuance and sale of bonds and notes. Said ordinance may set forth the respective roles and responsibilities of the Mayor and other City officials with respect to debt planning, issuance and management, including, but not limited to, their authority to retain consultants for specialized services.

Finance and Audit Review Commission

Chapter 6 of the Charter established the Finance and Audit Review Commission ("FARC"). The first members were appointed on January 1, 2003. The FARC has the authority to examine all matters relating to the financial and budgetary efficiency, efficacy, and condition of the City. Notwithstanding the provisions of the Charter pertaining to the executive powers of the Mayor, the Department of Audit is under the direct supervision of the FARC. The FARC is authorized to audit and examine or cause to be audited and examined the books and accounts of all of the departments and officials of the City, including the Department of Education. The FARC is to review the contents of the annual audit and make recommendations to the Mayor regarding the manner and means of improving the administrative processes pertaining to the operations of the City. The FARC is responsible for the general supervision of the Department of Audit and shall give due consideration to requests from the Mayor or the Board of Aldermen in establishing and modifying the work plan of the FARC or its staff. Each officer and employee of any department, institution, board, commission or agency of the City is obligated to assist the FARC and the Department of Audit in carrying out its powers and duties as provided in the Charter.

Finance

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.

Budget

The Mayor is to establish a date by which budget estimates are submitted to the Mayor and Director of Budget on forms and in accordance with established procedures set forth in an ordinance. The Mayor submits a general, special revenue and capital budget to the Board of Aldermen on or before April 1, which is subject to at least two required public hearings and final action not later than midnight of the second business day following the first Wednesday after the first Monday in June.

Boards and Commissions. The following Boards and Commissions are created by Charter and the Board of Aldermen shall adopt ordinances setting forth the organizational structure and powers of such Boards and Commissions:

- Board of Commissioners of Public Health
- Board of Park Commissioners
- City Plan Commission
- Board of Police Commissioners
- Board of Fire Commissioners
- The Zoning Commission
- Board of Assessment Appeals
- Board of Commissioners of Public Works
- The Retirement Board

Among the terms of the Code of Ordinances relating to Boards and Commissions are the following: (i) number of Board and Commission members (and, alternates, in the case of the Zoning Commission and the Board of Assessment Appeals), except as otherwise provided by the General Statutes, which number shall always be odd; (ii) terms of office, which may be staggered and shall not exceed four years; (iii) provision for the appointment of a Chair; (iv) standards for the keeping of records; (v) Aldermanic and minority party representation; (vi) public participation (including, but not limited to, public speaking); and (vii) frequency of meetings of all Boards and Commissions.

The Charter also specifically authorizes the establishment of departments and agencies of the City that deal with key functions such as the legal department, government administration, public safety, health and community services, government operations and development and constables.

Economic Development

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

A number of manufacturing operations are adding employees and expanding their facilities, around the City. The companies tied to the Waterbury Industrial Commons (WIC) project are still among the most prominent among them. The WIC project is a $15 million, federally funded cleanup of a WWII era munitions plant. This environmental cleanup and reconstruction will result in expanded pad sites to accommodate niche manufacturing, distribution and a consolidated campus for the City's Department of Public Works. Environmental assessments for the property are complete, and the City's legislative branch is preparing a $40 million bond authorization to complete the cleanup and construction at the property. It is expected that the end result will be over 100,000 square feet of industrial space for public and private development.

Changes to the State's laws governing environmental remediation of former factory sites have spurred interest and development in underutilized properties within the City. In the City's South End, a private developer is working with the City and the Waterbury Development Corp. (the "WDC"), a quasi-public development agency, to conduct environmental studies on two parcels which have long sat idle – with federal dollars. This same developer recently completed the reconstruction of a nearby 25,000 square-foot building and leasing is nearly complete. Through the State Brownfields Pilot Project, a $650,000 remediation of another factor site in the City's North End continues with a commitment from a nearby plumbing supply company to expand its operations.

The City of Waterbury also is emerging as a retail power center for the entire region with particularly strong growth on the far East End of the City where a Kohl's store opened in 2008, complementing the existing consumer wholesale and big box retail developments. Additional expansion in that corridor is planned or underway, including more mid-sized strip retail and the potential for another big box power center.

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

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

The Waterbury real estate market suffered less than other areas in the region because its properties are still a good value relative to other neighboring communities. The City has fully committed its $3.2 million share of the federal Neighborhood Stabilization Program funds for the acquisition and rehabilitation of foreclosed residential properties. An additional 40 properties are being renovated through a $4 million lead abatement grant administered by the City's Health Department. Despite the national climate, Waterbury continues to maintain strong homeownership statistics with forty-eight percent of homes owner occupied, second to Stamford in this category for Connecticut cities.

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

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

The Waterbury Phase II Development Project continues to bring dividends to the City. The Waterbury UConn campus is at full capacity and likely will need to expand to a residential campus within the next several years. The Palace Theater just completed its sixth full season. With over five million dollars in annual revenue and one hundred thousand patrons annually the Palace has become the cultural cornerstone for the City. Moreover, industry economic impact models indicate over three and half million dollars has been spent since 2004 in the local economy due to the presence of the Palace.

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

Waterbury Regional Campus and Parking Facility. The University of Connecticut's Waterbury Regional Campus is located prominently downtown, directly across the street from the Palace Theater. The 97,000-square-foot campus opened in August of 2003. Enrollment has risen in excess of 1,000 full and part-time students matriculated in graduate and undergraduate degree programs. The regional campus is a vital component of the newly formed arts cluster on East Main Street.

Waterbury Arts Magnet School. The Waterbury Arts Magnet School is a 220,000-square-foot educational facility serving students in grades 6 to 12, consisting of two buildings connected by a skywalk spanning an extensive courtyard. The educational building houses a cafeteria, gymnasium, media center, art classrooms, scientific laboratories and traditional classrooms. The performing arts building has the capacity to accommodate a 229-seat apron stage, a 109-seat dance studio and an 89-seat recital hall. The building also contains a TV production studio, band, choral and dance practice rooms, prop, set, costume, and lighting design shops, etc., allowing for a comprehensive hands-on educational experience.

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

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

Municipal Services

Fire Department

The Waterbury Fire Department is a professional fire department providing a wide range of emergency services including fire suppression, hazardous materials mitigation, technical rescue and emergency medical dispatch. The Department also provides non-emergency services including public fire education, Connecticut Fire Code and Licensing building inspections and plan review. The Department consists of 247 firefighters and six (6) civilian members. Emergency services are provided by nine engine companies (with one also functioning as a rescue/hazmat company), three truck companies, and three chief officers operating from ten fire stations. The Fire Department has assumed "First Responder" duties previously assigned to the Police Department.

Police Department

When at full capacity, the Waterbury Police Department operates with a complement of 300 sworn officers and 90 civilian employees. Located at 255 East Main Street, Police Headquarters is a 34,200-square-foot facility housing administrative, uniformed and investigative services. Specialized units include K-9, Emergency Response Team, Bicycle Patrol, Polygraph Services, Traffic Engineering, Victim Services, Blight Enforcement, Crimes Analysis, Hostage Negotiation Team, Crisis Intervention Team, School Resource Officers, and a full-service Forensic Laboratory capable of ballistics analysis/comparison and DNA collection. The Department utilizes a fleet of approximately 100 vehicles, 60 of which are marked police cruisers. Off-site facilities include Animal Control, Traffic Division, Parking, Training Division, Community Relations Division and a Police Academy.

Public Health

The Waterbury Department of Public Health is a full-time health department with 140 staff members dedicated to the protection and promotion of good health for the citizens of the City of Waterbury. The Nursing Services Division provides both nursing expertise and nurse aide support to over 20,000 students within the school system and public health nursing. The Environmental Health Division provides wide-ranging activities from investigation and inspection of food establishments, response to housing code complaints, litter and blight complaints, and enforcement of the public health code. Efforts of the Department of Public Health continue to address the need for improved access to health services for all citizens through innovative programs and wide ranging grants (HIV prevention and Case Management, Asthma, Lead Prevention and Hazard Control, Immunizations, WIC, Healthy Choices, Injury Prevention and Public Health Emergency Preparedness).

Additionally, the Department continues to administer a $3,000,000 Housing and Urban Development grant for the purpose of rehabilitating homes to make them lead safe.

Education

The City's school system serves grades pre-kindergarten through twelve and is governed by the local Board of Education. Waterbury has a 10-member Board of Education elected to four year staggered terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the City are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The City has 20 elementary schools, three middle schools and four high schools (including one magnet school for grades 6-12) and one alternative school for grades K-12.

Solid Waste

The City closed its landfill in September 1999 pursuant to a closure order negotiated with the State of Connecticut Department of Environmental Protection. In 1993, the City signed a contract (the "Service Contract") with the Connecticut Resources Recovery Authority ("CRRA") to provide solid waste disposal services to the City at the CRRA's Mid Connecticut Plant (the "System"). The contract is a 20-year "put-or-pay" contract, with a minimum commitment of 38,000 tons per year, including a per-ton tipping fee of $69 for municipal solid waste ("MSW") and $85 for non-processable solid waste for the current fiscal year.

All municipalities, including the City, pledge their full faith and credit for the payment of all service payments under the Service Contract and any delayed-payment charges and costs and expenses of CRRA and its representatives in collecting overdue service payments. Each municipality agrees that its obligation to make any such service payments and other such payments in the amounts and at the times specified in the Service Contract, whether to CRRA or the trustee, (i) shall be absolute and unconditional and shall not be subject to any setoff, counterclaim, recoupment, defense (other than payment itself) or other right which the municipality may have against CRRA, the trustee or any other person for any reason whatsoever, (ii) shall not be affected by any defect in the title, compliance with the plans and specifications, condition, design, fitness for use of, or damage to or loss or destruction of the System or any part thereof and, so long as CRRA shall accept solid waste delivered by the municipality pursuant to the Service Contract, and (iii) shall not be affected by an interruption or cessation of the possession, use or operation of the System or any part thereof by CRRA or the operator of the System for any reason whatsoever.

To the extent that a municipality does not make provisions or appropriations to provide for and authorize the payment by such municipality to CRRA of the payments required to be made by it under the Service Contract, the remaining municipalities including the City must levy and collect such general or special taxes or cost sharing or other assessments as may be necessary to make such payments in full when due thereunder.

Sewage Sludge

The City has entered into an agreement (the "Agreement") with Synagro Technologies, Inc. ("Synagro") (formerly NETCO-Waterbury Limited Partnership), a Delaware limited partnership, for the disposal of the City's sewage sludge. The Agreement provides for Synagro to design, build and operate a sewage sludge incinerator facility manufactured by Dorr-Oliver, Incorporated with a minimum 50 dry-ton-per-day capacity, as well as related facilities (the "Project"). The Project was operational in January 1997. Under the Agreement, Synagro, is required to process sewage sludge for the City and in return is guaranteed to receive not less than $1.6 million per year from the City, adjusted annually by the CPI, as payment of a fixed disposal fee for the successful processing of the sludge (the "Minimum Fee"). The fiscal 2009 payment from the City was $1,967,059. However, the City must obtain annual appropriation in order to make any payments required by the Agreement. The obligation of the City to make payments under the Agreement is subject solely to Synagro's performance of its obligations under the Agreement. Connecticut General Statutes generally authorize municipalities to pledge their full faith and credit to payments such as those required under the Agreement. Payment of the Minimum Fee by the City is not secured by the full faith and credit pledge of the City. The City must appropriate in each fiscal year sufficient funds to make the payments required by the Agreement. Such annual appropriation is subject to the approval of the City pursuant to its Charter, including legislative approval by the Board of Aldermen. Failure of the City to appropriate the Minimum Fee does not release it from contractual liability to Synagro for failure to make payments required under the Agreement. The liability of the City to Synagro in the event it fails to make required payments would be determined by a court of law. This Minimum fee is based upon the disposal of 5,720 dry tons per year, or approximately 15 dry tons per day. The Project is operational 366 days per year.

For each dry ton processed by Synagro in excess of 25 dry tons per day, Synagro pays the City $121.86 per-dry-ton royalty (fiscal year 2009) from the estimated $249-per-dry-ton fee charged to process outside sludge, adjusted annually by the CPI. The Project has been processing approximately 50 dry tons of outside sludge in excess of Synagro's obligations to the City daily, resulting in an average of $109,000 per month in additional royalties. The incinerator manufacturer's performance guarantee is for the incinerator to process up to 50 dry tons per day of municipal sewage sludge. The City must dispose of the ash and dried end-product generated by the Project in the City's South End Disposal Area for the life of the Agreement without charge.

Public Works

The Department of Public Works has nine core functional areas staffed by 270 employees (199 full-time and 71 seasonal). The functional areas consist of engineering & traffic, street maintenance, central vehicle maintenance, municipal solid waste collection, leisure activities, golf, and public building and park grounds maintenance, overseen by a centralized administrative office of the Director.

Recreation

The City has almost 1,000 acres dedicated to recreation including 34 parks and 24 parklets. There are six recreation centers, two municipal-owned 18-hole golf courses, 24 playgrounds, three outdoor swimming pools, one lake facility, 16 spray pools and one municipal stadium. In total there are 121 athletic fields available to the public, which include activities as basketball, soccer, tennis and croquet. Over the decade, the City has received State grants and bequests totaling more than $6 million for park improvements.

Water

The City has the largest municipally-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 million. Average consumption for the fiscal year 2009 was 14.7 million gallons per day; average total capacity is 25 million gallons per day; design capacity of the system is 38 million gallons per day. The system serves customers located in Waterbury and neighboring communities and is a self-supporting enterprise fund of the City.

Water Pollution Control

The City has approximately 320 miles of sanitary sewers and 19 pump stations. The City’s upgraded 27.05 MGD advanced Sewage Treatment Facility was put into operation in April of 2000 in accordance with a consent order between the City and the 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 entered into agreements with 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.

Pursuant to the State Clean Water Fund Program, the City has adopted a Sewer User Charge System to pay the costs of operating its collection and treatment system, including capital improvements and debt service on outstanding sewer bonds.

Utilities

Gas is supplied by the Yankee Gas Services Company for households and businesses.

Electricity is furnished by Connecticut Light & Power Company for households and businesses.

Employee Relations

Almost all City employees, with the exception of management, are represented by a bargaining organization as follows:

City Employee Bargaining Organizations

As of July 31, 2010

Employees	**Bargaining Organization**	**Number of Employees**	**Current Contract Expiration Date**
General Government			
Blue Collar Unit [1]	Local 353	482	6/30/11
White Collar Unit	Employee Association	773	6/30/11
Police	Local 1237	283	6/30/09[2]
Fire	Local 1339	243	6/30/11
Nurses	Ct Health Care	38	6/30/13
Nurses Supervisors	CT Health Care	3	6/30/09[3]
Supervisors/Management	Local 2090	70	6/30/11
Board of Education			
Teachers	Teachers CEA-NEA	1,496	6/30/12
Secretarial/Clerical	CSEA Local 760	54	6/30/11
School Admin.	S.A.W.	82	6/30/12
Food Service & Office Aides, Library Pages (part-time)	Local 760	210	6/30/13
Crossing Guards	unaffiliated	50	6/30/12
Classroom & Trans Assistants	Local 760	49	6/30/11

(1) Includes all school custodians.
(2) Currently in arbitration.
(3) In negotiation.

Source: Finance Department, City of Waterbury

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of the municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection. The State will then appoint a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel shall give priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipality, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel shall consider prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Municipal Employees

	Total Full-Time Employees					
	2009-10[2]	**2008-09**	**2007-08**	**2006-07**	**2005-06**	**2004-05**
General Government	1,169	1,157	1,150	1,194	1,211	1,140
Board of Education	2,314	2,319	2,300	2,231	2,231	2,193
Grant Funded[1]	343	335	339	346	353	379
Total	3,826	3,811	3,789	3,771	3,795	3,712

1 Federally Funded programs include W.I.C. Program, LEAD Program, Job Training Partnership Act, and several education programs including Community School, Language Development Program, Adult Basic Education and others.

2 The City's adopted budget for the fiscal year beginning July 1, 2010 provides for budgeted salary appropriation amounts that maintains filled position level's consistent with the previous fiscal year.

Source: City of Waterbury – Finance Department

School Enrollment and Projections

Historical

School Year	Elementary K-5 & Pre-K	Middle 6-8	Senior High 9-12	Total Enrollment[1]
1999-2000	8,924	3,675	3,183	15,782
2000-2001	9,081	3,859	3,340	16,280
2001-2002	9,228	3,980	3,554	16,762
2002-2003	9,534	4,052	3,825	17,411
2003-2004	9,576	4,130	4,008	17,714
2004-2005	9,552	4,131	4,232	17,915
2005-2006	9,505	4,214	4,383	18,102
2006-2007	9,572	4,147	4,492	18,211
2007-2008	9,583	4,219	4,482	18,284
2008-2009	9,891	4,307	4,326	18,524
2009-2010	9,438	4,176	4,526	18,140

Projected

School Year	Elementary K-5 & Pre-K	Middle 6-8	Senior High 9-12	Total Enrollment
2010-2011	10,022	4,364	4,422	18,808
2011-2012	10,054	4,414	4,448	18,916
2012-2013	10,075	4,492	4,441	19,008
2013-2014	10,118	4,523	4,509	19,150

1. School populations calculated as of October 1 for each school year.

Note: Enrollment of Special Education students incorporated into school population by level of enrollment

Source: Superintendent’s Office, Waterbury Board of Education

DEMOGRAPHIC & ECONOMIC DATA

Population and Density

	City of Waterbury			New Haven County		State of Connecticut	
Year	Population	Change %	Density[1]	Population	Change %	Population	Change %
2000..........	107,271	(1.6)	3,803.9	824,008	2.5	3,405,565	3.6
1990..........	108,961	5.5	3,863.9	804,219	5.6	3,287,116	5.8
1980..........	103,266	(4.4)	3,661.9	761,337	2.2	3,107,576	2.5
1970..........	108,033	0.8	3,831.0	744,948	12.8	3,032,217	19.6
1960..........	107,130	2.5	3,798.9	660,315	21.0	2,535,235	26.3

[1] *Population per square mile: 28.20 square miles.*

Source: State of Connecticut

Population By Age

	City of Waterbury		State of Connecticut	
	2000	Percent	2000	Percent
Under 5 years	8,176	7.6	223,344	6.5
5 to 9 years	8,415	7.8	244,144	7.2
10 to 14 years	7,681	7.2	241,587	7.1
15 to 19 years	6,829	6.4	216,627	6.4
20 to 24 years	6,919	6.5	187,571	5.5
25 to 34 years	15,844	14.8	451,640	13.3
35 to 44 years	16,183	15.1	581,049	17.1
45 to 54 years	12,592	11.7	480,807	14.1
55 to 59 years	4,747	4.4	176,961	5.2
60 to 64 years	3,840	3.6	131,652	3.8
65 to 74 years	7,223	6.7	231,565	6.8
75 to 84 years	6,408	6.0	174,345	5.1
85 years and older	2,414	2.2	64,273	1.9
Total	107,271	100.0	3,405,565	100.0
Median Age (2000)	34.9		37.4	

Sources: U.S. Census Bureau, Census 2000, State of Connecticut

Income Distribution

	City of Waterbury		State of Connecticut	
	Families	Percent	Families	Percent
Less than $10,000.......	2,160	8.0	33,423	3.8
10,000 – 14,999......	1,528	5.7	23,593	2.7
15,000 – 24,999......	3,876	14.3	63,262	7.1
25,000 – 34,999......	3,455	12.8	75,413	8.5
35,000 – 49,999......	4,645	17.2	120,134	13.6
50,000 – 74,999......	5,853	21.7	198,924	22.5
75,000 – 99,999......	2,951	10.9	141,981	16.0
100,000 – 149,999......	1,969	7.3	132,177	14.9
150,000 – 199,999......	349	1.3	42,472	4.8
200,000 and up	219	0.8	54,368	6.1
Totals..........................	27,005	100.0	885,747	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000

Income Levels

	City of Waterbury	State of Connecticut	United States of America
Per Capita Income 2008	$21,871	$37,083	$27,466
Median Family Income 2008	49,175	84,675	63,211
Median Household Income 2008	41,613	68,411	52,175

Source: Bureau of Census, 2006-2008 American Community Survey 3-Year Estimates

Major Employers

Employer	Nature of Business	Calendar Year 2009 No. of Employees
City of Waterbury	Government	3,811
Waterbury Hospital	Medical Facilities	1,541
St. Mary's Hospital	Medical Facilities	1,279
State of Connecticut	Government	1,225
AT&T	Communications	400
Naugatuck Valley Community Tech College	Technical Education	384
United States Postal Service	Federal Government	270
Webster Bank	Financial Institution	256
Waterbury Republican American	Newspaper Publisher	252
MacDermid, Inc.	Specialty Chemicals	217

Source: Waterbury Development Corporation

Employment Data

	City of Waterbury		Percentage Unemployed		
Annual Average	Employed	Unemployed	City of Waterbury	Waterbury Labor Market	State of Connecticut
June 2010	43,429	7,138	14.1	11.8	8.9
2009	43,792	6,776	13.4	11.1	8.2
2008	45,436	4,671	9.3	7.6	5.7
2007	45,907	3,654	7.4	5.9	4.6
2006	45,975	3,449	7.0	5.6	4.3
2005	45,654	3,878	7.8	6.3	4.9
2004	45,838	3,829	7.7	6.3	4.6
2003	45,466	4,323	8.7	7.2	5.5
2002	45,688	3,636	7.4	6.0	4.4
2001	45,789	2,624	5.4	4.3	3.1
2000	46,417	1,667	3.5	2.9	2.3

Source: Connecticut Department of Economic and Community Development, Town Profiles 2010 & State Department of Labor

Employment by Industry

	City of Waterbury 2000		State of Connecticut 2000	
	Number	Percent	Number	Percent
Agriculture	114	0.3	7,445	0.4
Construction	2,512	5.5	99,913	6.0
Manufacturing	9,563	21.0	246,607	14.8
Wholesale Trade	1,558	3.4	53,231	3.2
Retail Trade	5,481	12.0	185,633	11.2
Trans/Warehousing/Utilities	1,681	3.7	64,662	3.9
Information	1,072	2.4	55,202	3.3
Finance/Insurance/Real Estate	2,775	6.1	163,568	9.8
Professional/Scientific/Management	2,772	6.1	168,334	10.2
Educational/Health/Social Services	10,444	23.0	366,568	22.0
Arts/Entertainment	3,030	6.7	111,424	6.7
Other Services (excluding public admin.)	2,198	4.8	74,499	4.5
Public Admin.	2,284	5.0	67,354	4.0
TOTAL	45,484	100.0	1,664,440	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000

Educational Attainment

YEARS OF SCHOOL COMPLETED, AGE 25 & OVER

	City of Waterbury 2000		State of Connecticut 2000	
	Number	Percent	Number	Percent
Less than 9th grade	8,205	11.8	132,917	5.8
9th to 12th grade	11,536	16.5	234,739	10.2
High school graduate	23,961	34.3	653,300	28.5
Some college, no degree	11,821	16.9	402,741	17.5
Associate's degree	4,590	6.6	150,926	6.6
Bachelor's degree	6,042	8.7	416,751	18.2
Graduate or professional degree	3,636	5.2	304,243	13.2
Total	69,791	100.0	2,295,617	100.0
Total high school graduate or higher		71.7		84.1
Total bachelor's degree or higher		13.9		31.5

Source: U.S. Department of Commerce, Bureau of Census, 2000

Building Permits

Fiscal Year	Residential		Commercial / Industrial		Other		Total	
Ending June 30	No.	Value	No.		No.	Value	Number	Value
2010	904	$10,344,656	162	$9,635,422	29	$48,582,024	1,095	$68,562,102
2009	863	11,646,573	165	11,156,991	41	24,363,585	1,069	47,167,149
2008	1,033	19,335,342	142	22,053,215	132	19,853,577	1,307	61,242,134
2007	1,054	27,484,976	97	12,570,787	129	5,075,578	1,280	45,131,341
2006	1,081	21,188,820	97	27,100,254	135	8,124,353	1,313	58,413,227
2005	1,100	15,525,000	122	9,553,000	123	3,413,000	1,335	28,491,000
2004	1,086	11,389,000	150	12,588,000	170	5,897,000	1,406	29,874,000
2003	811	9,163,000	110	13,346,000	166	3,487,000	1,087	25,936,000
2002	500	6,371,000	102	19,833,000	94	1,790,000	696	27,994,000

Source: City of Waterbury – Department of Licenses, Permits & Inspections

Land Use Summary

	Acres	Percent
Residential	7,551	40.7
Commercial / Office	1,280	6.9
Industrial	1,261	6.8
Institutional	1,057	5.7
Vacant Land	4,972	26.8
Open Space	1,910	10.3
Other (resource extraction, water etc)	522	2.8
Total	18,553	100.0

Source: Phillips Preiss Shapiro Associates Report, 2005

TAX BASE DATA

Property Tax Assessments

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion onto the grand list are the responsibilities of the Assessor's Office. The grand list represents the total assessed values for all taxable real and personal property and motor vehicles located within the City as of October 1. Each year the Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation while assessments for motor vehicles and personal property are computed at 70% of their present market values.

In accordance with Connecticut General Statutes, the City conducted a general revaluation of real property effective as of October 1, 2007 (commencing fiscal year 2008-2009). Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. Generally, Section 12-62, as amended, requires a revaluation every five years and requires the Assessor to fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building, once every ten assessment years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may chose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five years. The City of Waterbury has opted to annually conduct an inspection of a portion of the real property. The City appropriated the $750,000 cost of revaluation, effective as of the Grand List dated October 1, 2007. The revaluation has been completed and implemented by the City.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. A physical appraisal is then completed and the structure is classified and priced from a schedule developed at the time of the last general revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment, supplies and machinery) is revalued annually. An Assessor's check and audit is completed periodically.

Motor vehicle lists are furnished to the City by the State of Connecticut Department of Motor Vehicles and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the State Office of Policy and Management in cooperation with the Connecticut Association of Assessing Officials. Connecticut General Statutes Section 12-71b, as amended, provides that motor vehicles that are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle has been included on the October grand list. The tax is prorated and the proration is based on the number of months of ownership between October 1 and the following July 31. Motor vehicles purchased in August and September are not taxed until the next October 1 Grand List. The tax is not due until January 1st, a year and three months after the grand list date.

Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real and personal property taxes and motor vehicle taxes are payable in two installments on July 1 and January 1, except that taxes under $100 are payable in one installment on July 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is credited first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Tax accounts are transferred to suspense 15 years after the due date in accordance with State statutes.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected, but within 60 days, to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as deferred revenue.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes, which are deemed to be uncollectible.

Comparative Assessed Valuations

($ In Thousands)

Grand List 10/1	Residential Real Property (%)	Commercial Industrial & Utility Real Property (%)	Other Real Property (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Less all Categories of Exemptions	Net Taxable Grand List
2009	60.9	22.9	1.4	8.4	6.4	$5,528,927	$251,536	$5,277,391
2008	61.5	23.2	1.2	7.6	6.5	5,522,490	209,569	5,312,921
2007[1]	61.7	23.5	1.4	6.6	6.8	5,423,449	157,939	5,265,510
2006	57.2	23.5	0.5	9.1	9.7	3,662,055	123,958	3,538,097
2005	57.9	23.0	0.3	9.2	9.6	3,557,293	78,397	3,478,896
2004	58.5	22.9	0.3	9.1	9.2	3,495,902	82,954	3,412,948
2003[1]	53.7	26.6	2.1	9.0	8.6	3,433,607	90,368	3,343,239
2002	53.0	26.9	2.0	9.2	8.9	3,456,984	103,271	3,353,713

1 *Revaluation year*

Source: Assessor's Office, City of Waterbury

Ten Largest Taxpayers

(2009 NET TAXABLE GRAND LIST)

Name	Nature of Business	Taxable Valuation ($)	Percent of Net Taxable Grand List[1] (%)
G G P Brass Mill Inc.[2]	Retail	$116,911,530	2.22
Connecticut Light & Power	Utility	61,410,700	1.16
DDRTC Naugatuck Valley SC LLC	Retail	45,971,937	0.87
Yankee Gas Company	Utility	42,468,520	0.80
Waterbury Partners, LP	Hospitality	27,680,450	0.52
Centro GA Waterbury LLC	Retail	18,023,940	0.36
Waterbury VF LLC	Retail	16,596,440	0.31
Yankee Gas Services Co	Utility	14,749,070	0.28
Benchmark GPT Waterbury LLC	Assisted Living	13,390,270	0.25
Macy's Retail Holding Inc	Retail	12,896,560	0.24
TOTAL		$370,099,417	7.01

1 *2009 Net Taxable Grand List of $5,277,391,511.*

2 *In April 2009, GGP Brass Mill Inc. and its parent, General Growth Properties, Inc. filed for protection under Chapter 11 of the United States Bankruptcy Code. GGP Brass Mill Inc. has since emerged from bankruptcy and continues to pay 100% of its liabilities to the City, including taxes, sewer usage fees and water charges. General Growth Properties, Inc remains in bankruptcy but has filed a plan with the court to exit bankruptcy.*

Source: City of Waterbury - Assessor's Office

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List[1]	Mill Rate	Adjusted Annual Levy[1]	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 06/30/2010
					FYE2011	FYE2011	FY2011
2009	2011	$5,277,391	41.82	$219,744	In Process	In Process	In Process
2008	2010	5,312,921	39.92	210,433	97.00	3.00	3.00
2007[2]	2009	5,265,510	39.92	210,339	96.80	3.20	2.91
2006	2008	3,534,262	55.49	197,161	96.42	3.58	1.83
2005	2007	3,478,896	55.49	193,966	96.68	3.32	1.43
2004	2006	3,410,262	53.96	185,478	96.77	3.23	0.53
2003[2]	2005	3,343,239	53.31	178,115	96.97	3.03	0.45
2002	2004	3,353,713	53.31	177,082	96.04	3.96	0.39

[1] *Figures in thousands and Grand List as adjusted by the Board of Assessment Appeals.*

[2] *Revaluation Year*

Source: City of Waterbury - Tax Collectors Office

Property Taxes Receivable

Fiscal Year Ending 6/30	Total Uncollected Taxes	Uncollected in Fiscal Year of Levy
2010	$20,291,000	$6,375,072
2009	19,715,000	6,733,876
2008	19,492,000	7,052,694
2007	25,200,000	6,538,846
2006	25,548,000	6,251,000
2005	25,191,000	6,452,000
2004	25,068,000	7,969,000

Source: City of Waterbury - Finance Department
Fiscal year ending 2010 excludes 60 day tax revenue accrual to be available 8/31/2010

FINANCE AND ADMINISTRATION

Fiscal Year

The City's fiscal year begins July 1 and ends on June 30.

Audit

Pursuant to the Municipal Auditing Act (Chapter 111 of the Connecticut General Statutes), the City is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of said audit report must be filed with the Office of Policy and Management. The City of Waterbury is in compliance with said provisions.

For the fiscal year ended June 30, 2009, the financial statements of the various funds of the City were audited by Blum, Shapiro & Company, PC, Certified Public Accountants, West Hartford, Connecticut. The fiscal year ending 2009 Comprehensive Annual Financial Report ("CAFR"), including the Auditors' opinion, the Federal and State Single Audit Reports and the Report on Compliance and Internal Control over Financial Reporting were filed with the City Clerk prior to December 31, 2009. The Independent Auditors' opinion contained in the CAFR is unqualified.

Capital Budget Planning

On an annual basis the City adopts a five-year capital budget plan. This plan covers proposed capital funding needs to be funded through either one or a combination of funding sources, including contributions from the City's General Fund, proposed authorizations and State and federal grants. The capital improvement plan is another critical planning tool for the City. The General Fund has made contributions from its previous year's surplus to the Capital Reserve/Equipment account. The City revisits the five-year Capital Plan on an annual basis prior to adoption of the next fiscal year's Capital Budget. The 2011-15 capital budget was adopted on June 9, 2010 and is outlined below.

	Adopted 2010-11	Proposed 2012-2015	Total Plan
Source of Funds:			
Local Funding	$ 4,878,460	--	$ 4,878,460
Bonds to be Authorized	8,175,000	--	8,175,000
Estimated Grants	6,455,190	--	6,455,190
To be Determined*	--	$157,764,800	157,764,800
Total sources	$ 19,508,650	$157,764,800	$177,273,450
Use of Funds:			
Public Works Infrastructure	$ 14,452,715	$ 59,835,000	$ 74,287,715
Vehicle Replacement	1,312,200	6,618,800	7,931,000
Information Technology	86,700	320,000	406,700
Public Safety	235,675	5,537,000	5,772,675
Education	717,500	14,475,000	15,192,500
Library	30,000	19,414,000	19,444,000
Water Pollution Control	1,413,860	40,530,000	41,943,860
Bureau of Water	1,260,000	11,035,000	12,295,000
	$ 19,508,650	$157,764,800	$ 177,273,450

* Grant availability in subsequent years will significantly impact the City's decision to adopt project authorizations for the project priorities identified in the 5-year Capital Improvement Plan.

Accounting

The City's accounting system is organized on a fund basis and uses funds and account groups to report on its financial position and results of operations. The City's accounting records are maintained on a modified accrual basis, with major revenues recorded when earned and expenditures recorded when incurred. The City's accounting policies conform to generally accepted accounting principles as applied to governmental units. The independent auditors issued an unqualified opinion for the fiscal year ended June 30, 2009. The City's 2009 Comprehensive Annual Financial Report ("CAFR") has been awarded the Certificate of Achievement in excellence in Financial Reporting by the Government Finance Officers Association of the United States. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by the City and its management.

Budget Adoption

City departments submit estimates of expenditures to the Mayor no later than the second Friday in January. The Mayor, with the assistance of a designated budget subcommittee consisting of the City's Budget Director, Finance Director and Mayoral Chief of Staff, evaluate in detail the amounts required by the departments of the City for the ensuing year. These estimated expenditures, accompanied by an estimate of the income necessary to meet such expenditures, are reviewed by the Mayor and once approved become the basis for the "Mayor's Proposed Budget".

On or before the first day of April of each year, the Mayor submits a budget to the Board of Aldermen (the "Mayor's Proposed Budget") which consists of:

1. An annual or current expense budget, which shall be a complete financial plan for the ensuing fiscal year, consisting of the budget proper and the budget message; and
2. A capital budget.

Pursuant to the Charter, the budget must disclose the following:

1. A general executive summary of its content set forth in plain language;
2. An estimate of all revenue cash receipts anticipated from sources other than the tax levy of the ensuing fiscal year;
3. An estimate of the General Fund cash surplus at the end of the current fiscal year or of the deficit to be made up by appropriation;
4. The estimated expenditures necessary for the operation of the several departments, offices and agencies of the City;
5. Debt service requirements for the ensuing fiscal year;
6. An estimate of the sum required to be raised by the tax levy for the ensuing fiscal year, assuming a rate of current levy year collections not greater than the average rate of collection in the year of levy for the last three completed fiscal years. The Mayor may deviate from said assumed collection average. In the event the Mayor submits a budget containing such a deviation in the rate of collection in excess of (i) the three-year average or (ii) a rate of collection of 93 percent, whichever is lesser, said budget submission shall be accompanied by a certification by the Finance, Audit and Review Commission asserting that the assumption is a reasonable estimate upon which the Board of Aldermen may rely;
7. A balanced relation between the total estimated expenditures and total anticipated revenue cash receipts, taking into account the estimated General Fund cash surplus or deficit at the end of the current fiscal year; and
8. The anticipated income and expense as well as profit and loss for the ensuing fiscal year for each utility or other enterprise fund operated by the City.

The Board of Aldermen considers and acts upon and may amend the estimates of the Mayor's proposed budget (except that it may not increase the Mayor's estimate of receipts) and make appropriations upon the basis of such estimates as may be necessary and proper to meet such expenses and shall levy a tax necessary to meet such expenses. The Board of Aldermen shall conduct at least two (2) public hearings. After its deliberations, it adopts a budget.

Significant Financial Policies

Financial Reporting: Financial operating statements are available to each department on a real-time basis. The Director of Budget prepares and distributes to the Mayor and Board of Aldermen projections of current fiscal operations for review and comment.

Investment Funds: The City invests its available cash from various activities on a competitive basis with local institutions strictly in accordance with the General Statutes of Connecticut. The City participates in a combination of fully insured and fully collateralized funds and other funds in order to diversify the City's investment portfolio risk. Deposits are protected against loss under the Public Deposits Protection Act only when deposits are with a qualified public depository in the State of Connecticut. Investments are stated at cost.

Basis of Accounting: The accounts of the City Governmental Funds and Expendable Trust Funds are maintained on the modified accrual basis. Proprietary Fund and Pension Trust Funds are accounted for using the accrual basis of accounting.

Litigation Liabilities: The City has established a special reserve fund in which funds are contributed from appropriate sources and maintained to meet liabilities in excess of budgeted funds. The City is self-insured for various general liability claims.

Encumbrances: Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgeting interaction in the Governmental Funds.

Investment Policy

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Sections 7-400 and 7-402. Refer to APPENDIX A – "AUDITOR'S REPORT" under "Notes to the Financial Statements", Note 3, regarding the City's cash and cash equivalent investments and investment policies. The City's investments do not include derivative products.

As of June 30, 2010 cash, cash equivalents and investments included the following:

Operating Funds	
TD Bank*	$10,240,852
Northern Capital*	8,757,945
U.S Bank	10,962,429
State of Connecticut Short-Term Investment Fund	1,001,982
Farmington Savings Bank*	3,005,771
Wells Fargo	3,257,598
Webster Bank*	8,342,548
Total Cash and Cash Equivalents	**$45,569,125**

* Fully insured/collateralized

Bond Authorization

The City of Waterbury is authorized to issue bonds or notes as provided by Chapter 10 of the City Charter and the Connecticut General Statutes. The Mayor recommends bond authorizations to the Board of Aldermen who in turn act upon the bond authorization after a public hearing specifically called to address the authorization. An affirmative vote of ten (10) members of the Board of Aldermen is required to approve bonding authorizations. The Mayor must then approve the bonds. If the Mayor disapproves, then three-fifths of the members of the Board of Aldermen, present and absent, must again pass the resolution. If the Mayor fails to approve it in ten days, then the resolution is valid, as if the Mayor had approved it. No bonds or notes shall be issued until thirty days after publication of notice of the adoption of the bond authorization. If a petition is signed by at least five percent (5%) of the voters of the City requesting a referendum, the Board of Aldermen can either repeal the bond resolution or hold the referendum, at which a majority of voters must approve the bond authorization.

Temporary Financing

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the Board of Aldermen schedules principal reductions by the end of the third and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for water, sewer and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date except for sewer notes issued in anticipation of State and/or Federal grants. If a written commitment exists, the municipality may renew the sewer notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or sewerage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15 of the total amounts of the notes issued by funds derived from certain sources of payment. Temporary notes may be issued in one-year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Pension Programs: Employee Retirement Systems and Pension Plans Overview

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, 2009 of the PERS consisted of the following:

Pension Plan – Participant Profile as of June 30, 2009

Retirees and Beneficiaries Currently Receiving Benefits	2,124
Terminated Employees Not Yet Receiving Benefits	69
Current Active Members:	
Vested	947
Non-Vested	825
TOTAL	3,965

Members are required to contribute to the Pension 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.

Currently hired teachers and school administrators are covered by the State Teachers' Retirement System.

B. Significant Accounting Policies and System Assets

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

CITY OF WATERBURY
PENSION TRUST FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS

	Estimated Actual 2010	Audited 2009	Audited 2008	Audited 2007	Audited 2006
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, JULY 1st	$ 56,462,160	$ 63,254,822	$ 59,924,015	$ 47,437,000	$ 41,621,000
ADDITIONS:					
Contributions:					
City Employer Contributions	16,469,732 *	44,475,000	43,973,874	43,344,576	41,998,000
Pension Obligation Bond (POB)Proceeds**	311,143,000				
Plan Members	6,386,976	6,159,403	5,874,939	5,846,134	5,571,000
Total Contributions	333,999,708	50,634,403	49,848,813	49,190,710	47,569,000
Investment Income (loss):					
Net appreciation (depreciation) in fair market value of investments	575,299	(14,380,493)	(3,417,208)	5,852,026	1,792,000
Interest and dividends	6,690,094	1,746,227	1,904,210	1,896,033	1,147,000
Net Investment Income (Loss)	7,265,393	(12,634,266)	(1,512,998)	7,748,059	2,939,000
DEDUCTIONS:					
Benefits paid	43,913,126	43,672,665	43,265,350	43,166,920	43,861,000
Refunds, rollovers & pre-retirement death benefits	645,213	543,942	1,029,297	1,024,221	621,000
Administration	1,874,481	576,192	710,361	260,613	210,000
Total Deductions	46,432,820	44,792,799	45,005,008	44,451,754	44,692,000
NET INCREASE / (DECREASE)	294,832,281	(6,792,662)	3,330,807	12,487,015	5,816,000
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS, JUNE 30th	$ 351,294,441	$ 56,462,160	$ 63,254,822	$ 59,924,015	$ 47,437,000
Actuarial Accrued Liability - July 1, 2009	$ 541,959,875				
Percent Funded Based on Actuarial Asset Value - July 1, 2009	70.40%				

*** The Employer Contribution for fiscal year 2010 is in accordance with the actuarial required contribution with a discounted receivable accrual of the POB proceeds.**
**** The City of Waterbury issued Pension Obligation Bonds on September 17, 2009 in the amount of $313,145,000.**

Issuance of Taxable General Obligation Pension Bonds

Pursuant to Section 7-374c of the Connecticut General Statutes (the “Act”), the City issued general obligation pension bonds in September 2009 in the amount of $313,145,000 to fund a part of the unfunded past benefit obligation of the City’s Employment Retirement Plan.

Annual Required Contribution

The fiscal year 2010 pension contribution was revised with the issuance of the actuary report dated July 1, 2009 accounting for the City’s contribution of $311,143,000 in pension obligation proceeds into the Pension Trust. The City’s contribution for fiscal year 2009 was $16,469,732. The valuation completed as of July 1, 2009 recommends a required contribution of $16,540,232 for fiscal 2011.

Plan Funding Status

The actuarial accrued liability for active and retired plan members is $541,959,875 as of July 1, 2009. The actuarial accrued asset value in the Pension Trust is $381,606,192 representing a plan funding status of 70.4 percent. The fiscal 2010 pension plan contribution includes the initial year of the thirty-year amortization period to amortize the remaining unfunded portion of the actuarial accrued liability following the City’s issuance of pension obligations bonds in September 2009. Given the City’s policy to prepare an actuarial pension plan valuation annually, adjustments to the planned funding strategy, comprising normal cost and amortization of the unfunded liability, can be made prospectively to take into account factors that ultimately affect the continued growth in the funded ratio.

GASB #43 and 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions (“OPEB”)

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

The following is the current census of City benefit participants:

Active Member	3,063
Retirees	3,528
Total	6,591

Post-employment benefit payments for the year ended June 30, 2009 for the 3,528 retirees, net of retiree and other contributions, amounted to approximately $30.842 million. Although the City has not established a trust fund, as of June 30, 2010, to irrevocably segregate assets to fund the liability associated with post-employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines, an actuarial valuation was prepared to value the estimated accrued liability, as of July 1, 2008, and the annual recommended contribution (“ARC”) for the subsequent years ending June 30, 2010 and June 30, 2011. The following reflects the assumptions and results of the actuarial report ($ in thousands):

Valuation date July 1, 2008

Actuarial cost method Projected Unit Credit

Remaining amortization period 30 year – level dollar

Actuarial assumptions:

Investment rate of return 5.5%

Benefit cost trend 10.0% (reducing by 1% until 2014 to 5% thereafter)

Actuarial accrued liability – July 1, 2008:

Retirees	$623,366
Actives	147,042
Total	$770,408

Net OPEB Obligation – FYE June 30, 2009:

Net OPEB Obligation, beginning of year	$36,177
Annual OPEB Cost	64,260
Contributions made by the City	(30,842)
Net OPEB Obligation, end of year	$69,595

OPEB Benefits Funding Policy

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

- Retirees and active members hired prior to June 30, 2004, which represent the largest element of both the actuarial accrued liability and ARC, are funded on a pay-as-you-go basis. This method, in time, will eliminate the unfunded status of this group;
- Active members hired after June 30, 2004 will be funded in accordance with the actuarially determined ARC, which includes both normal cost and the amortization of the accrued liability. The benefits of this employee group are substantially less than the benefits negotiated for employees hired prior to July 1, 2004.

The City is committed to funding the recommended normal cost contribution to provide OPEB benefits for active employees hired after June 30, 2004. The City has established an OPEB Reserve Fund within the City's internal service funds to account for the City's funding of the actuarial recommended normal cost benefit requirement for those active employees. To date the City has accumulated reserves totaling $9.6 million and has budgeted $2.3 million in FY2011 in accordance with the recommended contribution.

General Fund Revenues and Expenditures

LAST FIVE FISCAL YEARS AND CURRENT BUDGET ($ IN THOUSANDS)

	Adopted Budget FY10-11	**Estimated Actual FY09-10**	**Actual FY08-09**	**Actual FY07-08**	**Actual FY06-07**	**Actual FY05-06**	**Actual FY04-05**
REVENUES AND TRANSFERS:							
Property Taxes	$220,027	$211,143	$210,092	$197,239	$194,680	$188,416	$180,545
Intergovernmental Revenue	139,365	138,857	140,369	135,410	141,738	137,672	126,547
Use of Money	1,500	600	1,864	2,957	4,207	3,167	1,679
Department Income, Reimbursement, Charges for Services, & other	16,816	17,262	18,636	22,477	20,995	20,699	18,813
Designation of Fund Balance	3,000						
Total Revenues	$380,708	$367,862	$370,961	$358,083	$361,620	$349,954	$327,584
EXPENDITURES AND TRANSFERS:							
General Government	$11,325	$11,146	$10,538	$9,990	$9,339	$8,943	$8,544
General Financial	128,685	116,917	119,770	119,107	109,777	105,434	101,458
Public Works	19,064	18,724	19,286	17,910	17,307	17,176	16,431
Public Safety	44,495	44,449	44,013	43,367	42,440	41,564	43,083
Community Affairs / Human Services	3,356	3,310	3,165	3,244	3,080	2,822	2,362
Cultural & Recreation	2,008	2,078	2,055	1,949	1,760	1,660	1,621
Education	155,625	154,088	153,897	147,356	153,285	144,916	134,548
Total Expenditures	$364,558	$350,712	$352,724	$342,923	$336,988	$322,515	$308,047
Excess of Revenues Over Expenditures	$16,150	$17,150	$18,237	$15,160	$24,632	$27,439	$19,537
Transfers:							
Transfers In			0	3,812	0	0	376
Transfers to Other Funds[1]	-16,150	-16,900	-16,171	-19,832	-24,250	-24,057	-22,023
NET CHANGE IN FUND BALANCES	0	250	2,066	-860	382	3,382	-2,110
Fund Balance:							
Beginning		21,082	19,016	19,876	19,494	16,112	18,222
Ending		$21,332	$21,082	$19,016	$19,876	$19,494	$16,112

1. Includes annual debt service funding requirement

DEBT SUMMARY

Long-Term Bonded Debt

As of September 1, 2010 (Pro-Forma)

General Fund Debt	Date of Issue	Interest Rate %	Original Principal Amount	Date of Final Maturity	Balance Outstanding
General Purpose Bonds					
SCRF Bonds, Series A, tax-exempt	04/01/02	4.00 – 5.50	$82,075,000	04/01/12	$ 10,260,000
General purpose bonds, Series A	10/01/04	3.00 – 5.25	17,833,100	02/01/20	13,862,500
SCRF Bonds, Series B	10/01/04	2.00 – 5.00	25,365,000	04/01/17	25,065,000
General purpose refunding bonds, Series 2007	02/15/07	3.80 – 4.50	27,055,000	04/01/22	26,955,000
General purpose	09/02/09	3.00 – 5.00	20,000,000	09/01/29	18,700,000
General purpose, Subseries A (this issue)	09/01/10	2.00	5,625,000	09/01/14	5,625,000
General purpose, Subseries B (this issue)	09/01/10	2.88 – 3.94	5,500,000	09/01/18	5,500,000
General purpose, Subseries C (this issue)	09/01/10	4.19 – 6.10	24,175,000	09/01/30	24,175,000
General purpose, Subseries D (this issue)	09/01/10	5.63	4,700,000	09/01/27	4,700,000
General Purpose Bonds Sub-Total			$212,328,100		$134,842,500
School Bonds					
School refunding bonds	10/01/04	3.00 – 5.25	$6,286,400	02/01/20	$ 5,676,700
School facilities	09/02/09	3.00 – 5.00	8,000,000	09/01/29	7,600,000
School facilities, Subseries A (this issue)	09/01/10	2.00	2,500,000	09/01/14	2,500,000
School facilities, Subseries B (this issue)	09/01/10	2.88 – 3.94	2,500,000	09/01/18	2,500,000
School Bonds Sub-Total			$19,286,400		$18,276,700
Pension Obligation Bonds					
Pension Bonds Sub-Total	09/17/09	2.71 – 7.09	$313,145,000	12/01/38	$313,145,000
Total General Fund Debt					$466,264,200
Sewer Bonds[1]					
WWTP State loan (CWF)	08/31/95	2.00	$4,007,585	08/31/14	$ 801,517
WWTP State loan (CWF)	07/31/97	2.00	6,447,616	07/31/16	2,162,055
WWTP State loan (CWF)	12/31/00	2.00	80,563,282	06/30/20	38,500,777
WWTP State loan (CWF)	10/30/02	2.00	11,547,353	04/30/22	7,221,020
WWTP State loan (CWF)	10/31/03	2.00	2,423,923	04/30/23	1,679,628
WWTP State loan (CWF)	04/30/04	2.00	2,953,070	04/30/23	2,090,346
WWTP State loan (CWF)	06/30/04	2.00	1,137,959	07/31/20	744,250
Sewer bonds	10/01/04	3.00 – 5.25	2,075,500	02/01/20	1,795,800
WWTP State loan (CWF)	11/30/05	2.00	543,822	04/30/23	413,747
WWTP State loan (CWF)	06/30/07	2.00	225,959	07/31/20	176,560
Sewer Bonds Sub-Total			$111,926,069		$55,585,700
Total Outstanding Long-Term Debt					$521,849,900

[1] WTTP indicates loans for the City's wastewater treatment plant. CWF indicates loans from the State's Clean Water Fund Program. The City of Waterbury is a participant in the State of Connecticut's Clean Water Fund Program (General Statutes Sections 22a-475 et. seq. as amended) which provides financing assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects, which are financed with a 50% grant and a 50% loan).

Annual Coverage History of Tax Revenue Intercept Secured Bonds

The City's outstanding bond series 2002A, 2004A, 2004B and 2007 (the "Parity Bonds") are secured by a tax revenue intercept mechanism established under an Indenture of Trust dated August 12, 1993 by and between the City and U.S. Bank National Association, as successor to Fleet National Bank, as trustee (the "Trustee"), as amended and supplemented (the "Intercept Indenture"). All tax revenues payable to the City are paid directly to the Trustee and are deposited into the Tax Revenue Fund. The tax revenues are then transferred to the Debt Service Fund and the Special Capital Reserve Fund until the applicable debt service and reserve requirements are satisfied for the benefit of the holders of the Parity Bonds. Only after the applicable debt service and reserve requirements are satisfied are remaining amounts paid to the City for the payment of other City expenditures, including the payment of the principal and interest on the Bonds and Notes. However, the City will pledge its full faith and credit to pay the principal of and interest on the Bonds and Notes, as described in "SECURITY AND REMEDIES" herein. Below outlines the historical debt service coverage on the Parity Bonds.

Fiscal Year	Intercept Debt Service (000s)	Current Property Tax Collected within the Fiscal Year of Levy (000s)	Coverage Ratio of Intercept Debt Service	Date Annual Debt Service Requirement Satisfied
2010	$11,274	$203,933	18.09x	7/06/09 and 1/15/10
2009	16,008	203,605	12.72x	7/08/08 and 1/20/09
2008	19,359	186,154	9.62x	7/09/07 and 1/22/08
2007	18,854	187,525	9.95x	7/14/06 and 1/19/07
2006	19,093	179,493	9.40x	7/15/05 and 1/21/06
2005	18,884	172,713	9.15x	7/14/04 and 1/17/05

Short – Term Debt

The proceeds of the Bonds and Notes will be used, in part, to retire the City's $33,525,000 General Obligation Bond Anticipation Notes, Series 2009B, dated September 2, 2009 and maturing September 1, 2010.

As of September 1, 2010, the Note issuance will constitute the City's only outstanding short-term debt.

Project	Total Bond Authorization	Notes Outstanding	Maturity Date
Renovation of City Hall	$35,900,000	$2,000,000	8/31/2011
Water Department Capital Projects	5,168,075	3,375,000	8/31/2011
Water-Chlorine Feed	460,000	150,000	8/31/2011
Water-Clean and Line Mains	910,000	225,000	8/31/2011
Special Education School	14,635,000	1,000,000	8/31/2011
School Facilities	101,500,000	2,000,000	8/31/2011
Total	$158,573,075	$8,750,000	

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Aggregate Annual Bonded Debt Maturity Schedule

As of September 1, 2010 (Pro-Forma)

Fiscal Year Ended 6/30	Principal Payments(2)	Interest Payments(2)	Total Payments(2)	This Issue	Cumulative % of Principal Retired
2011[1]	$ 19,579,956	$ 25,006,996	$ 44,586,952	--	3.75%
2012	22,271,662	25,498,172	47,769,834	$2,000,000	8.40%
2013	22,451,399	24,764,512	47,215,911	2,125,000	13.11%
2014	22,758,149	23,963,409	46,721,558	2,000,000	17.86%
2015	22,999,969	23,076,150	46,076,119	2,000,000	22.65%
2016	23,422,472	22,159,113	45,581,585	2,000,000	27.52%
2017	23,487,077	21,202,929	44,690,006	2,000,000	32.40%
2018	24,177,147	20,107,192	44,284,339	2,000,000	37.42%
2019	22,711,544	18,890,687	41,602,231	2,000,000	42.15%
2020	23,358,047	17,742,831	41,100,878	2,000,000	47.01%
2021	18,026,017	16,591,238	34,617,255	2,175,000	50.89%
2022	18,597,493	15,509,499	34,106,991	2,500,000	54.93%
2023	13,708,968	14,390,909	28,099,878	2,500,000	58.03%
2024	13,400,000	13,481,390	26,881,390	2,500,000	61.08%
2025	13,400,000	12,572,960	25,972,960	2,500,000	64.13%
2026	12,900,000	11,672,843	24,572,843	2,500,000	67.08%
2027	12,900,000	10,782,787	23,682,787	2,350,000	70.00%
2028	12,900,000	9,890,820	22,790,820	2,350,000	72.92%
2029	12,900,000	8,996,940	21,896,940	2,500,000	75.87%
2030	12,900,000	8,103,060	21,003,060	2,500,000	78.83%
2031	12,000,000	7,230,780	19,230,780	2,500,000	81.60%
2032	12,000,000	6,380,100	18,380,100	--	83.90%
2033	12,000,000	5,529,420	17,529,420	--	86.20%
2034	12,000,000	4,678,740	16,678,740	--	88.50%
2035	12,000,000	3,828,060	15,828,060	--	90.80%
2036	12,000,000	2,977,380	14,977,380	--	93.10%
2037	12,000,000	2,126,700	14,126,700	--	95.40%
2038	12,000,000	1,276,020	13,276,020	--	97.70%
2039	12,000,000	425,340	12,425,340	--	100.00%
Total	$476,849,900	$378,856,977	$855,706,877	$45,000,000	

1. Excludes $2,533,943 principal payments and $1,217,220 interest payments made from July 1, 2010 through September 1, 2010.

2. Does not include this issue.

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General Fund Debt Annual Bonded Debt Maturity Schedule
As of September 1, 2010 (Pro-Forma)

Fiscal Year Ended 6/30	General Purposes & Schools				Pension Obligation Bonds		All General Fund Debt Service	
	Principal Payments(2)	Interest Payments(2)	This Issue	Cumulative % of Principal Retired	Principal Payments	Interest Payments	Total Payments(2)	Cumulative % of Principal Retired
2011[1]	$ 7,200,000	$ 3,908,480		4.70%	$ 8,000,000	$ 20,193,514	$ 39,301,994	3.26%
2012	8,960,000	4,511,791	$2,000,000	11.86%	8,000,000	19,966,954	41,438,745	7.33%
2013	9,025,000	4,146,085	2,125,000	19.14%	8,000,000	19,708,794	40,879,879	11.43%
2014	9,070,000	3,753,684	2,000,000	26.37%	8,150,000	19,412,149	40,385,833	15.56%
2015	9,165,000	3,313,885	2,000,000	33.66%	8,350,000	19,081,411	39,910,296	19.74%
2016	9,155,000	2,883,472	2,000,000	40.95%	8,700,000	18,710,950	39,449,422	24.00%
2017	9,255,000	2,456,497	2,000,000	48.30%	8,900,000	18,297,300	38,908,797	28.32%
2018	9,377,400	2,025,577	2,000,000	55.73%	9,420,000	17,746,248	38,569,225	32.78%
2019	7,628,300	1,601,557	2,000,000	62.02%	9,700,000	17,068,540	35,998,397	36.93%
2020	7,638,500	1,270,700	2,000,000	68.31%	10,225,000	16,362,298	35,496,498	41.19%
2021	6,485,000	927,376	2,175,000	73.97%	10,500,000	15,627,700	33,540,076	45.30%
2022	6,460,000	635,550	2,500,000	79.82%	11,200,000	14,858,544	33,154,094	49.62%
2023	1,400,000	351,850	2,500,000	82.37%	12,000,000	14,036,220	27,788,070	53.03%
2024	1,400,000	295,850	2,500,000	84.91%	12,000,000	13,185,540	26,881,390	56.44%
2025	1,400,000	238,100	2,500,000	87.46%	12,000,000	12,334,860	25,972,960	59.85%
2026	900,000	188,663	2,500,000	89.68%	12,000,000	11,484,180	24,572,843	63.15%
2027	900,000	149,288	2,350,000	91.80%	12,000,000	10,633,500	23,682,788	66.42%
2028	900,000	108,000	2,350,000	93.93%	12,000,000	9,782,820	22,790,820	69.70%
2029	900,000	64,800	2,500,000	96.15%	12,000,000	8,932,140	21,896,940	73.00%
2030	900,000	21,600	2,500,000	98.37%	12,000,000	8,081,460	21,003,060	76.30%
2031	–	–	2,500,000	100.00%	12,000,000	7,230,780	19,230,780	79.41%
2032	–	–	–	100.00%	12,000,000	6,380,100	18,380,100	81.98%
2033	–	–	–	100.00%	12,000,000	5,529,420	17,529,420	84.56%
2034	–	–	–	100.00%	12,000,000	4,678,740	16,678,740	87.13%
2035	–	–	–	100.00%	12,000,000	3,828,060	15,828,060	89.71%
2036	–	–	–	100.00%	12,000,000	2,977,380	14,977,380	92.28%
2037	–	–	–	100.00%	12,000,000	2,126,700	14,126,700	94.85%
2038	–	–	–	100.00%	12,000,000	1,276,020	13,276,020	97.43%
2039	–	–	–	100.00%	12,000,000	425,340	12,425,340	100.00%
Total	$108,119,200	$32,852,805	$45,000,000		$ 313,145,000	$339,957,662	$794,074,667	

1. Excludes $1,700,000 principal payments and $995,849 interest payments made from July 1, 2010 through September 1, 2010.

2. Does not include this issue.

Self-Supporting Sewer Debt Annual Bonded Debt Maturity Schedule
As of September 1, 2010 (Pro-Forma)

Fiscal Year Ended 6/30	Principal Payments(2)	Interest Payments(2)	Total Payments(2)	Cumulative % of Principal Retired
2011[1]	$ 4,379,956	$ 905,002	$ 5,284,958	7.88%
2012	5,311,662	1,019,427	6,331,090	17.44%
2013	5,426,399	909,633	6,336,032	27.20%
2014	5,538,149	797,576	6,335,724	37.16%
2015	5,484,969	680,854	6,165,823	47.03%
2016	5,567,472	564,691	6,132,163	57.04%
2017	5,332,077	449,132	5,781,209	66.64%
2018	5,379,747	335,367	5,715,114	76.32%
2019	5,383,244	220,591	5,603,834	86.00%
2020	5,494,547	109,833	5,604,380	95.88%
2021	1,041,017	36,163	1,077,180	97.76%
2022	937,493	15,405	952,897	99.44%
2023	308,968	2,839	311,808	100.00%
Total	$55,585,700	$6,046,513	$61,632,212	

1. Excludes $833,943 principal payments and $221,371 interest payments made from July 1, 2010 through September 1, 2010.

2. Does not include this issue.

Authorized But Unissued Debt

As of September 1, 2010 (Pro-Forma)

Project	Date Authorized[1]	Amount Authorized	Bonds Issued	New Bonds	New Notes	Grants & Paydowns	Authorized But Unissued
Police Parking Garage	12/10/07	$2,671,000	–	–	–	–	$2,671,000
Police Facility Projects	12/10/07	819,000	–	$700,000	–	–	119,000
Golf Course Equipment	12/10/07	751,210	$500,000	200,000	–	–	51,210
Allied Magnet School	06/09/08	63,846,000	–	–	–	$428,080	63,417,920
City Hall Improvements	05/31/07	35,900,000	10,000,000	21,800,000	$2,000,000	–	2,100,000
Wilby High School	06/09/08	6,700,000	–	–	–	133,510	6,566,490
Carrington Middle School	06/09/08	34,700,000	–	–	–	–	34,700,000
Road Improvements	02/11/08	8,930,000	7,500,000	600,000	-	–	830,000
Buckingham Garage Elevator	07/21/08	282,000	–	–	–	–	282,000
Road Improvements II	08/11/08	4,500,000	–	4,500,000	–	–	–
Road Improvements III	03/22/10	1,000,000	–	500,000	–	–	500,000
Division Street Drainage	10/20/08	1,200,000	500,000	400,000	-	–	300,000
Underground Tank Removal	07/21/08	282,000	–	–	–	–	282,000
Chase Ave Reconstruction	09/03/08	8,205,000	–	5,600,000	–	–	2,605,000
Sidewalk and Curb Improvement	09/03/08	600,000	–	–	–	–	600,000
Library – HVAC System	10/06/08	2,404,115	1,500,000	700,000	–	–	204,115
Water-Clean and Line Mains[2]	10/06/08	910,000	–	–	225,000	75,000	610,000
Water-Chlorine Feed[2]	10/06/08	460,000	–	–	150,000	50,000	260,000
Water Dept Capital Projects[2]	10/20/08	5,168,075	-	–	3,375,000	1,125,000	668,075
Wachovia Property Acquisition	05/26/09	5,000,000	–	5,000,000	–	–	–
Pension Obligation Bonds	02/11/08	350,000,000	313,145,000	–	–	–	36,855,000
Special Education School	11/19/07	14,635,000	-	500,000	500,000	4,043,422	9,591,578
School Facilities [3]	06/25/04 & 03/05/07	101,500,000	8,000,000	4,500,000	2,500,000	44,112,312	42,387,688
Total:		$650,463,400	$341,145,000	$45,000,000	$8,750,000	$49,967,324	$205,601,076

1. Date of original authorization. Some authorizations have been amended.
2. Water - Self-liquidating. Debt service to be paid by Water Enterprise Fund.
3. The City expects to be reimbursed approximately 78% of eligible project costs from the State in the form of progress payments, thus reducing the need for borrowing by that amount for the project.

Debt Statement

As of September 1, 2010 (Pro-Forma)

LONG-TERM DEBT		
GENERAL OBLIGATION BONDS		
Schools (including this issue)	$18,276,700	
General Purpose (including this issue)	134,842,500	
Pension Bonds	313,145,000	
Sewers	55,585,700	
TOTAL LONG-TERM DEBT		$521,849,900
SHORT TERM DEBT (this issue)		$8,750,000
TOTAL DIRECT DEBT		$530,599,900
LESS:		
Self-Supporting Sewer Debt		$55,585,700
TOTAL DIRECT NET DEBT		$475,014,200
OVERLAPPING/UNDERLYING DEBT		–
TOTAL OVERALL NET DEBT		$475,014,200

1. Excludes authorized but unissued debt of $205,601,076.

Current Debt Ratios

As of September 1, 2010 (Pro-Forma)

Population (2008)[1]	107,037
Net Taxable Grand List (10/1/09) at 70% of Full Value	$5,277,391,511
Estimated Full Value of Taxable Grant List (10/1/09)	$7,539,130,730
Equalized Net Taxable Grand List (10/1/08)	$7,035,972,434
Per Capita Income (2000)[2]	$17,701

[1] State of Connecticut Department of Public Health
[2] U.S. Census 2000

	Total Direct Net Debt	**Total Overall Net Debt**
Debt per Capita	$4,957.16	$4,437.85
Ratio to Net Taxable Grand List (%)	10.05%	9.00%
Ratio to Estimated Full Value (%)	7.04%	6.30%
Ratio to Equalized Net Taxable Grand List	7.54%	6.75%
Debt per Capita to Income per Capita (%)	28.00%	25.07%

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds that will cause aggregate indebtedness by class to exceed the following:

General Purpose: 2.25 times annual receipts from taxation

School Purposes: 4.50 times annual receipts from taxation

Sewer Purposes: 3.75 times annual receipts from taxation

Urban Renewal Purpose: 3.25 times annual receipts from taxation

Pension: 3.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed seven times the annual receipts from taxation.

"Annual receipts from taxation" is defined as total tax collections, interest, penalties, late payment of taxes, and state payments for revenue loss under CGS Section 12-129d (tax relief for the elderly) and state payments to municipalities under CGS Section 7-528 (local property tax relief trust fund).

The statutes also provide for certain exclusions of debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, for the construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment, allocation by the State Bond Commission, or contract but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations to provide for the payment of bonds, notes or other obligations.

Statement of Statutory Debt Limitation

As of September 1, 2010 (Pro-Forma)

TOTAL ACTUAL TAX COLLECTIONS (Including interest and lien fees) for the year ended June 30, 2009	$210,753,000
REIMBURSEMENT FOR LOSS OF REVENUE:	
Tax Relief for Elderly and Veteran's Exemption	1,272,000
BASE	$212,025,000

Debt Limitation	General Purpose	Schools	Sewers	Urban Renewal	Pension
FACTOR MULTIPLIED TIMES BASE					
2 ¼ times base	$477,056,250	–	–	–	–
4 ½ times base	–	$954,112,500	–	–	–
3 ¾ times base	–	–	$795,093,750	–	–
3 ¼ times base	–	–	–	$689,081,250	–
3 times base	–	–	–	–	$636,075,000
Total Debt Limitation	$477,056,250	$954,112,500	$795,093,750	$689,081,250	$636,075,000
DEBT, AS DEFINED BY STATUTE					
Bonds Payable (including this issue)	$134,842,500	$18,276,700	$55,585,700	–	$313,145,000
Notes Payable (this issue)	5,750,000	3,000,000	–	–	–
Debt Authorized but Unissued (Please see Page 45 entitled "Authorized but unissued Debt")	12,082,400	156,663,676	--	–	36,855,000
Overlapping Debt	–	–	–	–	–
Total Indebtedness	$152,674,900	$177,940,376	$55,585,700	–	$350,000,000
Less: Self-supporting debt	–	–	55,585,700	–	–
Less: School Construction Grants	–	123,959,856	–	–	–
Net Indebtedness	$152,674,900	$53,980,520	$--	$--	$350,000,000
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED BUT UNISSUED DEBT	$324,381,350	$900,131,980	$795,093,750	$689,081,250	$286,075,000

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or $1,484,175,000.

LEGAL INFORMATION

The City of Waterbury (the "City"), its officers and employees are defendants in numerous lawsuits. The ultimate disposition and fiscal consequences of these lawsuits are not presently determinable.

With respect to general liability claims, the City currently remains liable for the first one million dollars in monetary damages but it also carries excess general liability insurance coverage, currently ten million dollars, beyond that. The applicability of excess liability coverage, or lack thereof, and the determination of the dollar limits applicable are dependent upon the timing of the incident giving rise to a given claim. The Corporation Counsel, after consultation with the City's Director of Finance, believes that the aggregate balances in City's self-insurance reserve funds, and various insurance policies covering claims against the City, are adequate to meet its potential loss exposure in the aggregate for existing lawsuits.

The City's Corporation Counsel has reviewed the status of pending lawsuits, and, where appropriate, has received the advice of independent counsel with respect to the status of certain of those pending lawsuits. He is of the opinion that, as of the date of this Official Statement and given his knowledge of the circumstances as set forth in the preceding two paragraphs, there are no claims or litigation pending, or to his knowledge threatened, which could reasonably be expected to, individually or in the aggregate, result in final judgments against the City which would either have a material adverse effect on the finances of the City or impact the validity of its Notes or Bonds or the power of the City to levy and collect taxes to pay the principal and interest on its Notes or Bonds except that in the case described below, the fiscal impact of an adverse decision might be significant but is not determinable at this time.

ROSEMARY DESCHESNES V. CITY OF WATERBURY UWY-CV09-6001230-S

Rosemary Deschesnes has filed lawsuit against the City of Waterbury to recover damages for injuries sustained in a snow sliding accident which happened on February 15, 2007 at a City park. As a result of her injuries, Rosemary Deschesnes has been rendered a quadriplegic. The Plaintiff has filed an offer of compromise in an amount which corresponds to the self-insured limit the City retains plus an amount equal to the excess liability coverage the City was carrying at the time of the accident. The City has provided the insurance carrier with notice of the City's approval of acceptance of the offer of compromise and of the City's recommendation that the insurance carrier should accept the offer of compromise. The insurance carrier's response is pending.

TAX MATTERS

Tax Exemption of the 2010 Subseries A Bonds and Notes

Federal Taxes. In the opinion of Bond Counsel, under existing law, interest on the 2010 Subseries A Bonds and Notes (a) is excludable from gross income of the owners hereof for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and such interest is not taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. The foregoing opinions reflect the enactment of the Recovery Act, which includes provisions that modify the treatment under the alternative minimum tax of interest on certain obligations, such as the 2010 Subseries A Bonds and Notes, issued in 2009 and 2010.

Bond Counsel's opinions with respect to the 2010 Subseries A Bonds and Notes will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the City with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the 2010 Subseries A Bonds and Notes in order that interest on the 2010 Subseries A Bonds and Notes be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the 2010 Subseries A Bonds and Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2010 Subseries A Bonds and Notes irrespective of the date on which such noncompliance occurs. In the Tax Certificate, which will be delivered concurrently with the issuance of the 2010 Subseries A Bonds and Notes, the City will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the 2010 Subseries A Bonds and Notes proceeds and certain other matters. Bond Counsel will not independently verify the accuracy of these representations. The opinions of Bond Counsel delivered on the date of issuance of the 2010 Subseries A Bonds and Notes are conditioned upon compliance by the City with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the 2010 Subseries A Bonds and Notes.

Original Issue Discount. The initial public offering prices of the 2010 Subseries A Bonds and Notes of certain maturities may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the 2010 Subseries A Bonds and Notes to the public (excluding bond houses and brokers) at which a substantial amount of such maturity is sold will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement for such 2010 Subseries A Bonds and Notes are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the 2010 Subseries A Bonds and Notes are sold. Under existing law, original issue discount on the 2010 Subseries A Bonds and Notes accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the 2010 Subseries A Bonds and Notes is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a 2010 Subseries A Bonds or Notes purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such 2010 Subseries A Bonds or Notes and will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such a 2010 Subseries A Bonds or Notes.

Prospective purchasers of 2010 Subseries A Bonds or Notes at an original issue discount should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the case of Bondowners or Noteowners purchasing such 2010 Subseries A Bonds or Notes after the initial offering and sale, and the state and local tax consequences of owning or disposing of such 2010 Subseries A Bonds or Notes.

Original Issue Premium. The initial public offering prices of certain maturities of the 2010 Subseries A Bonds and Notes may be more than their stated principal amounts. An owner who purchases a 2010 Subseries A Bonds or Notes at a premium to its principal amount must amortize bond premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the 2010 Subseries A Bonds or Notes for federal income tax purposes. Amortizable bond premium is not deductible from gross income for federal income tax purposes. Prospective purchasers of the 2010 Subseries A Bonds and Notes should consult their tax advisors regarding the amortization of premium and the effect upon basis.

Other Federal Tax Matters. Prospective purchasers of the 2010 Subseries A Bonds and Notes should be aware that ownership of the 2010 Subseries A Bonds and Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2010 Subseries A Bonds and Notes (for certain bonds issued during 2009 and 2010, the Recovery Act modifies the application of those rules as they apply to financial institutions). Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the 2010 Subseries A Bonds and Notes should consult their tax advisors regarding collateral federal income tax consequences.

State Taxes. In the opinion of Bond Counsel, under existing statutes, interest on the 2010 Subseries A Bonds and Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the 2010 Subseries A Bonds and Notes is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on a 2010 Subseries A Bonds or Notes is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the 2010 Subseries A Bonds and Notes should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such 2010 Subseries A Bonds or Notes.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2010 Subseries A Bonds and Notes under federal or state law and could affect the market price for, or the marketability of, the 2010 Subseries A Bonds and Notes. Prospective purchasers of the 2010 Subseries A Bonds and Notes should consult their own tax advisers regarding the foregoing matters.

General. The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the 2010 Subseries A Bonds and Notes. Prospective owners of the 2010 Subseries A Bonds and Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the 2010 Subseries A Bonds and Notes.

Tax Status of the 2010 Subseries B Bonds, 2010 Subseries C Bonds and 2010 Subseries D Bonds

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds was written in connection with the promotion and marketing of the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds. To ensure compliance with requirements imposed by the Internal Revenue Service, Bond Counsel informs you that (i) any federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel to the City is not intended or written to be used, and cannot be used, by any bondowner for the purpose of avoiding penalties that may be imposed on such bondowner under the Code, (ii) such federal tax advice is written to support the promotion or sale of the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds, and (iii) the bondowner should seek advice based on its particular circumstances from an independent tax advisor.

Overview. The following is a summary of certain anticipated U.S. federal income tax consequences of the purchase, ownership and disposition of the 2010 Subseries B Bonds, the 2010 Subseries C Bonds and the 2010 Subseries D Bonds (the "2010 Taxable Bonds"). This discussion does not purport to be a complete analysis of all the potential tax consequences of such purchase, ownership and disposition and is based upon the provisions of the Code, Treasury regulations (whether final, temporary or proposed), and rulings and judicial decisions in effect as of the date hereof. Those laws are subject to change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to a particular investor in light of that investor's individual circumstances or to certain types of investors subject to special treatment under the U.S. federal income tax laws (including persons whose functional currency is not the U.S. dollar, entities classified as partnerships for U.S. federal income tax purposes, life insurance companies, regulated investment companies, real estate investment trusts, dealers in securities or currencies, banks, tax-exempt organizations or persons holding 2010 Taxable Bonds in a tax-deferred or tax-advantaged account, traders in securities that elect to use a mark-to-market method of accounting for securities holdings, persons who hold 2010 Taxable Bonds as part of a hedging, straddle, integrated, conversion or constructive sale transaction, persons who have ceased to be U.S. citizens or to be taxed as resident aliens or persons liable for the alternative minimum tax) and does not discuss any aspect of state (other than Connecticut tax law discussed below), local or foreign tax laws.

Interest on the 2010 Taxable Bonds is not excluded from gross income for federal income tax purposes and therefore will be fully subject to federal income taxation. Purchasers other than those who purchase the 2010 Taxable Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such 2010 Taxable Bonds. In general, interest paid on the 2010 Taxable Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to an owner of the 2010 Taxable Bonds and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

The 2010 Subseries B Bonds are to be designated by the City as "Build America Bonds", the 2010 Subseries C Bonds as "Recovery Zone Economic Development Bonds" and the 2010 Subseries D Bonds as "Qualified Energy Conservation Bonds" for purposes of the American Recovery and Reinvestment Act of 2009, and in connection with the issuance of the 2010 Taxable Bonds, the City will irrevocably elect to directly receive the credit pursuant to Sections 54D and 54AA of the Code, all as authorized by the American Recovery and Reinvestment Act of 2009, the Hiring Incentives to Restore Employment Act of 2010 and applicable provisions of the Code. Consequently, owners of the 2010 Taxable Bonds are not entitled to claim any credit under Section 54AA of the Code with respect to the 2010 Taxable Bonds.

Prospective purchasers are urged to consult their own tax advisors with respect to the U.S. federal and other tax consequences of the purchase, ownership and disposition of the 2010 Taxable Bonds before determining whether to purchase 2010 Taxable Bonds.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of the 2010 Taxable Bonds issued with original issue discount ("Discount 2010 Taxable Bonds"). A 2010 Taxable Bond will be treated as having been issued at an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the 2010 Taxable Bonds of the same maturity have first been sold, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such 2010 Taxable Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount 2010 Taxable Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount 2010 Taxable Bonds that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includable in income by the initial holder of a Discount 2010 Taxable Bond is the sum of the "daily portions" of original issue discount with respect to such Discount 2010 Taxable Bond for each day during the taxable year in which such holder held such Discount 2010 Taxable Bond. The daily portion of original issue discount on any Discount 2010 Taxable Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount 2010 Taxable Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount 2010 Taxable Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount 2010 Taxable Bond at the beginning of any accrual period is the sum of the issue price of the Discount 2010 Taxable Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount 2010 Taxable Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount 2010 Taxable Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Market Discount. Any owner who purchases a 2010 Taxable Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a 2010 Taxable Bond as ordinary income to the extent of any remaining accrued market discount or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method of accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included (a) on a constant interest basis, or (b) in proportion to the accrual of stated interest.

An owner who acquires a 2010 Taxable Bond at a market discount also may be required to defer, until the maturity date of such 2010 Taxable Bonds or other earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a 2010 Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such 2010 Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the 2010 Taxable Bond for the days during the taxable year on which the owner held the 2010 Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the 2010 Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. The deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Original Issue Premium. A purchaser who purchases a 2010 Taxable Bond at a cost greater than its then principal amount (or, in the case of a 2010 Taxable Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Purchasers of any 2010 Taxable Bonds who acquire such bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such 2010 Taxable Bonds.

Sale or Redemption of 2010 Taxable Bonds. A bondowner's tax basis for a 2010 Taxable Bond is the price such owner pays for the 2010 Taxable Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a 2010 Taxable Bond, measured by the difference between the amount realized and the 2010 Taxable Bond basis as so adjusted, will generally give rise to capital gain or loss if the 2010 Taxable Bond is held as a capital asset (except as discussed above under "Market Discount").

Backup Withholding. A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest or original issue discount on the 2010 Taxable Bonds. This withholding generally applies if the owner of a 2010 Taxable Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to properly report interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the 2010 Taxable Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

Nonresident Bondowners. Under the Code, interest and original issue discount income with respect to the 2010 Taxable Bonds held by nonresidential alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the City (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the 2010 Taxable Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

Defeasance. Under the terms of the Indenture, the 2010 Taxable Bonds may be legally defeased. Prospective purchasers of the 2010 Taxable Bonds should be aware that, for U.S. federal income tax purposes, a legal defeasance will be treated as a taxable exchange of such 2010 Taxable Bonds on which gain or loss, if any, will be recognized without any corresponding receipt of cash. In addition, after a legal defeasance, the timing and character of amounts includable in gross income by a holder of the 2010 Taxable Bonds could differ from the timing and character of the amounts that would have been includible in gross income in respect of such 2010 Taxable Bonds had the legal defeasance not occurred. Prospective purchasers of such 2010 Taxable Bonds should consult their own tax advisors with respect to the more detailed consequences to them of a legal defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

State Taxes. In the opinion of Bond Counsel, under existing statutes, interest on the 2010 Taxable Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the 2010 Taxable Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the 2010 Taxable Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such 2010 Taxable Bonds.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax status of interest on the 2010 Taxable Bonds under federal or state law and could affect the market price for, or the marketability of, the 2010 Taxable Bonds. Prospective purchasers of the 2010 Taxable Bonds should consult their own tax advisers regarding the foregoing matters.

General. The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of their opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance.

ADDITIONAL INFORMATION

Closing Documents

Upon the delivery of the Bonds and Notes, the Underwriter will be furnished with the following documents:

1. A signature and no litigation from the City certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and Notes or the levy or collection of taxes to pay them.

2. A certificate on behalf of the City signed by the Mayor and Director of Finance which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time of the execution of the Purchase Contract, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.

3. The approving opinions of Shipman & Goodwin LLP, Hartford, Connecticut, bond counsel to the City, in substantially the forms of Appendices C-1, C-2, C-3, C-4, and C-5 hereto.

4. Executed copies of the Continuing Disclosure Agreements of the City in substantially the forms attached hereto as Appendices B-1 and B-2**.**

5. An executed Official Statement.

6. Receipts for the purchase price of the Bonds and the Notes.

A record of the proceedings taken by the City in authorizing the Bonds and the Notes will be kept on file at the office of the Director of Finance of the City and will be available for examination upon reasonable request.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

Additional information may be obtained upon request from the City of Waterbury Department of Finance, Attention Michael LeBlanc, Director of Finance, 236 Grand Street, Waterbury, Connecticut, telephone (203) 574-6840.

This Official Statement has been duly prepared and delivered by the City, and executed for and on behalf of the City by the following officials:

CITY OF WATERBURY, CONNECTICUT

By: /s/ Michael J. Jarjura

Michael J. Jarjura, Mayor

By: /s/ Michael LeBlanc

Michael LeBlanc, Director of Finance

Dated as of August 11, 2010

AUDITOR'S REPORT

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Waterbury, Connecticut, as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-11 and budgetary comparison information on pages A-51 through A-54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted 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.

Blum, Shapiro & Company, P.C.

December 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009

This discussion and analysis of the City of Waterbury, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

Financial Highlights

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

In the statement of net assets and the statement of activities the City reports the following activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, human services, culture, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's Bureau of Water Enterprise Fund and Water Pollution Control Enterprise Funds are reported here.

<u>Fund Financial Statements</u>

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

- *Governmental Funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.

- *Proprietary Funds (Exhibits V, VI, and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self Insured Internal Service Funds.

- *Fiduciary Funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The City's combined net assets decreased from a year ago decreasing from $279.6 million to $270.4 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

TABLE 1
NET ASSETS
(In Thousands)

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

Net assets of the City's governmental activities decreased by $13.5 million ($116.7 million compared to $130.2 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements is a deficit of $183.2 million at the end of this year compared with $164.9 million at the end of last year. The $18.3 million increase in the City's governmental activities unrestricted net assets deficit is directly attributable to the increase in the City's net Other Post Employment Benefit (OPEB) accrued obligation. An increase of $33.4 million in the City's net OPEB obligation was accrued against the City's net assets for the fiscal year ended June 30, 2009.

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

The net assets of the City's business-type activities increased by $4.3 million in 2009 ($153.7 million compared to $149.4 million). Capital grants and contributions of $5.0 million accounted for the increase in total net assets. Unrestricted net assets decreased $1.3 million. The City generally can only use these net assets to finance the continuing operations of the Bureau of Water and Water Pollution Control Enterprise Funds.

TABLE 2
CHANGES IN NET ASSETS
(In Thousands)

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

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

The total cost of all programs and services was $497.6 million as compared with $533.6 million reported last year. An amount equal to the State Teachers Retirement Board on-behalf contribution noted above was reflected as an expense in the Education function last year. The correlating on-behalf contribution expense in the current year is $56.2 million less than the amount recorded in 2008. Blended in the increase in General Government expenses and other functions is a $4.5 million swing in operating income within the City's self-insured internal service funds. Benefits, claims and administrative expenses increased $3.9 million over last year decreasing operating income from $5.5 million in 2008 to $1.0 million in 2009. Contribution amounts to the internal service funds were consistent with 2008 levels.

Governmental Activities

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

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2009	**2008**	**2009**	**2008**
General government	$ 124,482	$ 117,786	$ 122,503	$ 115,432
Public works	34,809	30,477	32,166	25,166
Public safety	57,859	57,105	52,099	52,190
Human services	6,932	6,700	2,886	4,610
Education	230,247	278,534	36,530	31,203
All others	12,246	12,282	2,786	3,982
Totals	$ 466,575	$ 502,884	$ 248,970	$ 232,583

Business-Type Activities

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

City Funds Financial Analysis

Governmental Funds

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of $21.5 million. Included in this year's total change in fund balance is an increase of $2.1 million in the City's General Fund. General fund revenues came in $723 thousand better than budgetary revenue estimates. Tax collections of $2.8 million above budgetary estimates covered shortfalls in intergovernmental grants, investment income and charges for service revenues. Intergovernmental revenues were $1.5 million below estimates as the City's had adopted intergovernmental revenue projections based on estimates provided by the State that were subsequently reduced by the State upon adoption of its budget.

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

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

During 2009, the City's General Fund transferred $5.7 million to the General and Education Capital Improvement funds to provide local funding of various capital projects and programs including the City's vehicle replacement program. Overall the General Capital Improvement Fund and General Capital Improvement Fund reported a decrease of $15 million in fund balance resulting from the expenditure of bond anticipation note proceeds to fund ongoing construction, renovation and infrastructure improvement costs. The City bonded $28 million in September 2009 in the first year of an anticipated four to five year capital bonding program to finance local project funding requirements, estimated at $150 million, for several ongoing and planned facility construction and improvement projects.

Proprietary Funds

The City's self-insured programs for Health Benefits, General Liability, Workers' Compensation, and Heart and Hypertension are reported as internal service funds of the City. The combined net asset deficit in the City's internal service funds of $1.0 million, net of the amounts set aside in the OPEB Reserve Fund, is a direct result of poor performance on the City's internal service fund investment portfolio during FY2009. The credit liquidity crises and ongoing economic recession eroded investment earnings and generated an investment loss of $3.9 million in 2009 as compared with last year's investment earnings of $884 thousand. Benefits, claims and administrative expenses increased $3.9 million over last year decreasing operating income from $5.5 million in 2008 to $1.0 million in 2009. Contribution amounts to the internal service funds were consistent with 2008 levels.

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

At June 30, 2009 the City had $523.7 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges, and water and sewer facilities and lines - Table 4. This amount represents a net increase (including additions, deductions and depreciation) of $24.6 million, or 4.9%, over last year.

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

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

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

Long-Term Debt

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

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

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

The State limits the amount of general obligation debt that cities can issue based on formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this $1.48 billion state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's budget setting and on-going monitoring systems have been developed to the level that the City can react quickly to revenue shortfalls or expenditure variances thereby insuring a positive operating result at fiscal year end. The budget appropriation process is precise in its detail yet considers variables that may be encountered in the course of operations. The fiscal year 2010 budget has been crafted in a manner which takes into consideration the status of economic conditions impacting certain revenue estimates. The revenue estimates, therefore, were developed on the basis of achievable objectives and realism as a means to limit income deficiencies and thereby strengthening the likelihood of maintaining undesignated fund balance objectives. The 2010 budget contains no tax increases, but does contain some difficult reductions to Departments' initial requests. The adopted budget includes a judicious designated use of fund balance to keep the mill rate stable.

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

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

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

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

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

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

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

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

In the City's business-type activities, the Bureau of Water rate charges for water consumption increased by five percent for fiscal 2010. The Department has a number of projects it intends to finance through issuance of debt representing a departure from appropriating the monies from the annual operating budget. The change in funding will enable the department to better match the useful life of the asset with amortizing its cost. The Water Pollution Control fees remained unchanged for fiscal year 2010, although increases are possible for fiscal year 2011 and beyond. Each department has aggressively pursued and implemented energy conservation measures given their operational requirements in an effort to stabilize fees.

Contacting the City's Financial Management

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

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2009
(In Thousands)

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

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF ACTIVITIES

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

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

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2009
(In Thousands)

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

(Continued on next page)

CITY OF WATERBURY, CONNECTICUT

BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2009

(In Thousands)

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

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

Fund balances - total governmental funds			$	21,533
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:				
Governmental capital assets	$	536,140		
Less accumulated depreciation		(205,989)		
Net capital assets				330,151
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:				
Property tax receivables greater than 60 days				15,277
Interest receivable on property taxes				8,766
Other receivables and deferred amounts				718
Unamortized bond issuance costs				750
Housing loans				5,601
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.				5,809
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:				
Bonds and notes payable				(89,138)
Deferred charges on refunding				1,753
Unamortized bond premium				(1,012)
Interest payable on bonds and notes				(1,157)
Accrued compensated absences				(31,332)
Retired employee obligations				(2,894)
Net OPEB obligation				(69,595)
Net pension obligation				(77,021)
Landfill post-closure				(1,470)
Net Assets of Governmental Activities (Exhibit I)			$	116,739

The accompanying notes are an integral part of the financial statements

EXHIBIT IV

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

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

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

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CITY OF WATERBURY, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

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

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:		
Net change in fund balances - total governmental funds (Exhibit IV)	$	(12,610)
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay		31,936
Depreciation expense		(11,123)
In the statement of activities, the loss on the sale or disposal of capital assets is reported. However, in the governmental funds, the transaction is not reported. Thus the change in net assets differs from the change in fund balance by the loss on assets disposed.		(30)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		539
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:		
Property tax receivable - accrual basis change		1,223
Property tax interest and lien revenue - accrual basis change		2,491
Housing assistance loans receivable - accrual basis change		1,212
Other receivables - accrual basis change		(239)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:		
Bond principal payments		7,091
Amortization of deferred charge on refunding		(23)
Amortization of issuance costs		(58)
Amortization of premiums and discounts		78
Capital lease payments		243
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The details of the changes in other recorded obligations are as follows:		
Net OPEB benefit obligation		(33,418)
Net pension obligation		2,926
Compensated absences		(2,647)
Retired employee obligations		1,715
Accrued interest		67
Landfill post closure care		70
Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.		(2,913)
Change in Net Assets of Governmental Activities (Exhibit II)	$	(13,470)

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2009
(In Thousands)

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

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

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

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

The accompanying notes are an integral part of the financial statements

CITY OF WATERBURY, CONNECTICUT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

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

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

The accompanying notes are an integral part of the financial statements

EXHIBIT VIII

CITY OF WATERBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2009
(In Thousands)

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

The accompanying notes are an integral part of the financial statements

EXHIBIT IX

CITY OF WATERBURY, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2009

(In Thousands)

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

The accompanying notes are an integral part of the financial statements

(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Blended Component Unit

Waterbury Development Agency

The Waterbury Development Agency (WDA) was established in 1949 to administer various programs including urban renewal and economic development, central relocation and housing development. The WDA's sole remaining purpose of existence is to represent the City as its designated redevelopment agency, allowing for the performance of certain activities on behalf of the City that only a designated redevelopment agency can perform such as acquiring properties that will then be owned by the City. The WDA is included as part of the Housing and Development Programs Fund (Nonmajor Special Revenue Fund).

Related Organizations

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Pension Trust Fund accounts for the Waterbury Retirement System.

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

D. Deposits and Investments

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

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

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

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of $4,942 is equal to 23.8% of outstanding property taxes at June 30, 2009.

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

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

Property tax revenues are recognized when they become measurable and available. Available means due, or past due and collectible within 60 days of the end of the current period. The amount of property taxes receivable but not recorded as revenue is recorded as a deferred revenue. Deferred revenue resulting from the accounting for property taxes is $15,277.

F. Inventories and Prepaid Items

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

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

G. Capital Assets

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

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

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

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

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

H. Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination or death, eligible employees are compensated for unused sick and vacation leave (subject to certain limitations) at specified payment rates established by contract, regulation or policy. The General Fund generally liquidates this liability.

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

I. Long-Term Obligations

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

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

J. Fund Equity

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

- The Board of Aldermen holds two public hearings and adjusts the proposed budget to incorporate taxpayer comments, as considered necessary.

- The budget is legally enacted through a Board of Aldermen resolution.

- At any time, in any fiscal year, upon recommendation of the Mayor and approval of the Board of Aldermen, the City may transfer any unexpended balance or any part thereof of any specific appropriation as made for that year to such other department or for such other purposes as the Board of Aldermen may designate.

- At any time, in any fiscal year, upon recommendation of the Mayor and approval of the Board of Aldermen, the City may increase the amount of any specific appropriation as made for that year to such department or for such purpose as the Board of Aldermen may designate. Any increased appropriation must be reconciled by an accompanying increase in revenue.

- During Fiscal Year 2008/09 the Mayor recommended, and the Board of Aldermen approved, additional appropriations in the amount of $2.05 million.

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

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

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

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

B. Deficit Fund Equity

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

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

* Deficit will be funded in futures years through bond financing in accordance with approved bond authorizations for various school projects.
** Deficit balances will be systematically funded based on annual actuarial valuations.
*** Deficit will be reduced in future years when additional revenues are realized.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposit will not be returned. The City's formal deposit policy includes sections regarding safekeeping and custody of deposits to mitigate custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository's risk-based capital ratio.

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

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

Cash Equivalents

At June 30, 2009 the City's cash equivalents amounted to $23,075. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

*Not rated

Investments

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

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

N/A Not available

Interest Rate Risk - The City's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. To the extent possible, the City will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - *Investments* - As indicated above, State Statutes limit the investment options of cities and towns. The City's investment policy further limits its investment choices including prohibiting investments in derivatives.

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

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

4. RECEIVABLES

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

	General	General Capital Improvement	Education Capital Improvement	Bureau of Water	Water Pollution Control	Nonmajor and Other Funds	Total
Receivables:							
Taxes	$ 20,797	$	$	$	$	$	$ 20,797
Accrued interest on taxes	13,572						13,572
Service fees				9,919	12,004		21,923
Unbilled revenue				1,681	2,229		3,910
Intermunicipal fees					1,345		1,345
Intergovernmental		1,300	6,171			3,155	10,626
Loans						5,601	5,601
Accounts and other	2,509			261	833	420	4,023
Gross receivables	36,878	1,300	6,171	11,861	16,411	9,176	81,797
Less allowance for uncollectibles:							
Taxes	(4,942)						(4,942)
Accrued interest on taxes	(4,806)						(4,806)
Service fees				(6,450)	(7,800)		(14,250)
Accounts	(1,671)			(60)		(32)	(1,763)
Total allowance	(11,419)	-	-	(6,510)	(7,800)	(32)	(25,761)
Net Total Receivables	$ 25,459	$ 1,300	$ 6,171	$ 5,351	$ 8,611	$ 9,144	$ 56,036

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:

	Unavailable	Unearned	Total
General Fund:			
Delinquent property taxes	$ 15,277	$	$ 15,277
Accrued interest on delinquent property taxes	8,766		8,766
Other account receivables	544		544
Advance tax collections		97	97
Nonmajor funds and other funds:			
Grant drawdowns prior to meeting all eligibility requirements		1,690	1,690
Housing loans and accrued interest	5,601		5,601
Other deferred revenue	95	400	495
Total Deferred/Unearned Revenue for Governmental Funds	$ 30,283	$ 2,187	$ 32,470

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 14,108	$ 195	$	$ 14,303
Construction in progress	44,484	30,566	(7,492)	67,558
Total capital assets not being depreciated	58,592	30,761	(7,492)	81,861
Capital assets being depreciated:				
Land improvements	10,663	990		11,653
Buildings and improvements	264,042	5,023		269,065
Infrastructure	127,990			127,990
Machinery and equipment	31,445	1,779	(113)	33,111
Vehicles	11,046	1,414		12,460
Total capital assets being depreciated	445,186	9,206	(113)	454,279
Less accumulated depreciation for:				
Land improvements	(5,898)	(468)		(6,366)
Buildings and improvements	(73,908)	(5,343)		(79,251)
Infrastructure	(85,945)	(2,293)		(88,238)
Machinery and equipment	(21,261)	(2,048)	83	(23,226)
Vehicles	(7,937)	(971)		(8,908)
Total accumulated depreciation	(194,949)	(11,123)	83	(205,989)
Total capital assets being depreciated, net	250,237	(1,917)	(30)	248,290
Governmental Activities Capital Assets, Net	$ 308,829	$ 28,844	$ (7,522)	$ 330,151

		Beginning Balance		Increases		Decreases		Ending Balance
Business-type activities:								
Capital assets not being depreciated:								
Land	$	1,773	$		$		$	1,773
Construction in progress		5,807		7,796				13,603
Total capital assets not being depreciated		7,580		7,796		-		15,376
Capital assets being depreciated:								
Utility plant		97,497		356				97,853
Infrastructure		97,240		296				97,536
Machinery and equipment		72,076						72,076
Vehicles		2,225		480				2,705
Total capital assets being depreciated		269,038		1,132		-		270,170
Less accumulated depreciation for:								
Utility plant		(25,101)		(1,962)				(27,063)
Infrastructure		(35,432)		(1,197)				(36,629)
Machinery and equipment		(24,272)		(2,205)				(26,477)
Vehicles		(1,608)		(245)				(1,853)
Total accumulated depreciation		(86,413)		(5,609)		-		(92,022)
Total capital assets being depreciated, net		182,625		(4,477)		-		178,148
Business-Type Activities Capital Assets, Net	$	190,205	$	3,319	$	-	$	193,524

Depreciation expense was charged to functions/programs as follows:

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

Construction Commitments

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

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

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2009 is presented below:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental	$ 482

A summary of interfund transfers is presented below:

	Transfers In				
	Debt Service	General Capital Improvement	Education Capital Improvement	Nonmajor Governmental	Total
Transfers out:					
General Fund	$ 11,465	$ 3,212	$ 1,207	$ 287	$ 16,171
Water Pollution Control		1,000			1,000
Nonmajor Governmental Funds			272		272
Total	$ 11,465	$ 4,212	$ 1,479	$ 287	$ 17,443

Transfers from the General Fund to the Debt Service and Nonmajor Governmental Funds are in accordance with budgetary appropriations authorizing the transfer of funds for designated purposes. Transfers from the General Fund to the General and Education Capital Improvement Funds are designed to locally fund portions of capital activities to reduce future bording requirements.

7. DEFERRED CREDITS - WATER POLLUTION CONTROL ENTERPRISE FUND

The State of Connecticut Department of Environmental Protection has provided Clean Water Financing in the form of serial notes for the City's sewage treatment plant. Pursuant to certain inter-municipal agreements, a portion of the plant financing agreement will be paid for by other municipalities in exchange for guaranteed capacity for those towns. The serial notes are not reflected on the City's statement of net assets since the obligations are directly financed by the participating municipalities. Deferred credits are reflected as of June 30, 2009 amounting to $6,292 and will be amortized and recorded as revenue as the contributing municipalities make payments to the State of Connecticut.

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

8. LONG-TERM DEBT

Governmental Activities

Changes in Long-Term Liabilities

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

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

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

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

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

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

Due During Fiscal Year Ending June 30,	Principal	Interest	Total
2010	$ 7,160	$ 4,034	$ 11,194
2011	7,217	3,717	10,934
2012	7,272	3,388	10,660
2013	7,347	3,075	10,422
2014	7,395	2,740	10,135
2015-2019	36,563	8,531	45,094
2020-2022	16,184	1,418	17,602
Total	$ 89,138	$ 26,903	$ 116,041

Compensated Absences

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

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

	June 30, 2009
Vested:	
Sick	$ 18,038
Vacation	3,671
Non-vested:	
Sick	9,623*
Total	$ 31,332

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

Retired Employee Obligations

Board of Education

Board of Education obligations to retired employees of $2,894 consists of amounts due retired employees for unused compensated absences that are amortized over various years as follows:

Fiscal Year Ending June 30,		Amount
2010	$	660
2011		460
2012		571
2013		485
2014		392
2015-2016		326
Total	$	2,894

Net Pension Obligation

Refer to Note 13D

Landfill Post Closure Care Costs

The City received a consent order from the State of Connecticut Department of Environmental Protection requiring as of October 9, 1994 that its landfill no longer accept any solid waste and that by October 31, 1996 the facility be capped. The City has closed and capped the landfill and is in the sixth year of a thirty (30) year required post closure monitoring period. Governmental Accounting Standard Board (GASB) Statement No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs," requires a liability related to closure and postclosure care to be estimated and recorded based on landfill capacity used to date. The City has estimated $1,470 for the postclosure monitoring liability as of June 30, 2009. However, due to changes in technology, laws or regulations, these costs may change in the future.

Business-Type Activities

Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond and serial notes payable	$ 65,852	$	$ 4,940	$ 60,912	$ 5,032
Capital leases	4,998		451	4,547	473
Accrued compensated absences	600	250	225	625	246
Total Business-Type Activities Long-Term Liabilities	$ 71,450	$ 250	$ 5,616	$ 66,084	$ 5,751

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

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

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

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

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

Capital Leases

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

The following is a schedule of future capital lease payments together with the net present value as of June 30, 2009.

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

Bonds Authorized/Unissued

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

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

Bond Anticipation Notes

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

Governmental Activities:

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

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

Other

The City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2009, the following refunded bonds outstanding are considered defeased:

Original Issue	Date Refunded	Refunded Amount	Defeased Balance
April 1, 2002	02/15/2007	$ 26,635	$ 26,635
February 1, 2000	10/01/2004	11,065	8,570
April 1, 2002	10/01/2004	25,015	24,635

Debt Limitations

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

Category	Debt Limit	Net Indebtedness	Balance
General purpose	$ 474,221	$ 128,433	$ 345,788
Schools	948,443	33,280	915,163
Sewers	790,369	60,914	729,455
Urban renewal	684,986		684,986
Pension deficit	632,295		632,295

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

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

The net indebtedness excludes water bonds of $6.5 million.

9. RISK MANAGEMENT

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

The City purchases commercial insurance for individual stop loss insurance coverage of $500 thousand for self-insured medical benefits. Additionally, the City purchases commercial insurance for excess coverage for self-insured general liability claims set at $10 million with a City retention of $1 million. Settlements over the last three years have not exceeded the insured coverage limits maintained by the City.

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

All funds of the City participate in the program and make payments to the Self-Insurance Internal Service Fund to pay claims, claim reserves and administrative costs of the program. During the fiscal year ended June 30, 2009, $66.7 million in health care benefits and administrative costs were paid. Incurred but not reported health claims of $4.8 million have been accrued as a liability based upon information supplied by the City's Health Care Administrator. Actuarial estimated liability for claims incurred but not reported is not available.

An actuarial study estimates the present value of general liability outstanding losses including case reserves for known claims and incurred but not reported claims at $4.6 million as of June 30, 2009.

An actuarial study estimates the present value of workers' compensation claims liabilities, including case reserves for known claims and incurred but not reported claims, at $23.8 million as of June 30, 2009.

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

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

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

10. OPERATING LEASES

Lease Agreements as Lessor

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

Lease Agreements as Lessee

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

Future committed minimum lease payments are projected as follows:

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

11. FUND EQUITY

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

A. Fund Balance

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

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

Reserved for Trusts - represents the amount of funds accumulated in nonmajor governmental funds to pay for specific endowment activities.

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

Fund balance reserves are as follows:

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

B. Fund Balance - Designations

General Fund

The City follows a policy whereby a portion of audited unreserved fund balance may be used for balancing the budget during the next fiscal year. The amount of $3 million has been designated to balance the General Fund budget for the 2009-2010 fiscal year.

12. OTHER POSTEMPLOYMENT BENEFITS

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

Funding Policy

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

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

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

As of June 30, 2009, the funding and payment of postemployment benefits are accounted for in an internal service fund. Additionally the City has established an OPEB Reserve Fund within the City's internal service funds to account for employer contributions towards funding the normal cost of active members hired after June 30, 2004. The City has not established a trust fund, as of June 30, 2009, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

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

	(not rounded)
Active members	3,063
Retirees	3,528
Total	6,591

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

Annual OPEB Cost and Net OPEB Obligations

The City of Waterbury's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

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

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

Required Supplemental Information - OPEB

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

Schedule of Funding Progress

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

Schedule of Employer Contributions

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

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

City of Waterbury Retirement System

A. Plan Description

The City is the administrator of the City of Waterbury Retirement System, a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its non-teacher employees. The PERS is considered to be part of the City of Waterbury's financial reporting entity and is included in the City's financial reports as a pension trust fund and there are no stand-alone financial statements available for the plan.

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

	Number of Employees
Retirees and Beneficiaries Currently Receiving Benefits	2,135
Terminated Employees Not Yet Receiving Benefits	75
Current Active Members	1,737
Total	3,947

Members are required to contribute to the Plan and the City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Charter and Union negotiation. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan. Administrative costs are financed by the plan and used in determining the City's annual required contribution.

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

	Retirement Eligibility	Benefit	Employee Vesting	Contribution
Police	25 Yrs.	2% of Final Average Compensation Max. 70%	10 Yrs.	9.5%
Fire	25 Yrs.	2%/Yr. Max. 70%	10 Yrs.	9.5%
Blue Collar	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr. Max. 70%	10 Yrs.	7.5%
White Collar	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	7.5%
Nurses	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2% of FABC/ Yrs. of Service	10 Yrs.	7.5%
WMAA	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	7.5%
SAW	20 Yrs.	1%/Yr.	None	3% (1% member and 2% by Board)
Development	Earlier of 15 Yrs. and Age 65 25 Yrs. and Age 55	2%/Yr.	10 Yrs.	7.5%

B. Significant Accounting Policies and System Assets

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

C. Funding Status and Progress

Employees are required to contribute various percentages of their earnings to the PERS (See A above). If an employee leaves employment or dies before meeting the vesting requirements, accumulated employee contributions and interest are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined by its actuaries; the current rate is 56.2% of annual covered payroll. Benefits and employee contributions are fixed by contract and may be amended subject to union negotiations.

D. Annual Pension Cost and Net Pension Obligation

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

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

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

Actuarial valuation date	July 1, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	29 years-closed
Asset valuation method	Actuarial Asset Smoothed
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases*	4.5%
Cost-of-living adjustments	n/a
*Inflation rate included	4%

E. Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/07	$ 42,282	103%	$ 81,800
6/30/08	42,121	104	79,947
6/30/09	41,549	107	77,021

F. Pension Plan Required Supplemental Information

Schedule of Employer Contributions

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

Schedule of Funding Progress

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

State of Connecticut Teachers' Retirement System

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

Full-time certified staff who are employed for an average of at least one-half of a school day are required to participate. A member who completes 10 years of service in Connecticut public schools is eligible for a vested benefit commencing at age 60. Members are required to contribute 7.25% of their annual salary while the contributions by the State are determined on an actuarial reserve basis described in CGS Sections 10-1831 and 10-183z. During fiscal year 2009, members contributed $7.1 million.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The City does not contribute to the Connecticut Teachers' Retirement System nor has any legal obligation for benefits. For the year ended June 30, 2009, the City has recorded in the General Fund revenues and expenditures in the amount of $15.2 million as payments made by the State of Connecticut on behalf of the City. The total State contribution is significantly lower than the previous year due to the fact that the 2008 contribution included an additional contribution towards the unfunded liability resulting from the State's issuance of pension obligation bonds. The City has no liability for teachers' pensions.

14. CONTINGENT LIABILITIES

The City is contingently liable in connection with litigation involving general liability, automobile liability, professional liability, law enforcement liability, employment practice liability, and other related miscellaneous suits and unasserted claims. These claims are estimated to total $4.6 million and the City has recorded a provision for these claims in the General Liability Internal Service Fund. The City is also contingently liable in connection with litigation involving contractual liability, tax appeals and environmental liability. There is no specific provision for these claims as the City currently does not expect probable losses. The City intends to vigorously defend these actions; however, there can be no assurance that the City will prevail.

15. SUBSEQUENT EVENTS

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

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

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

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

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

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CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

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

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

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Refuse disposal charge	$ 180	$ 180	$ 204	$ 24
Sewer permits			28	28
False alarm fines	60	60	62	2
Parking violation fees	600	600	526	(74)
Garage and meters parking fees	795	795	738	(57)
Marriott ramp garage	5	5	1	(4)
Building permits	975	975	572	(403)
Electrical work permits	175	175	255	80
Heating etc. permits	145	145	224	79
Plumbing permits	110	110	98	(12)
Restaurant license permits	155	155	128	(27)
Outside tuition	625	625	784	159
Building rental fees	60	60	63	3
Departmental charges	186	186	189	3
Other permits, licenses and fees	806	806	806	-
Total charges for services	7,438	7,438	6,653	(785)
Reimbursements:				
Employee fringe benefit contribution	6,263	6,263	7,286	1,023
Park Department	250	250	232	(18)
Bureau of Water	2,362	2,362	2,346	(16)
Waste Treatment	1,476	1,476	1,476	-
Total reimbursements	10,351	10,351	11,340	989
Other:				
Telephone access lines	550	550	468	(82)
Miscellaneous sources	190	190	175	(15)
Total other	740	740	643	(97)
Total	$ 370,238	$ 370,238	370,961	$ 723
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for City teachers are not budgeted			15,202	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			$ 386,163	

CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

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

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

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

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CITY OF WATERBURY, CONNECTICUT

GENERAL FUND

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

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

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

Budgetary expenditures are different than GAAP expenditures because:	
State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for City teachers are not budgeted.	15,202
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV	$ 384,097

FORMS OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX B-1 - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of a failure by the City to provide the required annual financial information on or before a specified date, all pursuant to a Continuing Disclosure Agreement for the Bonds substantially in the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 1st day of September, 2010 by the City of Waterbury, Connecticut (the "City") acting by its undersigned officers, duly authorized, in connection with the issuance of the City's $45,000,000 General Obligation Bonds, Series 2010, dated September 1, 2009, comprised of $8,125,000 2010 Subseries A (Tax-Exempt Bonds), $8,000,000 2010 Subseries B (Federally Taxable - Issuer Subsidy - Build America Bonds), $24,175,000 2010 Subseries C (Federally Taxable - Issuer Subsidy - Recovery Zone Economic Development Bonds), and $4,700,000 2010 Subseries D (Federally Taxable - Issuer Subsidy - Qualified Energy Conservation Bonds) (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the City dated August 11, 2010 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (http://emma.msrb.org) to receive submissions of continuing disclosure documents that are described in the Rule.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The City agrees to provide, or cause to be provided, to the MSRB in an electronic format as prescribed by the MSRB, in accordance with the provisions of the Rule and this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2009), as follows:

(i) the audited general purpose financial statements of the City, which financial statements include the City's general fund, any special revenue funds, enterprise and internal service (proprietary) funds, agency and trust (fiduciary) funds and the general fixed assets and general long-term debt account groups, for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the City prepares its financial statements in accordance with generally accepted accounting principles.

(ii) the following financial information and operating data to the extent not included in the financial statements described in (i) above:

A. amounts of the gross and the net taxable grand list applicable to the fiscal year,

B. listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,

C. percentage of the annual property tax levy uncollected as of the close of the preceding fiscal year,

D. schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,

E. calculation of total direct debt and total direct net debt as of the close of the fiscal year,

F. total direct debt and total direct net debt of the City per capita,

G. ratios of the total direct debt and total direct net debt of the City to the City's net taxable grand list,

H. statement of statutory debt limitation as of the close of the fiscal year, and

I. funding status of the City's pension benefit obligation.

(b) The financial information and operating data described above shall be provided not later than eight months after the close of the fiscal year for which such information is being provided, commencing with information for the fiscal year ending June 30, 2010. The City agrees that if audited information is not available eight months after the close of the fiscal year, it shall submit unaudited information by such time and will submit audited information when available.

(c) Annual financial information and operating data may be provided in whole or in part by reference to other documents available to the public on the MSRB's internet website or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The City reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format for the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required or permitted by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the City; provided that the City agrees that any such modification will be done in a manner consistent with the Rule.

(e) The City may file information with the MSRB, from time to time, in addition to that specifically required by this Agreement (a “Voluntary Filing”). If the City chooses to make a Voluntary Filing, the City shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the City is under no obligation to provide any Voluntary Filing.

Section 3. Material Events.

The City agrees to provide, or cause to be provided, in a timely manner, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(g) modifications to rights of holders of the Bonds;

(h) Bond calls;

(i) Bond defeasances;

(j) release, substitution, or sale of property securing repayment of the Bonds; and

(k) rating changes.

Section 4. Notice of Failure to Provide Annual Financial Information.

The City agrees to provide, or cause to be provided, in a timely manner, to the MSRB in an electronic format as prescribed by the MSRB, notice of any failure by the City to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the City or by any agents which may be employed by the City for such purpose from time to time.

Section 6. Termination.

The obligations of the City under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the City ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Identifying Information.

All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 8. Enforcement.

The City acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the City shall fail to perform its duties hereunder, the City shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 hereof or five business days with respect to undertakings set forth in Sections 3 and 4 hereof) from the time the City's Director of Finance receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is City of Waterbury, 236 Grand Street, Waterbury, CT 06702. In the event the City does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The City expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 9. Miscellaneous.

(a) The City shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the City from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the City elects to provide any such additional information, data or notices, the City shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the City may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the City, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Bonds. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

CITY OF WATERBURY, CONNECTICUT

By______________________________________
Michael J. Jarjura
Mayor

By______________________________________
Michael LeBlanc
Director of Finance

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APPENDIX B-2 - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE NOTES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided timely notice of the occurrence of certain material events with respect to the Notes pursuant to a Continuing Disclosure Agreement for the Notes substantially in the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made as of the 1st day of September, 2010 by the City of Waterbury, Connecticut (the "City") acting by its undersigned officers, duly authorized, in connection with the issuance of the City's $8,750,000 General Obligation Bond Anticipation Notes, dated September 1, 2010 (the "Notes"), for the benefit of the beneficial owners from time to time of the Notes.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the City dated August 11, 2010 prepared in connection with the Notes.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. As of the date of this Agreement, the MSRB has designated its Electronic Municipal Market Access System ("EMMA") (http://emma.msrb.org) to receive submissions of continuing disclosure documents that are described in the Rule.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Material Events.

The City agrees to provide, or cause to be provided, in a timely manner, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Notes, if material:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults;

(c) unscheduled draws on debt service reserves reflecting financial difficulties;

(d) unscheduled draws on credit enhancements reflecting financial difficulties;

(e) substitution of credit or liquidity providers, or their failure to perform;

(f) adverse tax opinions or events affecting the tax-exempt status of the Notes;

(g) modifications to rights of holders of the Notes;

(h) Note calls;

(i) Note defeasances;

(j) release, substitution, or sale of property securing repayment of the Notes; and

(k) rating changes.

Section 3. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the City or by any agents which may be employed by the City for such purpose from time to time.

Section 4. Termination.

The obligations of the City under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Notes, or (ii) such time as the City ceases to be an obligated person with respect to the Notes within the meaning of the Rule.

Section 5. Enforcement.

The City acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the City shall fail to perform its duties hereunder, the City shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 hereof or five business days with respect to undertakings set forth in Sections 3 and 4 hereof) from the time the City's Director of Finance receives written notice from any beneficial owner of the Notes of such failure. The present address of the Director of Finance is City of Waterbury, 236 Grand Street, Waterbury, CT 06702. In the event the City does not cure such failure within the time specified above, the beneficial owner of any Notes shall be entitled only to the remedy of specific performance. The City expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 6. Miscellaneous.

(a) The City shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the City from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Notes. If the City elects to provide any such additional information, data or notices, the City shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the City may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the City, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances, and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owner of the Notes. A copy of any such amendment or waiver will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following the adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

CITY OF WATERBURY, CONNECTICUT

By_____________________________________
Michael J. Jarjura
Mayor

By_____________________________________
Michael LeBlanc
Director of Finance

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FORMS OF OPINION OF BOND COUNSEL

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APPENDIX C-1 – FORM OF OPINION OF BOND COUNSEL FOR THE 2010 SUBSERIES A BONDS

The legal opinion of the firm of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the Underwriter when the 2010 Subseries A Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the 2010 Subseries A Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the 2010 Subseries A Bonds to the Underwriter.

The opinion of Shipman & Goodwin LLP will be substantially in the following form:

City of Waterbury
236 Grand Street
Waterbury, Connecticut 06702

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Waterbury, Connecticut (the “City”) of its $8,125,000 General Obligation Bonds, 2010 Subseries A (Tax-Exempt Bonds), dated September 1, 2010 (the “Bonds”).

In connection with our representation of the City as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the City, each dated as of September 1, 2010, the executed Bonds, and certified records of proceedings of the City authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under authority of the constitution and statutes of the State of Connecticut and the Charter and ordinances of the City, and that the Bonds are valid and binding general obligations of the City payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the City without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the City and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the City.

3. The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds if interest on the Bonds is to be excludable from gross income under Section 103 of the Code. The City has

covenanted in the Tax Compliance Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals or corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the City with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the City to fully comply with the covenants set forth therein, may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

4. We are of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

5. We are of the opinion that the City has the power and authority to enter into the Third Supplemental Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2010 (the "Supplemental Indenture"); that the Supplemental Indenture has been duly authorized, executed and delivered by the City in accordance with the terms of the Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2008, as amended (the "Indenture"); and, upon the due execution and delivery of the Supplemental Indenture by the Trustee, the Indenture as so supplemented shall constitute a valid and binding agreement of the City enforceable in accordance with its terms.

6. We are of the opinion that the Indenture, as supplemented by the Supplemental Indenture, creates a valid pledge which it purports to create of the City's right, title and interest in the Trust Estate (as defined therein), subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein; and the Bonds are entitled to the benefits of the Indenture and the Supplemental Indenture.

The rights of the holders of the Bonds and the enforceability of the Bonds and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

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APPENDIX C-2 – FORM OF OPINION OF BOND COUNSEL FOR THE 2010 SUBSERIES B BONDS

The legal opinion of the firm of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the Underwriter when the 2010 Subseries B Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the 2010 Subseries B Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the 2010 Subseries B Bonds to the Underwriter.

The opinion of Shipman & Goodwin LLP will be substantially in the following form:

City of Waterbury
236 Grand Street
Waterbury, Connecticut 06702

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Waterbury, Connecticut (the "City") of its $8,000,000 General Obligation Bonds, 2010 Subseries B (Federally Taxable - Issuer Subsidy - Build America Bonds), dated September 1, 2010 (the "Bonds").

In connection with our representation of the City as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the City, each dated as of September 1, 2010, the executed Bonds, and certified records of proceedings of the City authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under authority of the constitution and statutes of the State of Connecticut and the Charter and ordinances of the City, and that the Bonds are valid and binding general obligations of the City payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the City without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the City and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the City.

3. We are of the opinion that interest on the Bonds is included in the gross income of the holders of such Bonds for federal income tax purposes. We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

4. We are of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

5. We are of the opinion that the City has the power and authority to enter into the Third Supplemental Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2010 (the "Supplemental Indenture"); that the Supplemental Indenture has been duly authorized, executed and delivered by the City in accordance with the terms of the Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2008, as amended (the "Indenture"); and, upon the due execution and delivery of the Supplemental Indenture by the Trustee, the Indenture as so supplemented shall constitute a valid and binding agreement of the City enforceable in accordance with its terms.

6. We are of the opinion that the Indenture, as supplemented by the Supplemental Indenture, creates a valid pledge which it purports to create of the City's right, title and interest in the Trust Estate (as defined therein), subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein; and the Bonds are entitled to the benefits of the Indenture and the Supplemental Indenture.

The rights of the holders of the Bonds and the enforceability of the Bonds and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

APPENDIX C-3 – FORM OF OPINION OF BOND COUNSEL FOR THE 2010 SUBSERIES C BONDS

The legal opinion of the firm of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the Underwriter when the 2010 Subseries C Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the 2010 Subseries C Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the 2010 Subseries C Bonds to the Underwriter.

The opinion of Shipman & Goodwin LLP will be substantially in the following form:

City of Waterbury
236 Grand Street
Waterbury, Connecticut 06702

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Waterbury, Connecticut (the "City") of its $24,175,000 General Obligation Bonds, 2010 Subseries C (Federally Taxable - Issuer Subsidy - Recovery Zone Economic Development Bonds), dated September 1, 2010 (the "Bonds").

In connection with our representation of the City as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the City, each dated as of September 1, 2010, the executed Bonds, and certified records of proceedings of the City authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under authority of the constitution and statutes of the State of Connecticut and the Charter and ordinances of the City, and that the Bonds are valid and binding general obligations of the City payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the City without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the City and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the City.

3. We are of the opinion that interest on the Bonds is included in the gross income of the holders of such Bonds for federal income tax purposes. We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

4. We are of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

5. We are of the opinion that the City has the power and authority to enter into the Third Supplemental Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2010 (the "Supplemental Indenture"); that the Supplemental Indenture has been duly authorized, executed and delivered by the City in accordance with the terms of the Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2008, as amended (the "Indenture"); and, upon the due execution and delivery of the Supplemental Indenture by the Trustee, the Indenture as so supplemented shall constitute a valid and binding agreement of the City enforceable in accordance with its terms.

6. We are of the opinion that the Indenture, as supplemented by the Supplemental Indenture, creates a valid pledge which it purports to create of the City's right, title and interest in the Trust Estate (as defined therein), subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein; and the Bonds are entitled to the benefits of the Indenture and the Supplemental Indenture.

The rights of the holders of the Bonds and the enforceability of the Bonds and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

APPENDIX C-4 – FORM OF OPINION OF BOND COUNSEL FOR THE 2010 SUBSERIES D BONDS

The legal opinion of the firm of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the Underwriter when the 2010 Subseries D Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the 2010 Subseries D Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the 2010 Subseries D Bonds to the Underwriter.

The opinion of Shipman & Goodwin LLP will be substantially in the following form:

City of Waterbury
236 Grand Street
Waterbury, Connecticut 06702

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Waterbury, Connecticut (the "City") of its $4,700,000 General Obligation Bonds, 2010 Subseries D (Federally Taxable - Issuer Subsidy - Qualified Energy Conservation Bonds), dated September 1, 2010 (the "Bonds").

In connection with our representation of the City as bond counsel with respect to the Bonds, we have examined the executed Tax Certificate and Tax Compliance Agreement of the City, each dated as of September 1, 2010, the executed Bonds, and certified records of proceedings of the City authorizing the Bonds. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Bonds under authority of the constitution and statutes of the State of Connecticut and the Charter and ordinances of the City, and that the Bonds are valid and binding general obligations of the City payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the City without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the City and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the City.

3. We are of the opinion that interest on the Bonds is included in the gross income of the holders of such Bonds for federal income tax purposes. We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

4. We are of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership of, or receipt of interest on, the Bonds.

5. We are of the opinion that the City has the power and authority to enter into the Third Supplemental Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2010 (the "Supplemental Indenture"); that the Supplemental Indenture has been duly authorized, executed and delivered by the City in accordance with the terms of the Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2008, as amended (the "Indenture"); and, upon the due execution and delivery of the Supplemental Indenture by the Trustee, the Indenture as so supplemented shall constitute a valid and binding agreement of the City enforceable in accordance with its terms.

6. We are of the opinion that the Indenture, as supplemented by the Supplemental Indenture, creates a valid pledge which it purports to create of the City's right, title and interest in the Trust Estate (as defined therein), subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein; and the Bonds are entitled to the benefits of the Indenture and the Supplemental Indenture.

The rights of the holders of the Bonds and the enforceability of the Bonds and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

APPENDIX C-5 – FORM OF OPINION OF BOND COUNSEL FOR THE NOTES

The legal opinion of the firm of Shipman & Goodwin LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the Underwriter when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the City authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the Underwriter.

The opinion of Shipman & Goodwin LLP will be substantially in the following form:

City of Waterbury
236 Grand Street
Waterbury, Connecticut 06702

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Waterbury, Connecticut (the "City") of its $8,750,000 General Obligation Bond Anticipation Notes, dated September 1, 2010 (the "Notes").

In connection with our representation of the City as bond counsel with respect to the Notes, we have examined the executed Tax Certificate and Tax Compliance Agreement of the City, each dated as of September 1, 2010, the executed Notes, and certified records of proceedings of the City authorizing the Notes. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

On the basis of our review noted above and subject to the qualifications set forth herein:

1. We are of the opinion that the proceedings and above-referenced evidence show lawful authority for the issuance and sale of the Notes under authority of the constitution and statutes of the State of Connecticut and the Charter and ordinances of the City, and that the Notes are valid and binding general obligations of the City payable, with respect to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all property subject to taxation by the City without limitation as to rate or amount except as to classified property. Classified property includes certified forest land which is taxable at a limited rate. Classified property also includes dwelling houses of qualified elderly persons of low income which are taxable at limited amounts.

2. We are of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the City and that the Tax Certificate and Tax Compliance Agreement were duly authorized by the City.

3. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes if interest on the Notes is to be excludable from gross income under Section 103 of the Code. The City has covenanted in the Tax Compliance Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes

will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

(i) interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code; and

(ii) such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax for individuals or corporations, and such interest is not taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax imposed on certain corporations.

We express no opinion regarding other federal income tax consequences caused by ownership of, or receipt of interest on, the Notes. In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) full compliance by the City with the covenants set forth in the Tax Compliance Agreement. The inaccuracy of the representations, statements of intention and reasonable expectations, and certifications of fact, contained in the Tax Certificate or the Tax Compliance Agreement, or the failure of the City to fully comply with the covenants set forth therein, may cause interest on the Notes to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Notes.

4. We are of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

5. We are of the opinion that the City has the power and authority to enter into the Third Supplemental Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2010 (the "Supplemental Indenture"); that the Supplemental Indenture has been duly authorized, executed and delivered by the City in accordance with the terms of the Indenture of Trust between the City and U.S. Bank National Association, dated as of September 1, 2008, as amended (the "Indenture"); and, upon the due execution and delivery of the Supplemental Indenture by the Trustee, the Indenture as so supplemented shall constitute a valid and binding agreement of the City enforceable in accordance with its terms.

6. We are of the opinion that the Indenture, as supplemented by the Supplemental Indenture, creates a valid pledge which it purports to create of the City's right, title and interest in the Trust Estate (as defined therein), subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth therein; and the Notes are entitled to the benefits of the Indenture and the Supplemental Indenture.

The rights of the holders of the Notes and the enforceability of the Notes and the enforceability of the Tax Compliance Agreement are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Notes.

This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Shipman & Goodwin LLP

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SUMMARY OF THE INDENTURE

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APPENDIX D – SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture, as supplemented and amended, pursuant to which the 2010 Bonds and the 2010 Notes are issued. This summary should not be regarded as a full statement of the document itself or of the portions summarized. Reference is made to the document in its entirety for a complete statement of the provisions thereof, copies of which are on file at the principal corporate trust office of the Trustee and at City Hall.

DEFINITIONS

As used in the Indenture, unless the context shall otherwise require, the following terms shall have the following meanings:

"Additional Obligations" means any general obligation bonds or bond anticipation notes of the City hereafter issued pursuant to the terms of the Indenture.

"Annual Debt Service Requirement" means for any Fiscal Year, as applied to the Obligations, the respective amounts which are needed to provide:

(a) for paying the interest on all Obligations then Outstanding which is payable on each Interest Payment Date in such Fiscal Year, and

(b) for paying the principal of all Obligations then Outstanding which is payable upon the maturity of such Obligations in such Fiscal Year.

For purposes of computing (a) and (b) above, any principal or interest due on July 1 in a Fiscal Year shall be deemed due in the preceding Fiscal Year.

If all or a portion of the principal of or interest on the Obligations is payable from funds irrevocably set aside or deposited for such purpose, together with projected earnings thereon to the extent such earnings are projected to be from Permitted Investments, such principal or interest shall not be included in determining Annual Debt Service Requirements if such funds and/or Permitted Investments will provide moneys which shall be sufficient to pay when due such principal and interest.

"Authorizations" means, collectively, the Constitution of the State of Connecticut, Chapter 109 of the Connecticut General Statutes, Title 7 of the Connecticut General Statutes, the Charter of the City of Waterbury, all as amended; and with regards to the 2008 Notes, the 2008 Note Resolutions.

"Business Day" means any Monday, Tuesday, Wednesday, Thursday or Friday in which all of the Fiduciaries are open for regular business operations.

"CGS" means the Connecticut General Statutes, as amended and supplemented from time to time.

"Charter" means the Charter of the City of Waterbury, Connecticut.

"City" means the City of Waterbury, Connecticut.

"Costs of Issuance" means all costs incurred in connection with the issuance of the Obligations, including, but not limited to, the Underwriter's fees, attorneys' fees and expenses (including Bond Counsel, Underwriter's Counsel, and counsel to the Trustee, as well as other specialized counsel fees and expenses incurred in connection with the borrowing), rating agency fees, consultant fees including actuary fees and auditing fees, accountant fees related to the issuance of the Obligations, the Trustee's initial and first semi-annual fees and the Trustee's expenses, any premium for or other fees or expenses incurred in connection with municipal bond insurance, costs of reproducing and binding documents, printing and distribution expenses for the Obligations and any preliminary and final offering materials, closing costs, filing and recording fees, the cost of any swap agreement and any other type of hedging agreement or arrangement.

"Debt Service Fund" means the fund so designated, created and established pursuant to Section 3.01 of the Indenture.

"Defeasance Obligations" means to the extent permitted by law:

(i) Direct general obligations of, or obligations the payment of the principal of which and the interest on which is unconditionally guaranteed by the United States of America; and

(ii) Evidences of indebtedness issued by the Federal National Mortgage Association, the Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Land Banks, Federal Intermediate Credit Banks, or any other agency or instrumentality of the United States of America created by an act of Congress which is substantially similar to the foregoing in its legal relationship to the United States of America; provided that the obligations of such agency or instrumentality are unconditionally guaranteed by the United States of America or any other agency or instrumentality of the United States of America; and

(iii) Evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (i) above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (i) above, and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated; and

(iv) Obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, which do not permit redemption prior to maturity at the option of the obligor and provision for the payment of the principal of, premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in clauses (i) or (ii) above, the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of, premium if any, and interest on such obligations, and which securities described in clauses (i) or (ii) above are not available to satisfy any other claim, including any claim of the trustee or escrow agent or of any person claiming through the trustee or escrow agent or to whom the trustee or escrow agent may be obligated, including in the event of the insolvency of the trustee or escrow agent or proceedings arising out of such insolvency.

"Director of Finance" means the Director of Finance of the City or his designee or the officer succeeding to his principal functions.

"Event of Default" means the occurrence of an event described in Article V of the Indenture.

"Fiduciaries" means the Trustee, the Paying Agent, the Registrar and any other fiduciaries appointed by the Mayor and the Director of Finance in connection with the issuance of the Obligations.

"Fiscal Year" means that period commencing on July 1, and continuing to and including the next succeeding June 30, or such other annual period as may be prescribed by law or by the City in accordance with law.

"Holder" or any similar term, means any person who shall be the registered owner of any Outstanding Obligation or Obligations.

"Indenture" means the Indenture of Trust, dated as of September 1, 2008, by and between the City and the Trustee, as amended and supplemented by Supplemental Indentures as provided in the Indenture.

"Interest Payment Date" means, with respect to the 2008 Notes, September 2, 2009, and with respect to Additional Obligations, the dates specified for the payment of interest pursuant to a Supplemental Indenture.

"Municipal Bond Insurance Policy" means a municipal bond insurance policy insuring the payment when due of the principal of and interest on Additional Obligations as provided therein.

"Municipal Bond Insurance Policy Provider" means, the provider of a Municipal Bond Insurance Policy.

"Obligations" means the 2008 Notes and Additional Obligations issued pursuant to the terms of the Indenture.

"Outstanding" when used with reference to the Obligations, means, as of any date of determination, all Obligations previously authenticated and delivered except:

(i) Obligations previously canceled by the Registrar or delivered to the Registrar for cancellation;

(ii) Obligations which are deemed paid and no longer Outstanding as provided in the Indenture;

(iii) Obligations in lieu of which other Obligations have been issued pursuant to the provisions of the Indenture relating to Obligations destroyed, stolen or lost, unless evidence satisfactory to the Registrar has been received that any such Obligation is held by a bona fide purchaser; and

(iv) For purposes of any consent or other action to be taken hereunder by the Holders of a specified percentage of principal amount of Obligations, Obligations held by or for the account of the City.

"Paying Agent" means, the Trustee and any successor Paying Agent.

"Permitted Investments" means and include such obligations as shall be permitted to be legal investments of the City pursuant to CGS Section 7-400 (1) in (A) the obligations of the United States of America, including the joint and several obligations of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all the federal land banks, all the federal intermediate credit banks, the Central Bank for Cooperatives, The Tennessee Valley Authority, or any other agency of the United States government, or (B) shares or other interests in any custodial arrangement, pool or no-load, open-end management-type investment company or investment trust registered or exempt under the Investment Company Act of 1940, 15 USC Section 80a-l et seq. as from time to time amended, provided (i) the portfolio of such custodial arrangement, pool, investment company or investment trust is limited to obligations described in subparagraph (A) above and repurchase agreements fully collateralized by any such obligations; (ii) such custodial arrangement, pool, investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; (iii) such custodial arrangement or pool is managed to maintain its shares at a constant net asset value or such investment company or investment trust is rated within one of the top two credit rating categories and, for any investment company or investment trust not managed to maintain its shares at a constant net asset value, or such investment company or investment trust is rated within one of the top two credit rating categories of any nationally recognized rating service or of any rating service recognized by the Commissioner of Banking; and (iv) the municipal corporation or authority only purchases and redeems shares or other interests in such investment company or investment trust through the use of, or the custodian of such custodial arrangement or pool is, a bank, as defined in Section 36a-2 of CGS or an out-of-state bank, as defined in said section, having one or more branches in this state; (2) in the obligations of any state of the United States or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the State Commissioner of Banking.

"Person" means any natural person, firm, association, corporation, trust, partnership, joint venture, joint-stock company, municipal corporation, public body or other entity.

"Pledged Funds" means, collectively, all moneys, including investment earnings, securities and instruments held in the Funds and Accounts created and established by the Indenture, together with the taxing power and the pledge of the full faith and credit of the City, excepting the net proceeds of the Obligations deposited in the General Fund and the earnings thereon.

"Principal Payment Date" means such date or dates of each Fiscal Year on which principal on the Obligations is payable on any Obligations that are Outstanding.

"Rating" means the credit rating assigned to the Obligations by any specific Rating Service.

"Rating Agency" means either Standard & Poor's Rating Services (a division of McGraw-Hill Companies, Inc.), Moody's Investors Service or Fitch Ratings, and their successors and assigns, then assigning credit ratings to long term debt designated by the City.

"Redemption Price" means the principal amount of an Obligation plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture or any Supplemental Indenture.

"Registrar" means, with respect to the 2008 Notes, the Trustee.

"State" means the State of Connecticut.

"Supplemental Indenture" means an indenture, resolution or comparable instrument supplemental to, and authorized and executed pursuant to the terms of, the Indenture.

"Trustee" means any bank or trust company appointed by the Mayor and the Director of Finance to act as Trustee hereunder, and which may also be the Paying Agent and Registrar for the Bonds.

"Underwriter" means, with respect to the 2008 Notes, William Blair & Company, or, with respect to any Additional Obligations, such financial institution or registered and qualifying broker/dealer as may be appointed by the Mayor and the Director of Finance.

"2008 Notes" means the City's General Obligation Bond Anticipation Notes, Series 2008 authorized to be issued pursuant to the Authorizations.

"2008 Note Resolutions" means collectively the resolutions of the City's Board of Aldermen for the following projects: the Alternative and Special Education School Facilities, approved by the City's Board of Aldermen on May 16, 2006 and amended on March 5, 2007 and November 19, 2007; the Pre-K through 12 Comprehensive School Facilities Plan, approved by the City's Board of Aldermen on June 25, 2004 and amended on March 5, 2007; Road Improvements, approved by the City's Board of Aldermen on August 9, 2006 and amended on March 5, 2007 and February 11, 2008; Renovations of City Hall, approved by the City's Board of Aldermen on May 31, 2007; and Golf Course Equipment, approved by the City's Board of Aldermen on December 10, 2007.

"2009 Bonds" means the City's General Obligation Bonds, Series 2009, issued pursuant to the 2009 Bonds Resolutions and the terms of this Indenture, as supplemented.

"2009 Bonds Resolutions" means the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $101,050,000 for Certain of the Costs of the Pre-K - 12 Comprehensive School Facilities Plan and Authorizing the Issuance and Sale of Not Exceeding $101,500,000 General Obligation Tax Revenue Intercept Bonds of the City to Be Issued in an Amount Net of Any Grants to Be Received From the State of Connecticut to Meet Said Appropriation (Anticipated Project Cost Net of State Grants Approximately $22,850,000)" as amended, and originally approved by the Board of Aldermen on June 25, 2004, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $8,930,000 for Road Improvements and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $8,930,000 to Finance the Appropriation" as amended, and originally approved by the Board of Aldermen on August 9, 2006, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $751,210 for Ground Maintenance Equipment for the City's Golf Courses and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $751,210 to Finance the Appropriation" and approved by the Board of Aldermen on December 10, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $35,900,000 for the Renovation of City Hall and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $35,900,000 to Finance the Appropriation" and approved by the Board of Aldermen on May 31, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $2,404,115 for Library Heating and Air Conditioning Systems Replacement and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $2,404,115 to Finance the Appropriation" and approved by the Board of Aldermen on October 6, 2008, and the resolution entitled "Resolution of the Board of Aldermen Authorizing the Appropriation of $900,000 for Division Street Drainage Design and Construction and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $900,000 to Finance the Appropriation" as amended, and originally approved by the Board of Aldermen on September 3, 2008.

"2009 Notes" means the City's General Obligation Bond Anticipation Notes, Series 2009, issued pursuant to the 2009 Notes Resolution and the terms of this Indenture, as supplemented.

"2009 Notes Resolutions" means the resolution entitled "Resolution of the Board of Aldermen Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $5,168,075 to Finance Previously Authorized Appropriations Totaling $5,168,075 for Various Capital Projects of the Water Department's Capital Improvement Program" and approved by the Board of Aldermen on October 20, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $460,000 for Chlorine Feed System Replacement at the Water Treatment Plant and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $460,000 to Finance the Appropriation" and approved by the Board of Aldermen on October 8, 2008, and the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $910,000 for Cleaning, Lining and Rehabilitation of Water Mains and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $910,000 to Finance the Appropriation" and approved by the Board of Aldermen on October 8, 2008.

"2009B Notes" means the City's General Obligation Bond Anticipation Notes, Series 2009B, issued pursuant to the 2009B Notes Resolutions and the terms of this Indenture, as supplemented.

"2009B Notes Resolutions" means the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $31,091,000 for the Construction of Alternative and Special Education School Facilities for the Waterbury Public Schools and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $31,091,000 to Finance the Appropriation" as amended, and originally approved by the Board of Aldermen on May 16, 2006, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $101,050,000 for Certain of the Costs of the Pre-K - 12 Comprehensive School Facilities Plan and Authorizing the Issuance and Sale of Not Exceeding $101,500,000 General Obligation Tax Revenue Intercept Bonds of the City to Be Issued in an Amount Net of Any Grants to Be Received From the State of Connecticut to Meet Said Appropriation (Anticipated Project Cost Net of State Grants Approximately $22,850,000)" as amended, and originally approved by the Board of Aldermen on June 25, 2004, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $751,210 for Ground Maintenance Equipment for the City's Golf Courses and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $751,210 to Finance the Appropriation" and approved by the Board of Aldermen on December 10, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $35,900,000 for the Renovation of City Hall and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $35,900,000 to Finance the Appropriation" and approved by the Board of Aldermen on May 31, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $5,168,075 to Finance Previously Authorized Appropriations Totaling $5,168,075 for Various Capital Projects of the Water Department's Capital Improvement Program" and approved by the Board of Aldermen on October 20, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $460,000 for Chlorine Feed System Replacement at the Water Treatment Plant and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $460,000 to Finance the Appropriation" and approved by the Board of Aldermen on October 8, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $910,000 for Cleaning, Lining and Rehabilitation of Water Mains and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $910,000 to Finance the Appropriation" and approved by the Board of Aldermen on October 8, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing the Appropriation of $5,000,000 for Acquisition of the Wachovia Building on South Main Street and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $5,000,00 to Finance the Appropriation" and approved by the Board of Aldermen on May 26, 2009, and the resolution entitled "Resolution of the Board of Aldermen Authorizing the Appropriation of $16,935,000 for Reconstruction of Chase Avenue and Homer Street and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $16,935,000 to Finance the Appropriation" and approved by the Board of Aldermen on September 3, 2008.

"2010 Bonds" means the City's General Obligation Bonds, Series 2010, comprised of the $8,125,000 2010 Subseries A (Tax-Exempt Bonds), $8,000,000 2010 Subseries B (Federally Taxable - Issuer Subsidy - Build America Bonds), $24,175,000 2010 Subseries C (Federally Taxable - Issuer Subsidy - Recovery Zone Economic Development Bonds) and $4,700,000 Subseries D (Federally Taxable - Issuer Subsidy - Qualified Energy Conservation Bonds) issued pursuant to the 2010 Bonds Resolutions and the terms of this Indenture, as supplemented.

"2010 Bonds Resolutions" means the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $101,050,000 for Certain of the Costs of the Pre-K - 12 Comprehensive School Facilities Plan and Authorizing the Issuance and Sale of Not Exceeding $101,500,000 General Obligation Tax Revenue Intercept Bonds of the City to Be Issued in an Amount Net of Any Grants to Be Received From the State of Connecticut to Meet Said Appropriation (Anticipated Project Cost Net of State Grants Approximately $22,850,000)" as amended, and originally approved by the

Board of Aldermen on June 25, 2004, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $8,930,000 for Road Improvements and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $8,930,000 to Finance the Appropriation" as amended, and originally approved by the Board of Aldermen on August 9, 2006, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $4,500,000 for City-Wide Paving and Other Street Improvements and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $4,500,000 to Finance the Appropriation" and approved by the Board of Aldermen on August 11, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $1,000,000 to Finance the Appropriation for City-Wide Milling, Paving, Resurfacing and Other Street Improvements Contained in the Capital Budget of the City for Fiscal Year July 1, 2009 to June 30, 2010" and approved by the Board of Aldermen on March 22, 2010, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $751,210 for Ground Maintenance Equipment for the City's Golf Courses and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $751,210 to Finance the Appropriation" and approved by the Board of Aldermen on December 10, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $819,000 for Repairs and Improvements to Police Department Facilities and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $819,000 to Finance the Appropriation" and approved by the Board of Aldermen on December 10, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $35,900,000 for the Renovation of City Hall and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $35,900,000 to Finance the Appropriation" and approved by the Board of Aldermen on May 31, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing the Appropriation of $5,000,000 for Acquisition of the Wachovia Building on South Main Street and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $5,000,000 to Finance the Appropriation" and approved by the Board of Aldermen on May 26, 2009, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $2,404,115 for Library Heating and Air Conditioning Systems Replacement and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $2,404,115 to Finance the Appropriation" and approved by the Board of Aldermen on October 6, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing the Appropriation of $900,000 for Division Street Drainage Design and Construction and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $900,000 to Finance the Appropriation" as amended, and originally approved by the Board of Aldermen on September 3, 2008, and the resolution entitled "Resolution of the Board of Aldermen Authorizing the Appropriation of $8,205,000 for Reconstruction of Chase Avenue and Homer Street and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $8,205,000 to Finance the Appropriation" and approved by the Board of Aldermen on September 3, 2008.

"2010 Notes" means the City's General Obligation Bond Anticipation Notes, Series 2010, issued pursuant to the 2010 Notes Resolutions and the terms of this Indenture, as supplemented.

"2010 Notes Resolutions" means the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $31,091,000 for the Construction of Alternative and Special Education School Facilities for the Waterbury Public Schools and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $31,091,000 to Finance the Appropriation" as amended, and originally approved by the Board of Aldermen on May 16, 2006, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $101,050,000 for Certain of the Costs of the Pre-K - 12 Comprehensive School Facilities Plan and Authorizing the Issuance and Sale of Not Exceeding $101,500,000 General Obligation Tax Revenue Intercept Bonds of the City to Be Issued in an Amount Net of Any Grants to Be Received From the State of Connecticut to Meet Said Appropriation (Anticipated Project Cost Net of State Grants Approximately $22,850,000)" as amended, and originally approved by the Board of Aldermen on June 25, 2004, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $35,900,000 for the Renovation of City Hall and Authorizing the Issuance of the City's General Obligation Tax Revenue Intercept Bonds in an Amount Not to Exceed $35,900,000 to Finance the Appropriation" and approved by the Board of Aldermen on May 31, 2007, the resolution entitled "Resolution of the Board of Aldermen Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $5,168,075 to Finance Previously Authorized Appropriations Totaling $5,168,075 for Various Capital Projects of the Water Department's Capital Improvement Program" and approved by the Board of Aldermen on October 20, 2008, the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $460,000 for Chlorine Feed System Replacement at the Water Treatment Plant and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $460,000 to Finance the Appropriation" and approved by the Board of Aldermen on October 8, 2008, and the resolution entitled "Resolution of the Board of Aldermen Authorizing an Appropriation of $910,000 for Cleaning, Lining and Rehabilitation of Water Mains and Authorizing the Issuance of the City's General Obligation Bonds in an Amount Not to Exceed $910,000 to Finance the Appropriation" and approved by the Board of Aldermen on October 6, 2008.

OBLIGATION PROCEEDS, FUNDS, ACCOUNTS, REVENUES AND APPLICATION AND DISBURSEMENT THEREOF

Establishment of Funds and Accounts

There is hereby created and established the "Waterbury General Obligation Debt Service Fund" (the "Debt Service Fund"). There are also hereby created two (2) separate accounts in the Debt Service Fund to be known as the "Interest Account" and the "Principal Account". The Debt Service Fund and the accounts therein shall be held in trust for Holders of the Obligations by the Trustee.

Application of Obligation Proceeds and Allocation Thereof

Accrued interest, if any, on the Obligations shall be delivered by the City to the Trustee for deposit into the Interest Account. All other moneys received by the City from the sale of the Obligations shall be paid to the City Treasurer for payment of the Costs of Issuance and for deposit and investment in the General Fund for the payment of costs of the capital projects financed by the Obligations. Notwithstanding, moneys received by the City from the sale of the Obligations to be used to permanently finance or renew bond anticipation notes issued pursuant to this Indenture shall be delivered by the City to the Trustee for deposit into the Principal Account.

Payments of Principal and Interest on Obligations

The City shall make payments of principal and interest on the Obligations to the Trustee as Paying Agent only. The City shall make payments of interest on the Obligations to the Trustee by 12:00 noon on the Business Day preceding each Interest Payment Date; provided, however, that the Accrued Interest, if any, deposited in the Interest Account on the initial sale of the Obligations shall be paid to the Paying Agent by 10:00 a.m. on the Business Day preceding the initial Interest Payment Date to be used to make payment of interest payment on the Obligations due on the first applicable Interest Payment Date. The City shall make payments of principal on the Obligations by 12:00 noon on the Business Day preceding the applicable maturity dates for such Obligations. Notwithstanding, if such Obligations are bond anticipation notes, the City shall make payments of principal on such bond anticipation notes by 12:00 noon on the Business Day preceding the applicable maturity dates for such bond anticipation notes only to the extent such principal amount is not to be paid with proceeds from the sale of bonds or bond anticipation notes issued to permanently finance or renew such bond anticipation notes.

Investment of Funds

(a) The Debt Service Fund, including the Interest Account and the Principal Account, shall constitute trust funds in favor of the Holders and shall be invested by the Trustee at the written direction of the City as provided in Section 3.04 of the Indenture.

(b) Moneys on deposit in the Interest Account and the Principal Account may be invested in Permitted Investments maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account.

(c) All income and earnings received from the investment of moneys in the Interest Account and the Principal Account in the Debt Service Fund shall be retained in the respective accounts and applied as a credit against the obligation of the City to make payments of interest and principal on the Obligations, as applicable, as the same becomes due and payable.

(d) For the purpose of investing or reinvesting, the Trustee may commingle moneys in the funds and accounts created and established hereunder, in order to achieve greater investment income; provided that the Trustee shall separately account for the amounts so commingled. The amounts required to be accounted for in each of the funds and accounts designated in the Indenture, may be deposited in a single bank account provided that adequate accounting procedures are maintained to reflect and control the restricted allocations of the amounts on deposit therein for the various purposes of such funds and accounts as provided in the Indenture. The designation and establishment of funds and accounts in and by the Certificate or Supplemental Certificate shall not be construed to require the establishment of any completely independent funds and accounts but rather is intended solely to constitute an allocation of certain revenues and assets for certain purposes and to establish such certain priorities for application of certain revenues and assets as provided in the Indenture. The Trustee shall be entitled to rely conclusively on all written investment instructions provided by the City hereunder. The Trustee shall have no responsibility or liability for any diminution in value or any loss, direct or indirect, resulting from any investment made in accordance with the instructions of the City.

Payments of Principal and Interest on Additional Obligations

The City shall make payments of principal and interest on the Additional Obligations to the Trustee as Paying Agent only. The City shall make payments of interest on the Additional Obligations to the Trustee by 12:00 noon on the Business Day preceding each Interest Payment Date. The City shall make payments of principal on the Additional Obligations by 12:00 noon on the Business Day preceding the applicable maturity dates for such Additional Obligations. Notwithstanding, if such Additional Obligations are bond anticipation notes, the City shall make payments of principal on such bond anticipation notes by 12:00 noon on the Business Day preceding the applicable maturity dates for such bond anticipation notes only to the extent such principal amount is not to be paid with proceeds from the sale of bonds or bond anticipation notes issued to permanently finance or renew such bond anticipation notes.

PARTICULAR COVENANTS

The City covenants and agrees with the Holders of any and all of the Obligations as follows:

Covenant to Budget and Appropriate

The City covenants and agrees to appropriate in its annual budget, by amendment, if necessary, from funds lawfully available in each Fiscal Year, amounts sufficient to satisfy the payment of principal of and interest on the Obligations as the same shall become due and payable, and any fees and costs due any Fiduciaries during such Fiscal Year. Such covenant and agreement on the part of the City to budget and appropriate such amounts of funds shall be cumulative to the extent not paid, and shall continue until such funds or other legally available funds in amounts sufficient to make all such required payments shall have been budgeted, appropriated and actually paid. Such covenant shall be in addition to the pledge of the full faith and credit of the City to the payment of the principal of and interest on the Obligations.

REMEDIES OF HOLDERS OF OBLIGATIONS

Events of Default

Any failure to duly and punctually pay (a) the interest on any Obligation, (b) any installment of the principal or mandatory sinking fund payment of any Obligation, whether at the stated maturity thereof or upon redemption thereof, or (c) the purchase price of any Obligation upon optional or mandatory tender thereof as provided in the Indenture, shall constitute an “event of default”.

Enforcement of Remedies

(a) Upon the happening and continuance of any event of default, then and in every case, but subject to the provisions of Section 6.02 of the Indenture, the Trustee, with the consent of the Municipal Bond Insurance Policy Providers may proceed, and upon the written request of the Municipal Bond Insurance Policy Providers, or the owners of not less than 51% in the principal amount of the Outstanding Obligations, with the consent of the Municipal Bond Insurance Policy Providers shall proceed, to protect and enforce its rights and the rights of Holders of the Obligations under the Authorizations, the Obligations, and the Indenture, and under any agreement executed in connection with the foregoing, forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power granted in the Indenture or in the Authorizations or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture; provided, that, no such consent of a Municipal Bond Insurance Policy Provider shall be required if such Municipal Bond Insurance Policy Provider wrongfully fails to honor its obligations under its Municipal Bond Insurance Policy. No event of default shall allow the Trustee to accelerate any payment of principal, interest or redemption price on any Obligation.

(b) In the enforcement of any right or remedy under the Indenture, or under the Authorizations, the Trustee shall be entitled to sue for, enforce payment on and receive any or all amounts then or during any default becoming, and any time remaining, due from the City for principal, Redemption Price, interest or otherwise under any of the provisions of the Indenture or of the Obligations, and unpaid, with interest on overdue payments at the applicable rate of interest specified in the Obligations, together with any and all costs and expenses of collection and of all proceedings under the Indenture, and under the Obligations, without prejudice to any other right or remedy of the Trustee or of the Holders of the Obligations, and to recover and enforce judgment or decree against the City, but solely as provided in the Indenture, and in the Obligations, for any portion of such amounts remaining unpaid, with interest, costs, and expenses, and to collect in any manner provided by law, the moneys adjudged or decreed to be payable.

(c) Regardless of the happening of an event of default, the Trustee, if requested in writing by the owners of not less than 51% in principal amount of the Obligations then Outstanding with the consent of the Municipal Bond Insurance Policy Providers and furnished with reasonable security and indemnity, shall institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, or of any resolution authorizing Obligations, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interests and the interests of the Holders of the Obligations; but no such request shall be otherwise than in accordance with the provisions of law, of the Indenture or be unduly prejudicial to the interests of the Holders of Obligations not making such request.

(d) Anything in the Indenture to the contrary notwithstanding, but subject to Section 6.02 of the Indenture, upon the occurrence and continuance of an event of default as defined in the Indenture, the Municipal Bond Insurance Policy Providers shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Obligations, or the Trustee for the benefit of the Holders of the Obligations under the Indenture. A Municipal Bond Insurance Policy Provider's rights hereunder shall be suspended in the event that such Municipal Bond Insurance Policy Provider wrongfully fails to honor its obligations under its Municipal Bond Insurance Policy.

Application of Revenues and Other Moneys After Default

(a) All moneys received by the Trustee pursuant to any right given or action taken under the provisions of Article V of the Indenture, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the fees, expenses, liabilities and advances incurred or made by the Trustee and any Paying Agent, shall be deposited in the Debt Service Fund and all moneys so deposited in such Fund and available for payment relating to the Obligations shall be applied as follows:

> <u>FIRST</u>. To the payment to the persons entitled thereto of all installments of interest then due on the Obligations, in the order of the maturity of the installments of such interest; and
>
> <u>SECOND</u>. To the payment to the persons entitled thereto of the unpaid principal or Redemption Price, if any, of any of the Obligations which shall have become due (other than Obligations called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in order of maturity, from the respective dates upon which they become due.

(b) Whenever moneys are to be applied pursuant to the provisions of Section 5.03 of the Indenture, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application shall be made. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the owner of any Obligations until such Obligations shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

(c) Whenever all Obligations and interest thereon, and all other amounts due hereunder have been paid under the provisions of Section 5.03 of the Indenture and all fees, expenses and charges of the Trustee and Paying Agent have been paid, any balances remaining in the Debt Service Fund shall be paid to or upon the order of the City.

Actions by Trustee

All rights of action under the Indenture or under any of the Obligations may be enforced by the Trustee without the possession of any of the Obligations or the production thereof in any trial or other proceedings relating thereto and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Obligations, and any recovery of judgment shall be for the benefit of the Holders of the Outstanding Obligations.

Majority Holders Control Proceedings

Subject to Section 5.02 of the Indenture, the holders of a majority in aggregate principal amount of Obligations then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for any other proceedings hereunder; but such direction shall not be otherwise than in accordance with the provisions of law and of the Indenture.

Individual Holder Rights

Nothing in the Indenture or in the Obligations contained shall affect or impair the right of any owner of the Obligations to payment of the principal or purchase price of and interest on any Obligation, or the obligation of the City to pay the principal or purchase price of and interest on each of the Obligations to the respective owners thereof at the time, place, from the source and in the manner in the Indenture and in such Obligations expressed.

Effect of Discontinuance of Proceedings

In case any proceeding taken by the Trustee on account of any event of default shall have been dismissed, discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the City, the Trustee and the owners of the Obligations shall be restored, respectively, to their former positions and rights hereunder, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceedings had been taken.

Remedies Not Exclusive

No remedy by the terms of the Indenture enforced upon or reserved to the Trustee or to the owners of the Obligations is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Delay or Omission of Default

No delay or omission of the Trustee or of the owners of any Obligation to exercise any right or power arising upon any event of default shall impair any right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power and remedy given by Article V of the Indenture to the Trustee, and the owner of any Obligation, respectively, may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the owner of the Obligations.

Notice of Default

The Trustee shall promptly mail, to each owner of the Obligations, written notice of the occurrence of any event of default of which it has actual knowledge. Actual knowledge means the actual knowledge of an officer in the Trustee's corporate trust department. The Trustee shall not, however, be subject to any liability to any owner of the Obligations by reason of its failure to mail any notice required by Section 5.10 of the Indenture.

No Waivers of Default

The Trustee shall not waive any event of default hereunder.

TRUSTEE

Responsibilities of Trustee

(a) The Trustee shall have no responsibility in respect of the validity or sufficiency of the Indenture or the due execution of the Indenture by the City, or in respect of the validity of any Obligations authenticated and delivered by the Trustee in accordance with the Indenture or to see to the recording or filing of the Indenture or any other document or instrument whatsoever. The recitals, statements and representations contained in the Indenture and in the Obligations shall be taken and construed as made by and on the part of the City and not by the Trustee, and it does not assume any responsibility for the correctness of the same; except that the Trustee shall be responsible for its representation contained in its certificate on the Obligations. The obligation hereunder to pay or reimburse the Trustee for expenses, advances, reimbursements and to indemnify and hold harmless the Trustee pursuant hereto shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of all obligations under the Indenture.

(b) The Trustee shall not be liable or responsible because of the failure of the City to perform any act required of it by the Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depositary other than itself in which such moneys shall have been deposited. The Trustee shall not be responsible for the application of any of the proceeds of the Obligations or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance herewith or for any loss resulting from any such investment. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own willful misconduct, gross negligence or bad faith. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees and agents.

(c) The Trustee, prior to the occurrence of an event of default (as defined in Section 5.01 of the Indenture), and subsequent to an event of default that has been cured, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture. In case an event of default has occurred of which the Trustee has actual knowledge (as defined in Section 5.10 of the Indenture) and which has not been cured, the Trustee, subject to Section 6.02 of the Indenture, shall exercise such of the rights and powers vested in it hereby and use the same degree of care and skill in their exercise, as a prudent person would exercise under the circumstances in the conduct of his own affairs.

(d) The Trustee shall in all instances act in good faith in incurring costs, expenses and legal fees in connection with the transactions contemplated by the Indenture.

Evidence on Which Trustee May Act

(a) In case at any time it shall be necessary or desirable for the Trustee to make any investigation concerning any fact preparatory to taking or not taking any action, or doing or not doing anything, as such Trustee, and in any case in which the Indenture provides for permitting or taking any action, it may rely upon any certificate required or permitted to be filed with it under the provisions of the Indenture, and any such certificate shall be evidence of such fact or protect it in any action that it may or may not take, or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact.

(b) The Trustee shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of the Indenture, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person, or to have been prepared and furnished pursuant to any of the provisions of the Indenture, or upon the written opinion of any attorney (who may be an attorney for the City), or accountant reasonably believed by the Trustee to be qualified in relation to the subject matter. The Trustee is not required to investigate the qualifications of any such expert.

Evidence of Signatures of Owners of Obligations and Ownership of Obligations

(a) Any request, consent, revocation of consent or other instrument which this Indenture say require or permit to be signed and executed by the owners of the Obligations may be in one or more instruments of similar tenor, and shall be signed or executed by such owners of the Obligations in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of any instrument appointing any such attorney, or (ii) the holding by any person of the Obligations shall be sufficient for any purpose of the Indenture (except as otherwise expressly provided in the Indenture) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(A) The fact and date of the execution by any owner of the Obligations or his attorney of such instruments may be proved by a guarantee of the signature thereon by an officer of a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall be accompanied by sufficient proof of his City.

(B) The ownership of registered Obligations and the amount, numbers and other identification, and date of owning the same shall be proved by the registry books.

(b) Except as otherwise provided in Section 7.03 of the Indenture with respect to revocation of a consent, any request or consent by the owner of any Obligations shall bind all future owners of such Obligation in respect of anything done or suffered to be done by the City or the Trustee or any Paying Agent in accordance therewith.

Resignation or Removal of Trustee

(a) The Trustee may resign and thereby become discharged from the trusts created under the Indenture by notice in writing to be given to the City and by notice mailed, postage prepaid to the owners of the Obligations not less than sixty days before such resignation is to take effect, but such resignation shall not take effect until the appointment of a successor Trustee pursuant to Section 6.09 of the Indenture and such successor Trustee shall accept such duties.

(b) The Trustee may be removed at any time thirty (30) days after an instrument or concurrent instruments in writing is filed with the Trustee and signed by the owners of not less than a majority in principal amount of the Obligations then Outstanding or their attorneys-in-fact duly authorized, but such removal shall not take effect until the appointment of a successor Trustee pursuant to Section 6.09 of the Indenture and such successor Trustee shall accept such trust. The Trustee shall promptly give notice of such filing to the City.

Successor Trustee

(a) If at any time the Trustee shall resign, or shall be removed, be dissolved or otherwise become incapable of acting or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator thereof, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the City shall appoint a successor Trustee to fill such vacancy. If the City fails to act prior to the date of resignation of any Trustee or within fifteen days after the position of Trustee becomes vacant, the Trustee may appoint a temporary successor Trustee. The City may thereafter appoint a successor Trustee to succeed such temporary Trustee. Within forty-five (45) days after such appointment, the City or the successor Trustee shall cause notice of such appointment to be mailed, postage prepaid, to all owners of the Obligations.

(b) At any time within one year after such vacancy shall have occurred, the owners of a majority in principal amount of the Obligations then Outstanding, by an instrument or concurrent instruments in writing, signed by such owners of the Obligations or their attorneys-in-fact filed with the City, may appoint a successor Trustee, which shall immediately and without further act, supersede any Trustee theretofore appointed. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of Section 6.09 of the Indenture, the owner of any Obligations then Outstanding or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) Any Trustee appointed under Section 6.09 of the Indenture shall be a national banking association or a bank, financial institution or trust company duly organized under the laws of the State or under the laws of any state of the United States authorized to exercise corporate trust powers. At the time of its appointment, any successor Trustee shall have a capital stock and surplus aggregating not less than $10,000,000.

(d) Every successor Trustee shall execute, acknowledge and deliver to its predecessor, and also to the City, an instrument in writing accepting such appointment, and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers and trusts, and subject to all the duties and obligations of its predecessor, with like effect as if originally named as such Trustee; but such predecessor shall, nevertheless, on the written request of its successor or of the City, and upon payment of the compensation, expenses, charges and other disbursements of such predecessor which are due and payable pursuant to Section 6.04 of the Indenture, execute and deliver an instrument transferring to such successor Trustee all the estate, properties, rights, immunities, powers and trusts of such predecessor, except any indemnification rights. Every predecessor Trustee shall also deliver all property and moneys held by it under the Indenture to its successor. Should any instrument in writing from the City be required by any successor Trustee for more fully and certainly vesting in such Trustee, the estate, properties, rights, immunities, powers and trusts vested or intended to be vested in the predecessor Trustee any such instrument in writing shall, on request, be executed, acknowledged and delivered by the City. Any successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee.

(e) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a national banking association or a bank, financial institution or trust company duly organized under the laws of any state of the United States, shall have a capital stock and surplus aggregating not less than $10,000,000 and shall be authorized by law to perform all the duties imposed upon it by the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or the performance of any further act.

(f) Any Trustee which becomes incapable of acting as Trustee shall pay over, assign and deliver to its successor any moneys, funds or investments held by it in the manner provided in Section 6.09(d) of the Indenture and shall render an accounting to the City.

Appointment of Co-Trustee

(a) It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture, and in particular in case of the enforcement in the event of default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies in the Indenture granted to the Trustee or hold title to the properties, in trust, as granted in the Indenture, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of Section 6.13 of the Indenture are adapted to these ends.

(b) In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them.

(c) Should any instrument in writing from the City be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

AMENDMENTS OF INDENTURE

Limitation on Modifications

The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article VII of the Indenture.

Supplemental Indentures Effective Without Consent of Owners of Obligations

The City may, from time to time and at any time, adopt Supplemental Indentures with the written consent of the Trustee but without notice to or consent of the owners of the Obligations for any of the following purposes:

(i) To cure any formal defect, omission or ambiguity in the Indenture or in any description of property subject to the lien of the Indenture, if such action is not adverse to the interests of the owners of the Obligations.

(ii) To grant to or confer upon the Trustee for the benefit of the owners of the Obligations any additional rights, remedies, powers, or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iii) To add to the covenants and agreements of the City in the Indenture other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(iv) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Indenture as theretofore in effect.

(v) To enable the City and the City to receive or maintain a rating on the Obligations from a Rating Agency or Rating Agencies.

(vi) To provide for the issuance of Additional Obligations.

(vii) To make any other changes which do not materially adversely affect the interest of owners of the Obligations, as evidenced to the Trustee by an opinion of counsel.

Supplemental Indentures Effective With Consent of Owners of Obligations

(a) Other than Supplemental Indentures referred to in Section 7.02 of the Indenture, and subject to the terms and provisions and limitations contained in Article VII of the Indenture and not otherwise, the owners of not less than 51% in aggregate principal amount of the Obligations then Outstanding (or in the event that the proposed change does not affect all owners of Obligations, the owners of not less than 51% of the Obligations so affected) shall have the right with the written consent of the Trustee from time to time, to consent to and approve the adoption by the City of any Supplemental Indenture as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture. Nothing in the Indenture contained shall permit, or be construed as permitting, without the consent of all of the owners of the Obligations (i) a change in the terms of redemption or maturity of the principal of or the interest on any Outstanding Obligation, or a reduction in the principal amount or redemption price of any Outstanding Obligation or the rate of interest thereon without the consent of the owner of such Obligation, or (ii) the creation of a lien upon or pledge of revenues or other income other than the lien or pledge created by the Indenture or (iii) a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or (iv) a reduction in the aggregate principal amount of the Obligations required for consent to such Supplemental Indenture.

(b) If at any time the City shall determine to adopt any Supplemental Indenture for any of the purposes of Section 7.03 of the Indenture, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to the Trustee and all owners of the Obligations. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture, and shall state that a copy thereof is on file at the offices of the Trustee for inspection by all owners of the Obligations.

(c) Within one year after the date of such notice, the City may adopt such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the City (i) the written consents of the Trustee and owners of not less than 51% in aggregate principal amount of the Obligations then Outstanding so affected and (ii) an opinion of counsel satisfactory to the Trustee stating that such Supplemental Indenture is authorized or permitted by the Indenture and complies with its terms, and that upon adoption it will be valid and binding upon the City in accordance with its terms. Each valid consent shall be effective only if accompanied by proof of the owning, at the date of such consent, of the Obligations with respect to which such consent is given. A certificate or certificates by the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Indenture shall be conclusive that the consents have been given by the owners of the Obligations described in such certificate or certificates. Any such consent shall be binding upon the owner of the Obligations giving such consent and upon any subsequent owner of such Obligations and of any Obligations issued in exchange therefor (whether or not such subsequent owner thereof has notice thereof), unless such consent is revoked in writing by the owner of such Obligations giving such consent or a subsequent owner thereof by filing such revocation with the Trustee prior to the adoption of such Supplemental Indenture.

(d) If the owners of not less than the percentage of Obligations required by Section 7.03 of the Indenture shall have consented to and approved the execution thereof as provided in the Indenture, no owner of any Obligation shall have any right to object to the enactment of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the City from adopting the same or from taking any action pursuant to the provisions thereof.

Supplemental Indenture Part of Indenture

Any Supplemental Indenture adopted in accordance with the provisions of Article VII of the Indenture shall thereafter form a part of the Indenture and all the terms and conditions contained in any such Supplemental Indenture as to any provisions authorized to be contained therein shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. The Trustee shall execute any Supplemental Indenture adopted in accordance with the provisions of Sections 7.02 or 7.03 of the Indenture; provided, however, that the Trustee may, but shall not be obligated to, enter into any such instrument which adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

DISCHARGE OF INDENTURE

Defeasance

(a) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the owners of all Obligations the principal or Redemption Price, if applicable, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and if all the fees, expenses and advances of the Trustee and all Paying Agents have been paid, then all covenants, agreements and other obligations of the City to the owners of the Obligations hereunder shall thereupon cease, terminate and become void and be discharged and satisfied and such Obligations shall thereupon cease to be entitled to any lien, benefit or security hereunder, except as to moneys or securities held by the Trustee or the Paying Agents as provided below in this subsection. At the time of such cessation, termination, discharge and satisfaction, (i) the Trustee shall cancel and discharge the lien of the Indenture and execute and deliver to the City all such instruments as may be appropriate to satisfy such lien and to evidence such discharge and satisfaction, and (ii) the Trustee, the City and the Paying Agents shall pay over or deliver to the City or on its order all moneys or securities held by them pursuant to the Indenture which are not required for the payment of principal or Redemption Price, if applicable, or interest on Obligations not theretofore surrendered for such payment or redemption.

(b) Obligations or interest installments for the payment or redemption of which moneys (or Defeasance Obligations, the principal of and interest on which when due, together with the moneys, if any, set aside at the same time, will provide funds sufficient for such payment or redemption) shall then be set aside and held in trust by the Trustee or Paying Agents, whether at or prior to the maturity or the redemption date of such Obligations, shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of Section 8.01 of the Indenture, if (i) in case any such Obligations are to be redeemed prior to the maturity thereof, all action necessary to redeem such Obligations shall have been taken and notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, and (ii) if the maturity or redemption date of any such Obligation shall not then have arrived, provision shall have been made by deposit with the Trustee or other methods satisfactory to the Trustee for the payment to the owners of any such Obligations upon surrender thereof, whether or not prior to the maturity or redemption date thereof, of the full amount to which they would be entitled by way of principal or Redemption Price and interest to the date of such maturity or redemption, and provision satisfactory to the Trustee shall have been made for the mailing of a notice to the owners of such Obligations that such moneys are so available for such payment.

(c) Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Obligations shall be paid pursuant to a Municipal Bond Insurance Policy, the Obligations shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of the Municipal Bond Insurance Policy Provider, and such Municipal Bond Insurance Policy Provider shall be subrogated to the rights of the registered owners of such Obligations.

APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: $ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.)

By ______________________________
Authorized Officer

(212) 826-0100