

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**CITY OF NEW BRITAIN
CONNECTICUT**

FISCAL YEAR ENDED JUNE 30, 2003



John Jedrzejczyk, Director of Finance

Prepared by Finance Department

CITY OF NEW BRITAIN, CONNECTICUT

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**CITY OF NEW BRITAIN, CONNECTICUT
PRINCIPAL OFFICIALS**

MAYOR

Lucian J. Pawlak

TREASURER

Jason Jakubowski

DEPUTY TREASURER

Lawrence Hermanowski

TOWN COUNCIL

Mark H. Bernacki, Mayor ProTem
Aime J. Brochu, Majority Leader
Suzanne Bielinski, Assistant Majority Leader
Jeffrey W. Gacek, Assistant Majority Leader
Timothy T. Stewart, Minority Leader
Louis Salvio, Assistant Minority Leader
Barbara A. Canzonetti
Paul Carver
Peter Gostin
Arthur S. Helfgott
Lori Rocha
James Wyskiewicz
Judith E. Olson
Lori Rocha
Barbara L. Yezierski

ADMINISTRATION

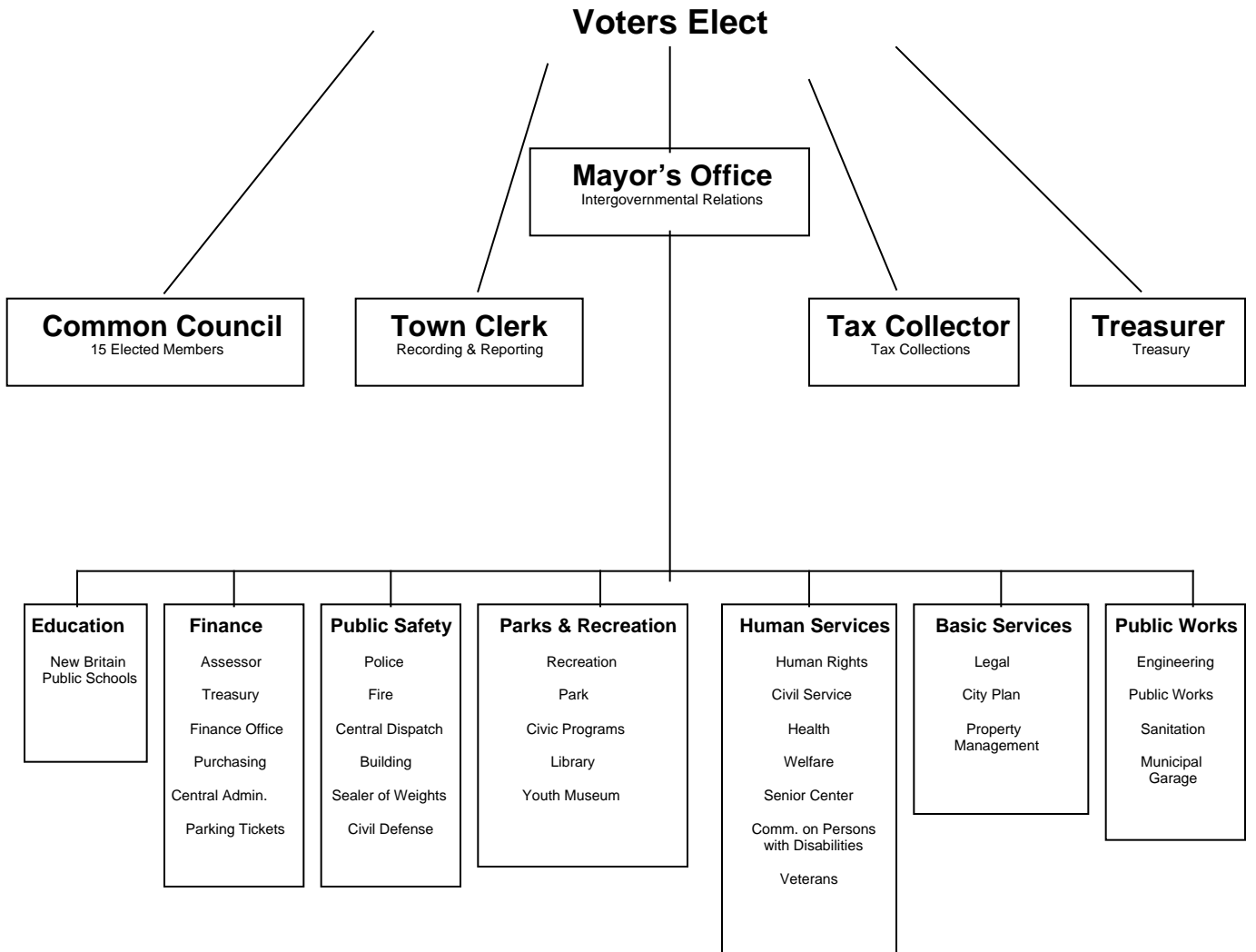
Corporation Counsel	Joseph Skelly
Town Clerk	Peter J. Denuzze
Tax Collector	Fred J. Menditto
Assessor	Charles Agli
Director of Finance	John Jedrzejczyk
Director of Social Services	Greg Steltner
Administrative Director of Health	Greg Stelner
Acting Director of Health	Dr. Eugene Ciccone
Director of Personnel	John Byrne
Acting Director of Parks and Recreation	William A. DeMaio
Director of Public Works	Joseph F. Carilli
Director of Youth Services	Christopher Montes
Director of Licenses, Permits and Inspections	Frank M. Wiatr
Director of Water	Gilbert Bligh
Director of Municipal Development	Kenneth Malinowski

BOARD OF EDUCATION

Paul Amenta
Dr. Steven W. Horowitz
Deidra Ierardi
Leslie F. Jacobs
Peter J. Kochol
Kevin C. Laska
Kenneth Olson
James E. Sanders Sr.
Juan Verdu
Frances B. Wolski
Dr. Doris Kurtz, Superintendent of Schools

ORGANIZATIONAL CHART

ORGANIZATION OF CITY GOVERNMENT



CITY OF NEW BRITAIN, CONNECTICUT



December 2, 2003

To the Mayor, Members of the Common Council and Citizens of the City of New Britain:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of New Britain for the fiscal year ended June 30, 2003.

This report consists of management's representations concerning the finances of the City of New Britain. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of New Britain has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of New Britain's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of New Britain's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City of New Britain's financial statements have been audited by Scully and Wolf, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of New Britain for the fiscal year ended June 30, 2003 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent audit concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of New Britain's financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of New Britain was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are located within the City’s CAFR.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of New Britain’s MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

The City of New Britain covers 13.3 square miles and was first settled as part of the Town of Berlin in 1680. It was incorporated as a separate Town in 1850 and chartered as a City in 1871. New Britain has access to Interstate 91, a major north-south highway, and Interstate 84, an east-west route connecting New England and New York via Routes 9 and 72, a limited access highway which runs through the City. Direct highway access to Hartford has been improved with the completion of the northern leg of the Central Connecticut Expressway (Route 9).

A major private sector initiative, the creation of a special taxing district in the downtown core, enables property owners to pool their money toward special downtown projects. The New Britain Downtown District continues a multi-faceted program of streetscape improvements, coordinated management (maintenance and security) and marketing.

New Britain offers a variety of housing and is committed to neighborhood preservation. Walnut Hill, a National Historic District overlooking the heart of the City, features a ninety-eight acre park, displaying some of America’s rarest 19th century architecture. Over the past decade, older homes in the community have been completely renovated by their owners using a variety of specialty loan and grant programs. In addition, New Britain offers more than eight hundred housing units to its senior citizens.

The Stanley Works, a Fortune 500 company, has located its world headquarters facility at a site along Interstate 84. In addition, the City has benefited from the expansion of Reflexite, the relocation of the State Lottery Headquarters to John Downey Drive, and the recent location of companies such as Hollywoods, Inc., and Thermal Engineering, Inc. Also beneficial to the City is the continued growth of firms such as Okay Industries and Acme-Monaco Inc. The State of Connecticut selected a downtown New Britain site to construct a multi-building Government Center. A 40,000 square foot Department of Public Utility Control building and a 130,000 square foot regional courthouse has been completed and the City/State partnership has been culminated with the completion of a 1600 space parking facility.

New Britain is also home to the Rock Cats (the Double A baseball affiliate of the Minnesota Twins) playing in a sports facility built to the standards established by the professional major leagues, the Museum of American Art (housing the oldest museum collection of American Art) and Central Connecticut State University with its schools of Education, Technology, and Business (which is the largest in the State).

The City's offers nine major parks (most featuring swimming, fishing , athletic fields and a playground): A.W. Stanley, Stanley Quarter, Walnut Hill, Willow Brook, Osgood, Martha Hart, Washington, Chesley and Hungerford. In addition, Stanley Quarter Park offers paddle boats, aqua cycles and ice skating during the winter months. It is also the home of New England's largest skateboard park.

Residents have a variety of medical facilities to call upon, including the four hundred thirty-six bed New Britain General Hospital (the 7th largest in the state), the two hundred bed Hospital for Special Care (formerly New Britain Memorial Hospital) for the chronically ill, and numerous modern clinics providing out-patient services. The Hospital for Special Care has completed a \$36 million expansion of its facility while New Britain General Hospital has completed a \$55.8 million expansion of its facility. The University of Connecticut Health Center and Hospital is within three miles of the City line in the adjacent Town of Farmington.

Form of Government

New Britain became a consolidated City and Town in 1905 with a Mayor-Council-Commission form of Government. The Mayor and Council serve concurrent two-year terms and operate under a Charter adopted in 1961 with several subsequent revisions.

The Common Council, the legislative body elected biennially at large, consists of 15 Aldermen with a five member minority representation. The other elected officials are City and Town Clerk, Collector of Taxes, Treasurer, and three members of the Board of Tax Review.

The Mayor presides at meetings of the Common Council and makes appointments to Boards and Commissions as provided in the Charter or as created by ordinance. The Mayor is an ex-officio member of all bipartisan Boards and Commissions. All department heads report directly to the Mayor.

Major Initiatives

The City of New Britain is committed to the well-being and quality of life for its residents. Throughout the year the City's staff has been involved in a number of Capital Improvement projects that will bring us into the new fiscal year and perhaps beyond.

With financing available from the State of Connecticut's Clean Water Revolving Loan Fund, the Board of Water Commissioners began phase one of a \$58 million dollar water filtration plant replacement project last year. This project, which will take place in two phases, involves the construction of a brand new pump station as well as the construction of a new water filtration plant. This new facility will serve approximately 17,500 locations and 85,000 persons in New Britain, Berlin, Newington, Farmington and Plainville. The existing plant was constructed in two phases in 1940 and 1960 and has deteriorated due to age and years of use. The new facility will provide water filtration capabilities to the New Britain Water Department for the next 40-50 years.

Since his election to office in 1995, Mayor Pawlak has made economic expansion one of the primary goals of his administration. This goal is based on the premise that the most realistic way to minimize taxes via the mill rate is through increasing the Grand List. One of the most optimum ways to accomplish this is to attract new commercial and/or industrial development to the City. These businesses will produce tax revenue based both on their buildings and on their very sophisticated and valuable equipment. At the same time, these manufacturers are able to

take advantage of incentive programs that reduce their tax liability. Furthermore, the State does reimburse the City for a portion of taxes that normally would have been levied. In addition, new businesses create much-needed new jobs for New Britain's residents. The City, however, has little valuable land for business development. That is why the Mayor has put forward initiatives such as the Smart Park II at the former New Britain Machine site, and expanding the Smart Park I on Myrtle Street from Booth Street to Curtis Street. These projects will continue throughout the next fiscal year.

The City takes pride in its existing infrastructure and strives to maintain these assets in a condition that is acceptable to its users. Our engineering department is constantly evaluating the City's roadways to determine if conditions are safe and logical. Consequently, many road reconstruction projects are being undertaken. Currently in design are the Hart Street extension from Arch to South Main Street; the intersection reconstruction of Broad, Beaver, Main and North Streets; as well as the road reconstruction of Broad and Washington Streets, St. Clair and Lester Streets, and Court and South High Streets.

Downtown New Britain is the home to many older, unique, well-constructed buildings. For this reason, several projects designed to update and thus utilize these buildings have commenced during this fiscal year. Last year construction began to renovate the Gates Building, a historic City-owned building adjacent to City Hall. In August of 2002, this newly renovated building became the new home to the City's Board of Education offices. Additionally, construction is expected to begin in fiscal year 2004 for the renovation of the Hatch building, acquired during the 2002 fiscal year. This structure is going to house the City's Health and Welfare Departments as well as other City Social Service functions. Finally, next fiscal year will mark the beginning of the long-awaited police station renovation.

Recreation is an essential element in the preservation of any urban community. The City prides itself on its many parks, recreation areas and most importantly its golf course. Due to an overwhelming demand, this spring marked the opening of the new driving range located at Stanley Golf Course.

During the fiscal year ending June 30, 2001, the City embarked on a project aimed at correcting the sanitary sewer system deficiencies identified through our comprehensive infiltration and inflow study. These improvements will reduce the amount of rain water running through the sanitary system thus reducing the amount of sewage sent to the Mattabasset Sewer District. This project has continued throughout FY 2003 and is expected to continue into 2004.

Both the administration and the community of New Britain have demonstrated the desire to maintain updated records and operating procedures. Consequently, a statistical revaluation has been completed effective for the October 1, 2002 Grand List. Due to this revaluation, the City's mill rate has been reduced from 54.76 to 46.93 effective for the fiscal year ending June 30, 2004. The City's last revaluation was completed for October 1, 1995, as State Statutes prescribe, 7 years prior to this most recent.

In terms of financial reporting, for the past two years, the City has received the "Certificate of Excellence in Financial Reporting" award from the Government Finance Officers Association for the preparation of the Comprehensive Annual Financial Report (CAFR). In order to receive this award, the government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. Furthermore, last year was the

first year that the City issued a CAFR with the new Government Accounting Standards Board Statement #34 implementations that became effective in New Britain in 2002.

Financial Information

The Finance Department includes Accounting, Tax Assessment, Tax Collection, City Treasurer, Purchasing, Data Processing, and Risk Management,. The Accounting Division of the Finance Department is managed by the Finance Director, John Jedrzejczyk, who has served the City in this capacity since 1987. The Accounting Division maintains, monitors and controls accounting records for City funds and account groups and has responsibility for banking relations and all bank accounts, as well as investment accounts for collecting or disbursing City funds. Bank and investment accounts are evaluated daily through on-line communication software.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits to be derived; and (2) the evaluation of costs and benefits requires estimates and judgements by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The accounts of the City are organized into funds. Each fund operates with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Budgetary control of disbursements and encumbrances against appropriations is maintained by department, division or major activity. The City also maintains an encumbrance accounting system as one technique towards accomplishing budgetary control.

Pension Programs

All full-time City employees except for the certified employees of the Consolidated School District and the regular members of the Police and Fire Departments are covered under a contributory pension plan administered by the Municipal Employees' Retirement Fund ("MERF"), a State of Connecticut multiple employer Public Employee Retirement System. Regular members of the Police and Fire Departments participate in contributory pension plans known as the Police Benefit Fund and the Firemen's Pension Plan. The certified faculty and administrative personnel of the Board of Education participate in the contributory defined benefit plan established under Chapter 167a of the Connecticut General Statutes that is administered by the Connecticut State Teacher's Retirement Board.

MERF is the administrator of a cost sharing multiple employer public employee retirement system ("PERS") established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERF 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.

The City is the administrator of a single-employer public employee retirement system (“PERS”) established and administered by the City to provide pension benefits for its Police and Fire Department employees. Benefits and contributions under this retirement system are established by the City and may be amended only by the City Council. The PERS, is considered to be part of the City’s financial reporting entity and is included in the City’s financial reports as pension trust funds.

Cash Management

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Investments are carried at fair value.

The City’s investments of operating funds include investments in the State of Connecticut Short-Term Investment Fund (STIF). Investment in Citizens Bank represents a typical money market account. Financial Investors Trust invest 100% of assets in money market mutual funds that are guaranteed by the U.S. Government or an agency or instrumentality of the U.S. government. The City’s investment with Fidelity Investments is in the Government Class I fund, which invests only in U.S. Government securities and repurchase agreements for these securities.

Debt Administration

At year end, the City had a number of debt issues outstanding. These included \$199,398 of general obligation bonds, and \$1,780 of Self liquidating debt with City commitment. Under current state statutes, the City’s general obligation bonded debt issuances are subject to a legal limitation based on 7 times total tax collections plus state reimbursement for revenue loss. As of June 30, 2003, the City’s net general obligation bonded debt of \$201,178 was well below the legal limit of \$596,015, and debt per capita equaled \$2,812.

Risk Management

The City has not experienced any significant changes in the number and cost of insurance claims.

The City is self-insured with regards to the following types of coverage:

Workers’ Compensation (including Police and Firefighter Hypertension) - \$1 million/occurrence. Excess coverage with statutory limits applies beyond the retainage.

General Liability - \$500,000/occurrence; excess coverage applies up to \$3 million/occurrence, \$4,000,000 aggregate. Stop loss coverage applies after the City has paid \$1,300,000 cumulative accident year claims.

Employee Fiduciary Bonds (except for the Treasurer, Tax Collector, Finance Director, Accounting Manager and Accounting Assistant).

Employee Medical Benefits for Board of Education and City employees with the exception of Health Organization Coverage (HMO). Stop loss coverage applies after the City has paid \$100,000 individual claims, 120% aggregate stop loss.

Auto liability coverage on all vehicles is placed with Great American Insurance Co. All risk property coverage is purchased from Coregis Insurance Organizations. Coverage provides replacement value for buildings and contents.

The Corporation Counsel's Office is diligently defending the City's interest in all legal matters. The City has appropriated in the fiscal year 2003 annual budget \$549,847 to assist in current and future claim defense and settlement. The City's potential liability of active claims is reviewed and updated annually by an independent actuary and such liability is made part of the City's financial statements.

Independent Audit

State Statute and the City Charter require an annual audit by an independent certified public accountant. The Statute further prescribes that each municipality's annual report shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP). This report has been prepared in accordance with these standards. The auditors' opinion has been included in this report.

Acknowledgements

The City has received the Certificate of Achievement for Excellence in Financial Reporting since the Fiscal Year of June 30, 2001. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department staff. We would like to express our appreciation to the staff of the finance department and to all those who have assisted and contributed to this report. Special appreciation is conveyed to the representatives from Scully & Wolf, LLP. We also appreciate the continuing support of city leadership and the people of New Britain who are committed to fiscal integrity and financial leadership.

Respectfully submitted,

John Jdrzejczyk
Director of Finance

Rebecca Salerni
Senior Accountant

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New Britain,
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



President

Executive Director



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

INDEPENDENT AUDITORS' REPORT

To The Honorable Mayor and Members of the
Common Council of the City of New Britain
City of New Britain, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Britain, Connecticut, as of and for the year ended June 30, 2003, 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 of New Britain's management. Our responsibility is to express opinions on these financial statements based on our audit.

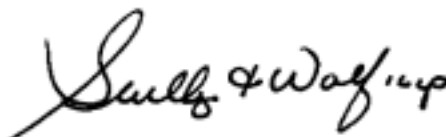
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Britain, Connecticut, as of June 30, 2003, 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 and budgetary comparison information on pages 13 through 21 and 64 through 67 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in cursive script, appearing to read "Sullivan & Wolf".

December 2, 2003

CITY OF NEW BRITAIN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2003

This discussion and analysis of the City of New Britain, Connecticut's ("City") financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2003. Please read this MD&A in conjunction with the transmittal letter beginning on page 1 and the City's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The City's net assets increased as a result of this year's operations. While net assets of our business-type activities increased by \$6.5 million, or nearly 30%, net assets of our governmental activities increased by \$7 million, or 29.2%.
- In its governmental activities, the City had revenues of \$230.3 million and expenses of \$223.3 million; thus increasing the net assets of governmental activities by nearly \$7 million.
- In the City's business-type activities, revenues were \$12.3 million while expenses were \$5.8 million; thus increasing the net assets of the business-type funds by \$6.5 million.
- The General Fund reported a fund balance this year of \$7.0 million.
- The tax collection rate of the current levy was 96.17%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The analysis of the City as a whole begins on Exhibit 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 non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

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

- *Governmental activities* – Most of the City’s basic services are reported here, including education, public safety, public works, health and welfare, parks, recreation and libraries, 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 Water Department is reported here.
- *Component units* – The City includes a separate legal entity in its report; the Connecticut Wolves. Although legally separate, this “component unit” is important because the City is financially accountable for it.

Fund Financial Statements

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

- *Governmental funds (Exhibit III and IV)* – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibit 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-Insurance Internal Service Fund.
- *Fiduciary funds (Exhibit VIII and IX)* – The City is the trustee, or fiduciary, for its employees’ pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. 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 are higher than they were one year ago increasing from \$45.5 million to \$59.0 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.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Current and other assets	\$123,351	\$121,314	\$18,600	\$ 6,733	\$141,951	\$128,047
Capital assets	169,825	172,948	53,536	39,451	223,361	212,399
Total assets	<u>293,176</u>	<u>294,262</u>	<u>72,136</u>	<u>46,184</u>	<u>365,312</u>	<u>340,446</u>
Long-term debt outstanding	205,973	220,388	11,177	17,755	217,150	238,143
Other liabilities	<u>56,223</u>	<u>49,889</u>	<u>32,916</u>	<u>6,904</u>	<u>89,139</u>	<u>56,793</u>
Total liabilities	<u>262,196</u>	<u>270,277</u>	<u>44,093</u>	<u>24,659</u>	<u>306,289</u>	<u>294,936</u>
Net assets:						
Invested in capital assets, net of debt	75,845	70,578	19,161	16,638	95,006	87,216
Restricted	2,821	3,054			2,821	3,054
Unrestricted (deficit)	<u>(47,686)</u>	<u>(49,647)</u>	8,882	4,887	<u>(38,804)</u>	<u>(44,760)</u>
Total net assets	<u>\$ 30,980</u>	<u>\$ 23,985</u>	<u>\$28,043</u>	<u>\$21,525</u>	<u>\$ 59,023</u>	<u>\$ 45,510</u>

Net assets of the City's governmental activities increased by 29.2% (\$31.0 million compared to \$23.9 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 – totaled \$(47.7) million at June 30, 2003.

This increase in governmental net assets resulted primarily due to the following factors:

- Gain on the sale of capital assets of \$3 million.
- Higher revenue receipts as compared to the expenses generated for the fiscal year.
- \$3.9 million reduction in the actuarial claims reserves for Workers' Compensation and General Accident Casualty and Liability Self-Insurance plans.

The net assets of business-type activities increased by nearly 30% (\$28 million compared to \$21.5 million) in 2003.

This increase in business-type activities resulted primarily due to the following factors:

- A significant increase in water consumption rates.
- Capital grants and contributions amounting to \$3 million.

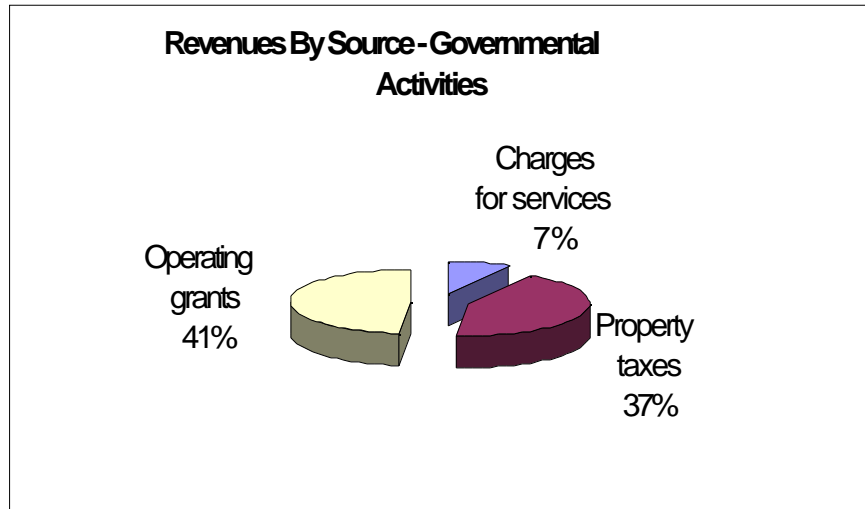
Table 2
Changes In Net Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Revenues:						
Program revenues:						
Charges for services	\$ 15,356	\$ 19,287	\$ 9,029	\$ 7,436	\$ 24,385	\$ 26,723
Operating grants and contributions.....	94,877	92,470			94,877	92,470
Capital grants and contributions.....	6,200	8,039	3,153	372	9,353	8,411
General revenues:						
Property taxes	84,956	78,945			84,956	78,945
Grants and contributions not restricted to specific purposes.....	21,807	18,587			21,807	18,587
Unrestricted investment earnings	3,229	3,117	110	207	3,339	3,324
Other general revenues.....	3,863	2,130	20	30	3,883	2,160
Total revenues.....	<u>230,288</u>	<u>222,575</u>	<u>12,312</u>	<u>8,045</u>	<u>242,600</u>	<u>230,620</u>
Program expenses:						
General government.....	5,706	7,327			5,706	7,327
Public safety	29,398	25,874			29,398	25,874
Public works.....	22,828	18,295			22,828	18,295
Health and welfare	10,286	7,573			10,286	7,573
Parks, recreation and libraries.....	13,169	11,220			13,169	11,220
Education	129,607	123,103			129,607	123,103
Interest on long-term debt.....	12,299	12,930			12,299	12,930
Non-departmental fixed charges		10,709				10,709
Water.....			5,794	6,328	5,794	6,328
Total program expenses	<u>223,293</u>	<u>217,031</u>	<u>5,794</u>	<u>6,328</u>	<u>229,087</u>	<u>223,359</u>
Excess before transfers.....	6,995	5,544	6,518	1,717	13,513	7,261
Transfers.....		(414)		(186)		(600)
Increase in net assets	<u>\$ 6,995</u>	<u>\$ 5,130</u>	<u>\$ 6,518</u>	<u>\$ 1,531</u>	<u>\$ 13,513</u>	<u>\$ 6,661</u>

The City's total revenues were \$242.6 million. The total cost of all programs and services was \$229.1 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for governmental activities totaled \$230.3 million; property taxes (37%), operating grants (41%) and charges for services (7%) are the major revenue sources contributing 85% of the City’s revenues.



Expenses for governmental activities were \$223.3 million of which 52% were supported by program revenues, and 48% were supported from general revenues. Expenses for education (58%), public safety (13%), public works (10%), and parks and recreation (6%) made up 87% of the total governmental expenses.

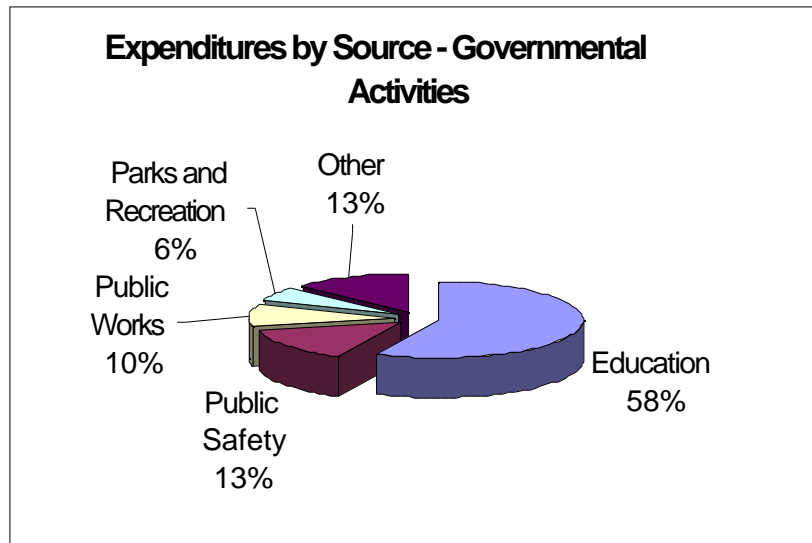
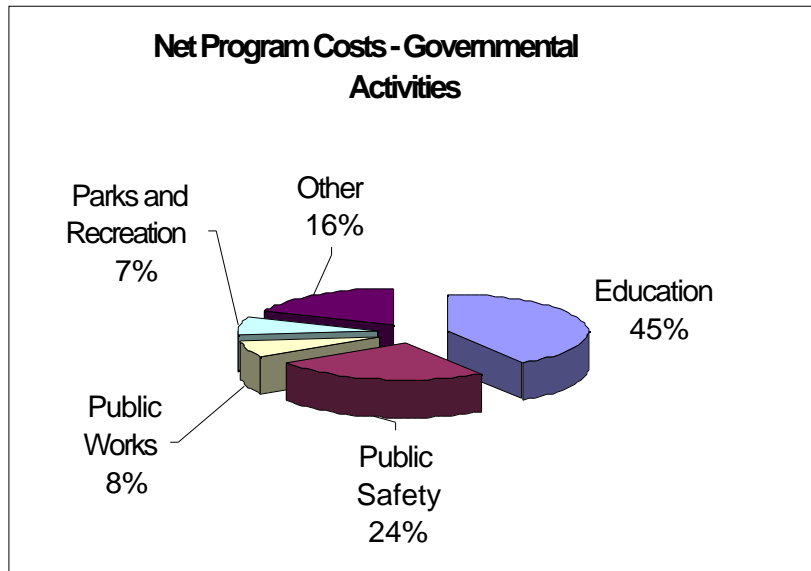


Table 3 presents the cost of each of the City’s four largest programs – education, public safety, public works, and parks and recreation – as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers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

Table 3
Governmental Activities
(in thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Education.....	\$129,607	\$123,103	\$ 47,583	\$38,434
Public safety	29,398	25,874	25,730	22,145
Public works	22,828	18,295	8,076	2,783
Parks and recreation	13,169	11,220	7,958	7,373
All others	<u>28,291</u>	<u>38,539</u>	<u>17,513</u>	<u>26,500</u>
Totals	<u>\$223,293</u>	<u>\$217,031</u>	<u>\$106,860</u>	<u>\$97,235</u>



Business-type Activities

Revenues and expenses of the City’s business-type activities amounted to \$12.3 million and \$5.8 million, respectively. Net assets increased by nearly 30% (from \$21.5 million to \$28.0 million). A major factor for this increase was the water consumption rate increase designed primarily to provide additional resources to meet debt service requirements. As a result of the construction of the new water filtration plant, capital assets have also increased significantly.

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 \$17.0 million, which is a decrease from last year’s total of \$18.4 million. Included in this year’s total change in fund balance, is an increase of \$422 thousand in the General Fund, a decrease of

\$1.9 million in the City’s other governmental funds and a decrease of \$34 thousand in the capital projects fund. The decrease in the other governmental fund balance can be largely attributed to an increase in nonmajor fund expenditures related to health and welfare services, including home loan programs.

Proprietary Funds

The City’s proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Water Enterprise Fund amounted to \$18.1 million and those for the internal service funds amounted to \$6.0 million. The total growth in net assets for both funds was \$6.5 million and \$4.0 million, respectively. Other factors concerning the finance of these two funds have already been addressed in the discussion of the City of New Britain’s business-type activities.

General Fund Budgetary Highlights

- Sale of Property, including a portion of the subway system in the amount of \$6 million.
- The City’s Mashantucket Pequot Grant was reduced by \$1.2 million, with the City receiving \$4.4 million versus \$5.8 million.

The City’s General Fund balance of \$7 million reported on Exhibit III differs from the General Fund’s budgetary fund balance of \$5.1 million. This is principally because budgetary fund balance includes a \$1.3 of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2003, the City had \$223.4 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines – Table 4. This amount represents a net increase (including additions and deductions) of \$10.9 million, or 5.2%, over last year.

Table 4
Capital Assets at Year-end (Net of Depreciation)
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u> <u>Primary Government</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land.....	\$ 22,593	\$ 24,550	\$ 2,167	\$ 2,167	\$ 24,760	\$ 26,717
Construction in progress.....	2,210	9,025	42,282	28,103	44,492	37,128
Buildings and improvements.....	99,793	95,176			99,793	95,176
Equipment	4,500	5,323			4,500	5,323
Vehicles	2,897	3,149			2,897	3,149
Infrastructure	37,832	35,725			37,832	35,725
Water filtration assets.....			9,087	9,181	9,087	9,181
Totals	<u>\$169,825</u>	<u>\$172,948</u>	<u>\$53,536</u>	<u>\$39,451</u>	<u>\$223,361</u>	<u>\$212,399</u>

For governmental type funds, this year's major additions included the completion of the Gates Building as well as various street projects completed throughout the year. For business type funds, this year's major additions included construction in progress for the filtration plant.

The City's fiscal-year 2003-04 capital budget calls for it to spend another \$54.6 million for capital projects, principally for building renovations including the police station and the Hatch building renovations, as well as various street improvement projects. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-term debt

At June 30, 2003 the City had \$201.2 million in bonds and notes outstanding versus \$211.5 million last year – a decrease of 4.8% – as shown in Table 5.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General obligation bond (backed by the City)	\$199,585	\$209,200			\$199,585	\$209,200
Less deferred amount: For issuance discounts on refunding.....	(187)				(187)	
Total general obligation bonds	199,398	209,200			199,398	209,200
Self liquidating bonds and notes (backed by specific tax and fee revenues).....	1,780	2,305			1,780	2,305
Totals	<u>\$201,178</u>	<u>\$211,505</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$201,178</u>	<u>\$211,505</u>

The City's general obligation bond rating from Standard and Poor's and Fitch, both national rating agencies is A- an A, respectively. The City's other debt, principally self liquidating bonds and notes carries the highest rating. 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 \$596 million state-imposed limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2004 budget tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the City now stands at 6.3% versus 6.2% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 5.3%.

These indicators were taken into account when adopting the General Fund budget for 2003-04. Amounts available for appropriation in the General Fund budget are \$190 million, a decrease of 1% over the final 2003 budget of \$192 million. Budgeted expenditures are also expected to decrease nearly 1% , to \$190.7 million from the final appropriation of \$192 million in 2003.

Due to the State's significant budget shortfalls for fiscal year 2004, State mid-year budget cuts have been implemented which affect aid given to municipalities for fiscal year 2004. To date, State aid has been decreased to all towns in Connecticut. The City's Mashantucket Pequot Grant, school transportation grant, machinery and exemptions grant and various tax relief programs have been reduced which will have an impact on the City's fiscal year 2004. It is uncertain at this time as to whether additional State budget cuts will be forthcoming. Based on this, the City's budgetary General Fund balance may be impacted for fiscal year 2004.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of New Britain, 27 West Main Street, New Britain, Connecticut, 06051.

CITY OF NEW BRITAIN, CONNECTICUTSTATEMENT OF NET ASSETS
JUNE 30, 2003

(thousands)

	.....PRIMARY GOVERNMENT.....	.....COMPONENT UNIT.....		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	CT WOLVES
	ACTIVITIES	ACTIVITIES		
ASSETS:				
Cash and cash equivalents	\$ 43,649	\$16,226	\$ 59,875	
Investments	19,957		19,957	
Receivables, net	58,992	2,603	61,595	
Internal balances	305	(305)		
Due from Fiduciary Fund	17		17	
Inventory	11	76	87	
Prepaid items	420		420	
Capital assets, net	169,825	53,536	223,361	
Total assets	293,176	72,136	365,312	
LIABILITIES:				
Accounts and other payables	14,611	176	14,787	
Payroll liabilities	9,318	58	9,376	
Bond anticipation notes and other interim financing	11,715	31,954	43,669	
Deferred revenue	2,434		2,434	
Unamortized bond premium	124		124	
Noncurrent liabilities:				
Due within one year	18,021	728	18,749	
Due in more than one year	205,973	11,177	217,150	
Total liabilities	262,196	44,093	306,289	
NET ASSETS:				
Invested in capital assets, net of related debt	75,845	19,161	95,006	
Restricted for:				
Trust purposes:				
Expendable	2,821		2,821	
Unrestricted	(47,686)	8,882	(38,804)	
Total net assets	\$ 30,980	\$28,043	\$ 59,023	\$ -0-

The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUTSTATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

ASSETS.....	PROGRAM REVENUES.....				NET (EXPENSE) REVENUE AND.....CHANGES IN NET			COMPONENT
	..UNIT...							
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	CT WOLVES
Primary Government:								
Governmental activities:								
General government.....	\$ 5,706	\$ 726	\$ 33		\$ (4,947)		\$ (4,947)	
Public safety.....	29,398	2,399	1,269		(25,730)		(25,730)	
Public works.....	22,828	8,552		\$6,200	(8,076)		(8,076)	
Health and welfare.....	10,286	638	7,545		(2,103)		(2,103)	
Parks, recreation and libraries.....	13,169	2,001	3,210		(7,958)		(7,958)	
Education.....	129,607	1,040	80,984		(47,583)		(47,583)	
Interest on long-term debt.....	12,299		1,836		(10,463)		(10,463)	
Total governmental activities	223,293	15,356	94,877	6,200	(106,860)		(106,860)	
Business-type activities:								
Water.....	5,794	9,029		3,153		\$ 6,388	6,388	
Total.....	\$229,087	\$24,385	\$94,877	\$9,353	(106,860)	6,388	(100,472)	
Component unit:								
CT Wolves.....	\$127	\$15	\$254	\$-0-				\$ 142
General revenues:								
Property taxes.....						84,956		84,956
Grants and contributions not restricted to specific programs					21,807		21,807	
Unrestricted investment earnings.....					3,229	110	3,339	3
Gain on sale of capital assets.....					3,005		3,005	
Miscellaneous.....					858	20	878	
Total general revenues					113,855	130	113,985	3
Change in net assets.....					6,995	6,518	13,513	145
Net assets, July 1, 2002.....					23,985	21,525	45,510	(145)
Net assets, June 30, 2003.....					\$ 30,980	\$28,043	\$ 59,023	\$ -0-

The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2003

(thousands)

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>A S S E T S</u>					
Cash and cash equivalents.....	\$30,286		\$ 7,068	\$ 4,657	\$ 42,011
Investments.....			4,192	4,192	
Accounts receivables, net.....	42,611		13	9,079	51,703
Due from other funds.....	8,809		8,170	4,060	21,039
Inventories.....			11	11	
TOTAL.....	<u>\$81,706</u>	<u>\$ - 0 -</u>	<u>\$15,251</u>	<u>\$21,999</u>	<u>\$118,956</u>
<u>L I A B I L I T I E S A N D F U N D B A L A N C E S</u>					
Liabilities:					
Accounts payable.....	\$15,820		\$ 469	\$ 1,414	\$ 17,703
Due to other funds.....	17,344		6,248	2,150	25,742
Deferred revenue.....	41,526			5,291	46,817
Bond anticipation notes payable and other interim financing.....			11,715		11,715
Total liabilities.....	<u>74,690</u>		<u>18,432</u>	<u>8,855</u>	<u>101,977</u>
Fund balances (deficit):					
Reserved	1,274	10,211	3,711	15,196	
Unreserved, reported in:					
General Fund	5,742				5,742
Special Revenue Funds				9,433	9,433
Capital Project Funds			(13,392)		(13,392)
Total fund balances (deficit).....	<u>7,016</u>		<u>(3,181)</u>	<u>13,144</u>	<u>16,979</u>
TOTAL.....	<u>\$81,706</u>	<u>\$ - 0 -</u>	<u>\$ 15,251</u>	<u>\$21,999</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	169,825
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	51,780
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.....	6,036
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.....	(213,640)
Net assets of governmental activities	<u>\$ 30,980</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2003

	(thousands)				
	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Property taxes.....	\$ 84,084				\$ 84,084
Intergovernmental.....	87,740		\$ 6,200	\$31,319	125,259
Licenses, fees and charges for goods and services.....	7,731			7,030	14,761
Income on investments.....	961		343	719	2,023
Miscellaneous.....	7,571		80	1,980	9,631
Total revenues.....	188,087		6,623	41,048	235,758
Expenditures:					
Current:					
General government	4,781				4,781
Public safety	29,448			1,880	31,328
Public works	12,202		413	4,455	17,070
Health and welfare	2,155			8,644	10,799
Education	102,944			23,211	126,155
Parks and recreation	7,154			4,938	12,092
Capital outlay.....			12,553		12,553
Debt and sundry.....		\$ 24,140	1,500		25,640
Total expenditures.....	158,684	24,140	14,466	43,128	240,418
Excess (deficiency) of revenues over expenditures.....	29,403	(24,140)	(7,843)	(2,080)	(4,660)
Other financing sources (uses):					
Transfers in.....	5,736	24,140	9,202	937	40,015
Transfers out.....	(34,717)		(4,322)	(751)	(39,790)
Proceeds from the sale of bonds.....			2,805		2,805
Proceeds from the sale of refunding bond.....			4,070		4,070
Premium on long term debt issued.....			445		445
Cost of issuance and other bonding costs.....			(81)		(81)
Payment to refunded bond escrow agent.....			(4,310)		(4,310)
Total other financing sources (uses).....	(28,981)	24,140	7,809	186	3,154
Net change in fund balances.....	422		(34)	(1,894)	(1,506)
Fund balance(deficit), July 1, 2002.....	6,594	- 0 -	(3,147)	15,038	
Fund balance (deficit), June 30, 2003.....	\$ 7,016	\$ - 0 -	\$(3,181)	\$13,144	

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue

Change in net assets of governmental activities (Exhibit II)

\$ 6,995

The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS
JUNE 30, 2003

(thousands)

	BUSINESS-TYPE ...ACTIVITIES.. WATER ENTERPRISE FUND	GOVERNMENTAL .ACTIVITIES.. INTERNAL SERVICE FUND
ASSETS:		
Cash and cash equivalents.....	\$16,226	\$ 1,638
Investments.....		15,765
Receivables:		
Interest and dividends		499
Due from other funds		5,419
Other (net of allowance for uncollectible)	2,603	
Inventory.....	76	
Capital assets, net.....	<u>53,536</u>	<u> </u>
Total assets.....	<u>72,441</u>	<u>23,321</u>
LIABILITIES:		
Current:		
Accounts and accrued expenses	460	2,112
Due to other funds	305	394
Current portion of claim reserve		3,243
Bond anticipation notes and other interim financing	31,954	
Current portion of notes payable	634	
Noncurrent:		
Notes payable	11,045	
Claim reserves	<u> </u>	<u>11,536</u>
Total liabilities.....	<u>44,398</u>	<u>17,285</u>
NET ASSETS:		
Invested in capital assets, net of related debt.....	9,903	
Unrestricted.....	<u>18,140</u>	<u>6,036</u>
Total net assets.....	<u>\$28,043</u>	<u>\$ 6,036</u>

The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT
PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	BUSINESS-TYPE ...ACTIVITIES.. WATER ENTERPRISE FUND	GOVERNMENTAL .ACTIVITIES.. INTERNAL SERVICE FUND
Operating revenues:		
Charges for services and goods.....	\$ 9,029	
Charges to other funds.....		\$17,272
Other.....	<u>20</u>	<u>3,186</u>
Total operating revenues.....	<u>9,049</u>	<u>20,458</u>
Operating expenses:		
Sources of supply expense.....	457	
Water treatment expense.....	772	
Pumping expense.....	350	
Transmission and distribution expense.....	555	
Administration and general expense.....	2,138	1,430
Customer accounts expense.....	293	
Depreciation expense.....	422	
Forestry expense.....	33	
Claims incurred.....		19,852
Maintenance expense.....	<u>774</u>	
Total operating expenses.....	<u>5,794</u>	<u>21,282</u>
Operating income (loss).....	<u>3,255</u>	<u>(824)</u>
Nonoperating revenue:		
Income on investments.....	110	1,206
Reduction in actuarial claims reserve.....		<u>3,857</u>
Total nonoperating revenue.....	<u>110</u>	<u>5,063</u>
Capital contributions.....	<u>3,153</u>	
Change in net assets before transfers.....	6,518	4,239
Transfers:		
Transfers in.....		525
Transfers out.....		<u>(750)</u>
Change in net assets.....	6,518	4,014
Total net assets, July 1, 2002.....	<u>21,525</u>	<u>2,022</u>
Total net assets, June 30, 2003.....	<u>\$28,043</u>	<u>\$ 6,036</u>

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CITY OF NEW BRITAIN, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.BUSINESS-TYPE ACTIVITIES. WATER ENTERPRISE FUND	.GOVERNMENTAL ACTIVITIES. INTERNAL SERVICE FUND
Cash flows from operating activities:		
Cash received from charges to other funds.....		\$ 15,906
Cash received from customers.....	\$ 9,371	
Cash received from other operating activities.....	20	3,097
Cash paid for premiums and other operating expenses.....		(2,661)
Cash payments for claims made.....		(19,901)
Cash payments for operating expenses.....	<u>(7,036)</u>	<u></u>
Net cash provided (used) by operating activities.....	<u>2,355</u>	<u>(3,559)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds.....		525
Transfers to other funds.....		<u>(750)</u>
Net cash provided (used) by noncapital financing activities.....		<u>(225)</u>
Cash flows from capital financing activities:		
Acquisition of capital assets.....	(14,507)	
Proceeds from loan obligation.....	21,824	
Proceeds from capital grant.....	3,153	
Payment of loan obligation.....	<u>(1,004)</u>	<u></u>
Net cash provided (used) by capital financing activities.....	<u>9,466</u>	<u></u>
Cash flows from investing activities:		
Income on investments.....	110	1,185
Sale of investments.....		1,654
Purchase of investments.....		<u>(134)</u>
Net cash provided (used) by investing activities.....	<u>110</u>	<u>2,705</u>
Net increase (decrease) in cash and cash equivalents.....	11,931	(1,079)
Cash and cash equivalents, July 1, 2002.....	<u>4,295</u>	<u>2,717</u>
Cash and cash equivalents, June 30, 2003.....	<u>\$ 16,226</u>	<u>\$ 1,638</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss).....	<u>\$ 3,255</u>	<u>\$ (824)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation.....	422	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	342	(443)
(Increase) decrease in due from other funds		(2,604)
(Increase) decrease in inventories	(10)	
Increase (decrease) in accounts payable and accrued expenses	(1,386)	(27)
Increase (decrease) in due to other funds	(268)	388
Increase (decrease) in claim reserves		<u>(49)</u>
Total adjustments.....	<u>(900)</u>	<u>(2,735)</u>
Net cash provided (used) by operating activities.....	<u>\$ 2,355</u>	<u>\$ (3,559)</u>

Non-cash investment activities:

Net decrease in fair value of investments.....

\$-0-

\$365

The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2003

(thousands)

	PENSION TRUST FUNDS	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ 4,136	\$127
Investments	<u>137,703</u>	<u>372</u>
Total assets	<u>141,839</u>	<u>\$499</u>
LIABILITIES:		
Accounts payable	14	
Due to other funds		\$ 17
Due to beneficiaries	<u> </u>	<u>482</u>
Total liabilities	<u>14</u>	<u>\$499</u>
NET ASSETS:		
Held in trust for pension benefits	<u>\$141,825</u>	

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The accompanying notes are an integral part of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS

FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

Additions:		
Contributions:		
Employer.....		\$ 1,170
Employee.....		<u>932</u>
Total.....		2,102
Investment income:		
Net (depreciation) in fair value of investments	\$ (924)	
Interest and dividends.....	5,496	
Miscellaneous.....	<u>147</u>	
Total	4,719	
Less investment expense.....	<u>(425)</u>	
Net investment income		<u>4,294</u>
Total		6,396
Deductions:		
Benefits.....	7,932	
Administration.....	<u>253</u>	
Total		<u>8,185</u>
Net increase (decrease).....		(1,789)
Net assets held in trust for pension benefits, July 1, 2002..		<u>143,614</u>
Net assets held in trust for pension benefits, June 30, 2003.		<u>\$141,825</u>

The accompanying notes are an integral part
of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003**

(amounts expressed in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of New Britain (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*

Primary Government

The City of New Britain, Connecticut (the “City”) became a consolidated City in 1905 with a Mayor-Council-Commission form of government. The Mayor and Council serve concurrent two (2) year terms and operate under a Charter adopted in 1961, with the latest revision in 2002. The Common Council, the legislative body, consists of fifteen (15) Aldermen elected biennially at large. Other elected officials include the City and Town Clerk, Collector of Taxes, Treasurer and three (3) members of the Board of Tax Review.

The municipal budget is prepared by the Board of Finance and Taxation and the Mayor who submits his recommendation to the Common Council for adoption.

All department heads report directly to the Mayor.

The City has the power to incur indebtedness by issuing bonds or notes as provided by Charter and Connecticut General Statutes.

The City operates and maintains a public water supply system, known as the City of New Britain Water Department.

The City has a Redevelopment Agency that operates as a function of the Commission on Community and Neighborhood Development (the “Commission”). The Commission is also charged with the responsibility of administering the City’s Small Cities Programs.

The City provides the following services as authorized by its Charter: Education, Water, Sewer, Refuse, Public Works, Public Safety, Parks, Recreation, Libraries, and Health and Human Services.

Component Units

New Britain Professional Soccer Club, Inc. dba Connecticut Wolves

In September 1999, the City purchased the CT Wolves, a professional soccer team based out of New Britain. On October 1, 1999, the team was incorporated in Connecticut under the name of the New Britain Professional Soccer Club, Inc. The CT Wolves is a separate corporation, operating under their own board of directors and bylaws. The City, as represented by the Common Council, was the single major shareholder of the corporation and therefore appointed the CT Wolves’ Board of Directors.

During the year Common Council resolved to cease operations of the Club and dissolve the Corporation due to a poor performance trend. All of the assets and liabilities of the Corporation were assumed by the City and the Corporation was formally dissolved in August of 2003.

Because of the CT Wolves fiscal dependency and that exclusion from the City's financial statements would lead to a misleading financial report, the CT Wolves has been included in the City's reporting as a proprietary fund type in accordance with generally accepted accounting principles. The CT Wolves is presented in the City's Financial Statements as a discretely presented component unit. Separate financial statements are available in the City's Finance Department located at 27 West Main Street, New Britain, Connecticut.

Joint Ventures

The City is a participant in two joint ventures as described below.

Tunxis Recycling Operating Committee

The City is a participant with thirteen (13) other cities and towns in a joint venture, the Tunxis Recycling Operating Committee (TROC). The TROC is responsible for the development, operations and management of a solid waste recycling program for all participating communities. The governing board consists of City officials appointed by each of the participating municipalities, and assumes all the management decisions. The City of New Britain has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the intercommunity agreement dated as of August 3, 1990. Expenditures of \$106 were incurred in 2002-2003 related to the City's participation in TROC.

Unreserved, undesignated fund balance for fiscal year ended June 30, 2003 as reflected in the TROC's financial statements is \$545. A complete set of financial statements for TROC can be obtained from the TROC's administrative office at 43 Enterprise Drive, Bristol, Connecticut.

Bristol Resource Recovery Facility Operating Committee

The City is a participant with fourteen (14) other cities and towns in a joint venture, the Bristol Resource Recovery Facility (BRRFOC). The BRRFOC was created pursuant to an Inter-Community Agreement to exercise certain rights on behalf of contracting municipalities in dealing with the trash to energy plant built by Ogden Martin Systems now known as Covanta Bristol, Inc. ("Covanta"). The governing board consists of City officials appointed by each of the participating municipalities, and assumes all the management decisions. The City of New Britain has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the Intercommunity Agreement dated as of August 15, 1985. These obligations deal with guarantees to meet certain tonnage requirements. The City expenditures related to the BRRFOC amounted to \$2,914 this year.

Unreserved, Undesignated fund balance for fiscal year ended June 30, 2003 as reflected in BRRFOC's financial statements is \$11.6 million. A complete set of financial statements for BRRFOC can be obtained from the BRROOC's administrative office at 43 Enterprise Drive, Bristol, Connecticut.

On May 15, 1995, the BRRFOC issued \$68,040 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.2% to 6.5% to current refund \$66,835 of outstanding special obligation bonds of the Connecticut Development Authority. The proceeds from the original bonds were loaned by the Authority to Ogden Martin Systems of Bristol, Inc. Under the service agreement, the service fee is an obligation of the contracting municipalities to which each has pledged its full faith and credit. Should any contracting municipality default in its obligation to pay the service fee, the other contracting municipalities shall have an obligation to continue to pay the aggregate service fee. If the Company does not perform its obligations under the service agreement, and Covanta fails to perform such obligations pursuant to its guarantee, the contracting municipalities have certain rights to terminate the service agreement and, upon termination, would no longer be obligated to pay the service fee. The current balance of the bonds outstanding is \$49,920.

Jointly Governed Organizations

The Mattabassett District

The Mattabassett District is a quasi-municipal district established in accordance with State statutes to provide sewer treatment services for the Towns of Berlin, Cromwell and the City of New Britain. A twelve person Board of Directors is appointed by the member towns with New Britain appointing the majority of members (7), Berlin appoints three members and Cromwell appoints two members. The Board of Directors is responsible for hiring, firing, purchasing, administration, budget adoption and fiscal operations. The District may issue bonds in its own name. The Mattabassett District levies its annual assessment, which the City is obligated to pay.

B. Government-Wide and Fund Financial Statements

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

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

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

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

Governmental Funds

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

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

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

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

Debt Service Funds - account 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 Water Enterprise Fund is the City's only enterprise fund.

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 City's internal service funds are comprised of the Special Reserve Fund, the Health Insurance Fund, the Workers' Compensation Fund and the General Accident Casualty and Liability Fund.

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 New Britain police and fire 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 Contractor's Bond Fund 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 fund and fiduciary 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 the payment of principal and interest on long-term debt of the City.

The Capital Projects Fund is used to account for the financial resources for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The Water Enterprise Fund accounts for all activities related to the transmission and distribution of drinking water.

Additionally, the City reports the following fund types:

The Internal Service Funds account for the risk management activities for the City.

The Pension Trust Fund accounts for the activities of the New Britain police and fire 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 proprietary 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 Water Enterprise Fund, 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 4-A.

Investments for the City are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending /borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are shown net of an allowance for uncollectibles.

The City’s property taxes are levied each June on 70% of the assessed value listed on the prior October 1 Grand List for all taxable property located in the City. Although taxes are levied in June, the legal right to attach property does not exist until July 1 and, as such, taxes are due and payable in two installments on July 1 and January 1 following the date of the Grand List. Additional property taxes are assessed for motor vehicles and are payable in one installment due July 1. Taxes are overdue on August 1, and interest is levied at 1-1/2% per month. The City files liens against property if taxes, which are due July 1, remain unpaid on the following June 30.

The City has established a reserve in the amount of \$750 for property taxes receivable that are deemed to be uncollectible.

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 \$5,000 (amount not rounded) and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

H. Compensated Absences

Under the terms of its various union contracts, City and Board of Education employees are permitted to accumulate earned but unused sick pay benefits and, with approval, vacation benefits. The accumulated liability for sick time and vacation at the end of fiscal year was valued at \$7,970.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types, 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. Interest Rate Swap Agreements and Options

The City has entered into an interest rate swap agreement and an option to enter into an interest rate swap agreement to modify interest rates on outstanding debt. Other than the net interest expenditures and revenue resulting from these agreements, no amounts are recorded in the financial statements (see Note 10).

K. Fund Equity

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(213,640) difference are as follows:

Bonds payable.....	\$(201,365)
Accrued interest payable.....	(4,114)
Capital leases payable.....	(67)
Compensated absences.....	(7,970)
Unamortized bond premium.....	<u>(124)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities.....	<u><u>\$(213,640)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,024 difference are as follows:

Capital outlay.....	\$10,727
Depreciation expense.....	<u>(9,703)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u><u>\$ 1,024</u></u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this (\$4,147) difference are as follows:

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.....	<u><u>\$(4,147)</u></u>
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Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$10,240 difference are as follows:

Proceeds from the sale of bonds.....	\$(6,875)
Principal repayments:	
General obligation debt.....	17,015
Capital leases.....	37
Unamortized bond premium.....	(124)
Refunding deferral.....	<u>187</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	 <u>\$10,240</u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(191) difference are as follows:

Compensated absences.....	\$(363)
Accrued interest.....	<u>172</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	 <u>\$(191)</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City uses the following procedures in establishing the budgetary data included in the financial statements for the General Fund, the City’s only budgeted fund.

City department heads are required to submit to the Mayor estimates in detail of the amounts of money required by their department for the ensuing fiscal year. For these submissions, the Mayor and the Board of Finance and Taxation shall prepare an annual budget of the City. The proposed budget shall include the rate of taxation, a statement of bonds to mature and interest payable as well as the capital budget. The final vote of the Common Council to approve the Mayor’s proposed budget for the ensuing fiscal year shall be by majority vote. If the Mayor shall disapprove, he shall issue a veto message and a two thirds vote of the Common Council shall be required to override the veto.

Advisory budgets for Special Revenue Funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. In some instances such budgets comprehend more than one fiscal year and are comprehending a fiscal period which does not coincide with the City’s fiscal year. Such budgets are not legally adopted by the City.

Legal authorization for Capital Projects Fund spending is provided by the related bond ordinances and/or intergovernmental grant agreements.

Special appropriations requiring an increase in estimated income and expenditures in any fund shall be approved by two-thirds vote of the Common Council. A transfer of monies external to a departmental budget shall be authorized by a majority vote of the Common Council. The Mayor shall be authorized to transfer monies within a department budget upon written request. The limit for any individual line item transfer shall depend on its classification, which is spelled out in the ordinance.

The City’s budgeting system requires accounting for certain transactions be on a basis other than generally accepted accounting principles (GAAP basis). A major difference between the budget and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are recorded in budgetary reports as expenditures in the current year, whereas, on a GAAP basis, encumbrances are recorded as reservations of fund balance.

Unencumbered appropriations lapse at year-end with the exception of the Capital Projects Fund.

Also, in accordance with the provision of Governmental Accounting Standards Board Statement No. 24, the City has reported “on-behalf” payments made by the State of Connecticut into the teachers’ retirement system in the governmental funds.

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

B. Deficit Fund Equity

The following funds have a deficit fund balance/net assets at June 30, 2003:

Nonmajor:

Special Revenue Funds:

Local Capital Improvements.....	\$48
DSS Food Stamp Workfare.....	\$26
Highway Safety Grant.....	\$10
Safe Neighborhood.....	\$25
Youth Build Program.....	\$152
Home Project.....	\$95
Emergency Shelter Grant.....	\$2
Business Outreach.....	\$120
Redevelopment Commission.....	\$5
Capital Projects Fund.....	\$3,181
Internal Service Funds:	
General Accident and General Liability.....	\$1,060

The Special Revenue Funds and Internal Service Funds deficit balances will be eliminated by program income. In the Capital Projects Fund, bonding and State grants will be used to fund the deficit balance.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2003:

Deposits:	
Primary Government:	
City:	
Demand accounts.....	\$20,460
Certificates of Deposit.....	<u>86</u>
Total Deposits.....	20,546
Petty cash.....	5
Other cash equivalents*:	
State Tax Exempt Proceeds Fund.....	265**
Connecticut Short-Term Investment Fund (STIF)	18,843**
Money Market Fund.....	4,212**
Financial Investors Trust Portfolio Money Market Fund.....	<u>20,267**</u>
 TOTAL CASH AND CASH EQUIVALENTS...	 <u><u>\$64,138</u></u>

* Short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity.

** Risk Category cannot be determined since the City does not own identifiable securities but invests as a shareholder of the investment pool.

B. Deposits

City

At June 30, 2003 the carrying amount of the City deposits was \$20,546 and the bank balance was \$20,966. Of the bank balance, \$511 was covered by Federal Depository Insurance. Section 36a-333 of the Connecticut General Statutes requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio. A minimum of \$2,233 based on June 30, 2003 deposits was collateralized at Risk Category 3. Risk Category 3 is defined as collateral held by the pledging financial institution, or by its trust department or agent, but not in the City's name. The balance of deposits of \$18,222 were uninsured and uncollateralized.

C. Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty, or by its trust department or agent but not in the City's name.

	.....Category.....			Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
Government Bonds.....	\$ 29,928			\$ 29,928
Common Stocks.....	103,449			103,449
Corporate Bonds.....		24,165		24,165
		<u>24,165</u>		<u>24,165</u>
Total.....	<u>\$-0-</u>	<u>\$157,542</u>	<u>\$-0-</u>	157,542
Non-categorized investments:*				
Mutual Funds.....				<u>490</u>
TOTAL.....				<u>\$158,032</u>

* Categorization is not applicable since the City does not own identifiable securities, but invests as a shareholder of the investment pool

Due to higher cash flows at certain times during the year, the City's cash and cash equivalents in category 3 investment were substantially higher than at year end.

5. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Business Activities Water Enterprise Fund</u>	<u>Total</u>
Receivables:					
Interest*.....				\$ 20	\$ 20
Investment interest and dividends.....			\$ 499		499
Taxes.....	\$ 8,986				8,986
Water.....				2,590	2,590
Sewer.....			2,846	92	2,938
Accounts.....	423	\$13	728	218	1,382
Housing loans.....			2,857		2,857
Intergovernmental.....	66		2,648		2,714
Intergovernmental – School Building Grants.....	<u>33,886</u>				<u>33,886</u>
Gross receivables.....	43,361	13	9,578	2,920	55,872
Less: allowance for uncollectibles	<u>(750)</u>		<u>(118)**</u>	<u>(317)</u>	<u>(1,185)</u>
Net total receivables.....	<u>\$42,611</u>	<u>\$13</u>	<u>\$9,460</u>	<u>\$2,603</u>	<u>\$54,687</u>

* Accrued interest on property taxes and long-term housing loans in the amount of \$6,908 are not included in the fund financial statements.

** Allowance for uncollectible amounts related to loan receivables is not included in the fund financial statements.

Revenues are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to:	
Property taxes.....	\$ 750
Water receivables.....	317
Loan receivables.....	<u>118</u>
TOTAL.....	<u>\$1,185</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable.....	\$ 7,640	
Housing loans.....	2,857	
School building grants.....	33,886	
Grant drawdowns prior to meeting all eligibility requirements .....\$2,434	_____	_____
Total deferred/unearned revenue for governmental funds.....	<u>\$44,383</u>	<u>\$2,434</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land.....	\$ 24,550	\$ 500	\$ (2,457)	\$ 22,593
Construction in progress.....	9,025	2,210	(9,025)	2,210
Total capital assets, not being depreciated 24,803		33,575	2,710	(11,482)
Capital assets, being depreciated:				
Buildings.....	174,090	8,668	(473)	182,285
Machinery and equipment.....	15,268	345	(10)	15,603
Vehicles.....	12,912	523	(745)	12,690
Infrastructure.....	79,975	7,506	(3,673)	83,808
Total capital assets being depreciated.....	282,245	17,042	(4,901)	294,386
Less accumulated depreciation for:				
Buildings.....	78,914	3,818	(240)	82,492
Machinery and equipment.....	9,945	1,172	(14)	11,103
Vehicles.....	9,763	774	(744)	9,793
Infrastructure.....	44,250	3,939	(2,213)	45,976
Total accumulated depreciation.....	142,872	9,703	(3,211)	149,364
Total capital assets, being depreciated, net 145,022		139,373	7,339	(1,690)
Governmental activities capital assets, net \$169,825		<u>\$172,948</u>	<u>\$10,049</u>	<u>\$(13,172)</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated:				
Land.....	\$ 2,167			\$ 2,167
Construction in progress.....	28,103	\$14,179		42,282
Total capital assets, not being depreciated 44,449		30,270	14,179	
Capital assets, being depreciated:				
Source of supply.....	5,356	35		5,391
Pumping plant.....	2,907	3		2,910
Water treatment plant.....	2,518	2		2,520
Transmission and distribution.....	10,495	289	\$(3)	10,781
General plant and administrative equipment.....	1,012	2		1,014
Total capital assets, being depreciated.....	22,288	331	(3)	22,616
Less accumulated depreciation for:				
Source of supply.....	(2,025)	(53)		(2,078)
Pumping plant.....	(1,275)	(57)		(1,332)
Water treatment.....	(1,510)	(48)		(1,558)
Transmission and distribution.....	(7,637)	(179)		(7,816)
General plant and administrative equipment.....	(660)	(85)		(745)
Total accumulated depreciation.....	(13,107)	(422)		(13,529)
Total capital assets, being depreciated, net 9,087		9,181	(91)	(3)
Business-type activities capital assets, net	<u>\$39,451</u>	<u>\$14,088</u>	<u>\$(3)</u>	<u>\$ 53,536</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

General government.....	\$1,244
Public safety.....	673
Public works.....	4,369
Parks and recreation.....	693
Education.....	<u>2,724</u>
Total depreciation expense - governmental activities.....	<u>\$9,703</u>

Business-type activities

Enterprise Fund - water depreciation expense - business-type activities.....	<u>\$422</u>
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Construction Commitments

The City has active construction projects as of June 30, 2003. The following is a summary of capital projects as of June 30, 2003:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>
Public buildings.....	\$ 67,278	\$ 55,224
Schools.....	75,400	35,415
Infrastructure.....	156,680	55,533
Parks and recreation.....	3,075	1,212
Miscellaneous.....	<u>6,402</u>	<u>5,851</u>
Total.....	<u>\$308,835</u>	<u>\$153,235</u>

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2003 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund.....	Fiduciary Fund.....	\$ 17
	Capital Projects Fund.....	6,248
	Nonmajor Fund.....	2,150
	Internal Service Fund.....	394
Capital Projects Fund.....	General Fund.....	8,170
Nongovernmental Funds..	General Fund.....	3,755
	Enterprise Fund.....	305
Internal Service Fund.....	General Fund.....	<u>5,419</u>
TOTAL.....		<u>\$26,458</u>

Interfund transfers:

<u>Transfers to</u>	.....<u>Transfer From</u>				<u>Total Transfer</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Government</u>	<u>Internal Service</u>	
General.....		\$4,288	\$698	\$750	\$ 5,736
Debt Service.....	\$24,140				24,140
Capital Projects.....	9,149		53		9,202
Other Governmental	903	34			937
Internal Service.....	<u>525</u>				<u>525</u>
Total.....	<u>\$34,717</u>	<u>\$4,322</u>	<u>\$751</u>	<u>\$750</u>	<u>\$40,540</u>

8. LEASES

Capital Leases

The City has entered into a lease agreement for a certain parcel of property. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of the lease inception based on imputed interest rate of 11.99%.

The following is a schedule of future minimum lease payments under the capital lease.

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
2004.....	\$21	\$ 5	\$26
2005.....	23	3	26
2006.....	23	3	26
Total lease payments.....	<u>\$67</u>	<u>\$11</u>	<u>\$78</u>

9. BOND ANTICIPATION NOTES AND INTERIM FINANCING

The following bond anticipation notes and other interim financing obligations, which serve as temporary financing for certain Capital Projects and the Enterprise Fund, were outstanding at June 30, 2003:

<u>Description</u>	<u>Fund</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2002 Bond anticipation notes	Capital Projects and Enterprise Fund.....	2.875%	04/11/2003	\$17,965		\$17,965	
2003 Bond anticipation notes	Capital Projects and Enterprise Fund.....	2.25%	04/08/2004		\$24,155		\$24,155
Clean Water Interim financing	Enterprise.....	2%		4,880	13,074		17,954
Clean Water Interim financing	Capital Projects.....	2%			1,560		1,560
TOTAL.....				<u>\$22,845</u>	<u>\$38,789</u>	<u>\$17,965</u>	<u>\$43,669</u>

Clean Water Fund

The City is currently participating in capital projects under the State of Connecticut Clean Water Fund established in accordance with Section 22a-477 of the General Statutes of Connecticut. The Clean Water Fund is administered by the State Department of Environmental Protection and provides grant and loan funds to municipalities for “eligible water quality project costs”. The following is the City’s liability under the two percent (2%) interim loan portion of the project as reflected in the enterprise and capital projects funds.

<u>Fund</u>	<u>State Project</u>	<u>Amount</u>
Enterprise.....	DWSRF #2000A-DC.....	\$17,954
Capital Projects.....	CWF #400-DC.....	<u>1,560</u>
TOTAL.....		<u>\$19,514</u>

The notes are reflected in the respective funds as current liabilities at June 30, 2003 pending completion of the projects.

10. LONG-TERM DEBT

A schedule of bond indebtedness as of June 30, 2003 is as follows:

General Fund Long-Term Bonded Debt

	<u>Interest Rate (%) Outstanding</u>	<u>Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance</u>
Consolidated School District:					
1988 Series	6.4% - 6.7%	\$ 16,795	04/01/88	04/01/08	\$ 2,995
1992 Series	4.6% - 6.5%	6,875	02/01/92	02/01/07	1,640
1993 Series A	3.8% - 6.0%	13,300	02/01/93	10/01/12	7,380
1993 Series B	3.8% - 6.0%	13,075	02/01/93	04/01/12	6,495
1994 Series	4.0% - 5.0%	17,700	02/01/94	02/01/14	9,735
1996 Series	4.4% - 5.0%	4,325	03/15/96	04/15/11	1,605
1997 Series	4.4% - 5.1%	13,115	04/15/97	04/15/13	7,370
1999 Series	4.65%	12,425	04/13/99	04/01/13	10,330
2000 Series A	5.0% - 5.3%	5,600	04/12/00	04/01/15	4,475
2003 Series	2.0% - 5.25%	<u>1,550</u>	11/01/02	05/01/14	<u>1,550</u>
Subtotal		<u>104,760</u>			<u>53,575</u>
Public Improvement:					
1986 Series	6.4% - 6.5%	9,915	10/01/86	10/01/06	1,335
1988 Series	6.4% - 7.0%	4,300	04/01/88	04/01/08	1,075
1992 Series	4.6% - 6.5%	8,285	02/01/92	02/01/12	3,600
1993 Series B	3.8% - 6.0%	16,210	02/01/93	04/01/12	8,115
1996 Series	4.4% - 5.0%	1,350	03/15/96	04/15/11	270
1997 Series	4.4% - 5.1%	8,925	04/15/97	04/15/13	4,040
1999 Series	4.65%	1,300	04/13/99	04/01/13	460
2000 Series B	5.71%	12,080	04/01/00	04/01/20	10,965
2003 Series	3.0% - 5.0%	<u>1,255</u>	04/01/03	04/15/08	<u>1,205</u>
Subtotal		<u>63,620</u>			<u>31,065</u>
General Obligation Pension Bonds:					
1998 Series	5.72% - 6.64%	<u>106,000</u>	02/01/98	02/01/26	<u>102,485</u>
Refunding Bonds of 1989:					
1998 Series	4.00% - 5.00%	<u>6,565</u>	06/01/98	04/01/09	<u>3,500</u>
General Obligation Taxable Worker's Compensation Bonds:					
2000 Series	Variable	<u>7,000</u>	06/01/00	06/01/10	<u>4,900</u>
Refunding Bonds of 1995:					
2003 Series	2.0% - 5.25%	<u>4,070</u>	11/01/02	05/01/14	<u>4,060</u>
TOTAL GENERAL FUND DEBT.....		<u>\$292,015</u>			<u>\$199,585</u>

Self Liquidating Long-Term Bonded Debt

	<u>Interest Rate (%) Outstanding</u>	<u>Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance</u>
Sewer:					
1999 Series	4.65%	\$ 900	04/13/99	04/01/13	\$ 540
Subway:					
1999 Series	5.3% - 6.0%	<u>2,610</u>	05/01/99	05/01/06	<u>1,240</u>
TOTAL SELF-LIQUIDATING DEBT.....		<u><u>\$3,510</u></u>			<u><u>\$1,780</u></u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds payable:					
General obligation bonds		\$209,200	\$ 6,875	\$16,490	\$199,585
\$12,555					
Less deferred amounts:					
For issuance					
discounts on					
refunding.....		(200)	(13)	(187)	(13)
		_____	_____	_____	_____
Total general obligation					
bonds.....	209,200	6,675	16,477	199,398	12,542
Self liquidating bonds	<u>2,305</u>		<u>525</u>	<u>1,780</u>	<u>480</u>
	_____		_____	_____	_____
Total bonds payable.....	211,505	6,675	17,002	201,178	13,022
Capital leases.....	104		37	67	21
Compensated absences.....	7,607	363		7,970	1,735
Risk management.....	<u>18,685</u>	<u>19,852</u>	<u>23,758</u>	<u>14,779</u>	<u>3,243</u>
	_____	_____	_____	_____	_____
Governmental activity					
long-term liabilities	<u><u>\$237,901</u></u>	<u><u>\$26,890</u></u>	<u><u>\$40,797</u></u>	<u><u>\$223,994</u></u>	<u><u>\$18,021</u></u>
	_____	_____	_____	_____	_____
Business-type activities					
Notes payable:					
Clean water notes.....	\$12,683		\$1,004	\$11,679	\$634
Compensated absences.....	<u>212</u>	<u>\$14</u>		<u>226</u>	<u>94</u>
	_____	_____		_____	_____
Business-type activity					
long-term liabilities.....	<u><u>\$12,895</u></u>	<u><u>\$14</u></u>	<u><u>\$1,004</u></u>	<u><u>\$11,905</u></u>	<u><u>\$728</u></u>
	_____	_____	_____	_____	_____

Defeased Bonds

On November 01, 2002, the City issued \$4,070 in general obligation bonds with an average interest rate of 4.0 percent to advance refund \$3,870 of outstanding 1995 bonds with an average interest rate of 6.1 percent. The net proceeds of \$4,391 (after payment of \$81 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the bonds are considered to be defeased.

The City advanced refunded the 1995 bonds to reduce its total debt service payments over the next 11 years by \$162 and to obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$144.

In addition, in prior years, the City had defeased certain taxable general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2003, \$3,300 of bonds outstanding are considered defeased.

Debt Limit

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose.....	\$191,576	\$182,578	\$8,998
Schools.....	\$383,153	\$98,605	\$284,548
Sewers.....	\$319,294	\$20,375	\$298,919
Urban renewal.....	\$276,721		\$276,721
Pension deficit.....	\$255,435		\$255,435

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$596,015).

The indebtedness above includes \$160,839 of authorized bonds which were unissued as of June 30, 2003.

The Water Department Enterprise Fund is used to account for the operations of the City of New Britain Water Department in a manner similar to private business enterprises. Under Section 7-374B of the General Statutes of Connecticut, water bonds are treated as self-liquidating debt and are excluded in determining the net bonded debt.

Subway bonds represent debt related to constructing and maintaining underground conduits for electric light and telephone wires and cables. The bonds are general obligations of the City, which are financed by assessments levied against the utility companies which use the system. Under Section 7-374B of the General Statutes, the bonds are treated as self-liquidating and are excluded in determining the net bonded debt.

The maturities relating to all bonds and serial notes of the City as of June 30, 2003 are as follows:

Year Ending June 30,	Principal General Obligation	Principal Self Liquidating	Principal Clean Water Notes	Interest General Obligation	Interest Self Liquidating	Interest Clean Water Notes	Total
2004	\$ 12,555	\$ 480	\$ 634	\$ 11,845	\$ 98	\$ 315	\$ 25,927
2005	12,790	505	634	11,150	71	298	25,448
2006	13,455	525	634	10,443	43	280	25,380
2007	13,085	90	634	9,688	13	263	23,773
2008	12,145	90	634	8,916	8	245	22,038
2009	11,245	90	634	8,281	4	228	20,482
2010	11,025		634	7,646		210	19,515
2011	10,580		634	7,011		192	18,417
2012	10,690		634	6,413		175	17,912
2013	8,245		634	5,802		157	14,838
2014	6,195		634	5,353		140	12,322
2015	5,185		634	4,984		122	10,925
2016	5,125		634	4,660		105	10,524
2017	5,465		634	4,336		87	10,522
2018	5,820		634	3,988		70	10,512
2019	6,205		634	3,616		52	10,507
2020	6,610		634	3,219		34	10,497
2021	6,010		634	2,795		17	9,456
2022	6,515		267	2,404		2	9,188
2023	6,940			1,982			8,922
2024	7,400			1,533			8,933
2025	7,890			1,055			8,945
2026	8,410			544			8,954
TOTAL	\$199,585	\$1,780	\$11,679	\$127,664	\$237	\$2,992	\$343,937

Note: Self Liquidating principal includes sewer debt of \$540 and subway debt of \$1,240.

Note: Due to a variable interest rate on the 2000 Series C issue of federally taxable bonds, the interest payments are computed based on the current interest rate of 6.63%. This rate will change on a yearly basis.

Interest Rate Swap Agreements

The City has entered into interest rate swap agreement for the following outstanding debt:

Type	Face Value	Interest Rate	Maturity Date
General Obligation Pension Bonds	\$40,000	Variable	February 1, 2026

The agreement requires the City pay a fixed interest rate to the counterparties to the swap, and the counterparties pay the City a variable interest rate that is determined by the agreement. The City continues to make payments to the bondholders, and only the net difference in interest payments is exchanged with the counterparty. By entering into this agreement, the City has in effect exchanged its variable liability for a fixed rate obligation. As a result of this agreement, the City is exposed to the market risk relating to the relationship between the variable interest rate on the bonds and the rate that it receives under the swap agreement.

The agreement calls for the following exchange of interest rates:

<u>Counterparty</u>	<u>Face value</u>	<u>Interest Rate Assumed by City</u>	<u>Interest Rate Assumed by Counterparty</u>
Ambac	\$40,000	6.47%	Taxable variable 7 day reset

Option on Interest Rate Swap Agreements (Swaption)

Effective April 8, 2003, the City entered into a swaption with Societe Generale, New York Branch, (the “Institution”), having the following terms and conditions:

On April 24, 2003, the Institution paid the City \$1.3 Million in exchange for an option to enter into an interest rate swap agreement with the City exercisable by the Institution on April 11, 2005.

In the event of the exercise of the swaption, the Institution will pay to the City the fixed rate of 6% on the notional amount of the City’s 1998 fixed rate pension bonds semi-annually, and the City will pay to the Institution a floating rate equal to the 1 month LIBOR rate compounded monthly, and payable semi-annually.

The City shall have the option to early termination of the swap agreement provided that if such termination requires a payment by the City to the Institution, the City shall establish a date within six months of the date on which the swap is terminated and shall make such payment on such established date.

If the option is exercised the actual savings ultimately recognized by the transaction will be affected by the relationship between the interest rate terms of the fixed rate bonds versus the floating rate equal to the one (1) month LIBOR rate compounded monthly and payable semi-annually.

11. FUND BALANCES/NET ASSETS

The following is a description of the 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 and Net Assets Reserved

Reserved for Encumbrances – represents outstanding purchase orders at year end on contracts which the Town intends to honor.

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.

Reserved for Employees’ Pension Benefits – represents the amount of funds accumulated in the Pension Trust Fund to pay for pension benefits.

Reserved Retained Earnings for Internal Service Fund – represents amounts in the Risk Management Fund which are legally reserved for self-insured losses.

Fund balance/net asset reserves are as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Capital Projects</u>	<u>Internal Service</u>	<u>Fiduciary</u>
Encumbrances.....	\$1,274	\$ 879	\$10,211		
Inventory.....		11			
Trust purposes.....		2,821			
Pension benefits.....					\$141,825
Self-insurance.....				\$6,036	
TOTAL.....	<u>\$1,274</u>	<u>\$3,711</u>	<u>\$10,211</u>	<u>\$6,036</u>	<u>\$141,825</u>

B. Fund Balance – Designations

Nonmajor Governmental – The following programs have designated a portion of fund balance in the governmental funds to be used for future purposes:

Stanley Quarter Park.....	\$ 100
Cemetery Fund.....	101
Sewer Fund.....	1,060
Recreation Amusement Fund.....	3
Darius Miller Walnut Hill.....	37
YSB Program Activity.....	<u>2</u>
TOTAL.....	<u>\$1,303</u>

12. RISK MANAGEMENT

Insurance coverages are purchased by the City for the following exposures:

- Property damage
- Auto liability
- Boiler and machinery exposures

Property Damage: Purchased insurance covers physical loss or damage to City property (other than vehicles). Generally, the deductible is \$25; different deductibles apply to certain classes of property and types of loss. The City maintains a blanket building and contents policy on a 90% co-insurance coverage basis.

Auto Liability: The insured limit of coverage is \$3,000 with no deductible; uninsured/underinsured motorists' coverage is \$40, no deductible. The policy provides liability coverage for both vehicles and mobile equipment.

Boiler and Machinery Exposures: Insurance coverage includes direct damage limit per accident of \$40 the deductible is \$25. This policy provides coverage for damage resulting from sudden and accidental breakdown of boilers, refrigeration and air conditioning equipment, pressure vessels, piping and accessory equipment.

Self-Insurance Plans

The City is self-insured, or maintains large risk retentions, with regard to the following types of coverage:

- Medical Health Insurance
- General Liability
- Workers' compensation (including Policemen and Firemen Hypertension)
- Employee Fiduciary Bonds (except for the Tax Collector, Treasurer and selected Treasury/Finance personnel)

The City has opted to manage certain of its risks internally and set aside assets for claim settlement in its Internal Service Funds. The Internal Service Funds are used to account for the City's medical, workers' compensation and general accident, casualty and liability risks. During 1994, the City adopted Statement No. 10, as amended by Statement No. 17, of the Government Accounting Standards Board.

The City's medical self-insurance program is administered by Blue Cross/Blue Shield. Under the medical plan, the City self-insures individual coverage up to a maximum of \$100 for major medical, and for hospitalization for the contract year July 1, 2002 to June 30, 2003. The City has obtained coverage which insures claims in excess of these amounts. When a claim is submitted, the administrator processes and pays the claims from funds accumulated by the City in an internal service fund. The internal service fund is funded annually by the City's General Fund and the Board of Education based upon information provided by the administrator using an actuarial method to determine such information. The charges by the internal service fund to the City's General Fund are to be adjusted over future contract years so that internal service fund revenues and expenses are approximately equal over such period of time. The City's medical claim liability of approximately \$1,400 is reported in the internal service fund at June 30, 2003, and is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The City's self-insurance program for general accident, casualty and liability is administered internally. When a claim is submitted, the City processes and pays the claim from funds now accumulated by the City in an internal service fund. The General Liability Internal Service Fund was funded in 1994 to the extent that the City's financial resources would be required during the next twelve months. The charges by the General Liability Internal Service Fund to other funds will be adjusted over future years so that internal service revenues and expenses are approximately equal over such period of time. The City currently carries excess general liability insurance coverage, which reflects a self-insured retention of \$500. The City retains the first \$500 per occurrence; coverage is provided by the insurer for the next \$3,000 per occurrence/\$4,000 aggregate. The insurance coverage includes a stop loss feature, providing coverage after the City has paid \$1,300 cumulative accident year claims. Separate policies for special risks are carried by the City to complement the self-insured program; these include:

- Owners, landlords and tenants liability coverage for the Fafnir property and for foreclosed properties
- Liability coverage for the Terrific Toys program

The City's self-insurance program for workers' compensation is administered internally. When a claim is submitted, the City processes and pays the claim from funds now accumulated by the City in an internal service fund. The Workers' Compensation Internal Service Fund was funded in 1994 to the extent that the City's financial resources would be required during the next twelve months. The charges by the Workers' Compensation Internal Service Fund to other funds will be adjusted over future years so that internal service revenues and expenses are approximately equal over such period of time. The City's aggregate workers' compensation claim liability of approximately \$13.9 million has been recorded in the workers' compensation internal service fund. The City currently carries excess workers' compensation insurance coverage. The City retains the first \$1,000 per accident; limits are statutory.

Settled claims have not exceeded the commercial coverages in any of the previous three years.

The changes in the claim reserves for the fiscal years ending June 30, 2003 and June 30, 2002 as follows:

	.....June 30, 2003.....			.....June 30, 2002.....		
	<u>Medical</u>	<u>Workers' Compensation</u>	<u>General Accident Casualty And Liability</u>	<u>Medical</u>	<u>Workers' Compensation</u>	<u>General Accident Casualty And Liability</u>
Beginning of year claim reserve..	\$ 1,449	\$13,991	\$3,245	\$ 1,395	\$14,527	\$3,245
Current year incurred claims and changes in prior year estimate...	18,118	(1,240)	(883)	16,373	1,557	99
Claim payments.....	(18,167)	(1,600)	(134)	(16,319)	(2,093)	(99)
End of year claim reserve.....	<u>\$ 1,400</u>	<u>\$11,151</u>	<u>\$2,228</u>	<u>\$ 1,449</u>	<u>\$13,991</u>	<u>\$3,245</u>

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Overview

Substantially all City employees except for the certified employees of the Consolidated School District and the regular members of the Police and Fire Departments are covered under a contributory pension plan administered by the Municipal Employees' Retirement Fund ("MERF"), a State of Connecticut Multiple Employer Public Employee Retirement System. Regular members of the Police and Fire Departments participate in contributory pension plans known as the Police Benefit Fund and the Firemen's Pension Plan. The certified faculty and administrative personnel of the Board of Education participate in the contributory defined benefit plan established under Section 10.183 of the Connecticut General Statutes that is administered by the Connecticut State Teachers' Retirement Board.

Municipal Employees' Retirement Fund (MERF)

MERF is the administrator of a cost sharing multiple employer public employee retirement system ("PERS") established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERF 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 or by calling (860) 702-3480.

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible.

Plan provisions are set by statute of the State of Connecticut. MERF provides retirement benefits, as well as death and disability benefits. Annual cost of living increases commence each July immediately after retirement with a minimum 2.5% to maximum of 6% up to 65 years of age after which COLAs will remain at a minimum of 3% to a maximum of 5%. All benefits vest after ten years of continuous service. Members who retire after age 55 with ten years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1-1/6% of the average of earnings not in excess of the taxable wage base for the ten highest paid years, plus 2% of the average of earnings for the three highest paid years of service which is in excess of the average of earnings not in excess of the taxable wage base for the ten highest paid years.

Funding Policy

Covered employees are required by State statute to contribute 2_% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the Plan. The contribution requirements of the City are established and may be amended by the State Retirement System.

The current rate is 3% of covered payroll. The City’s and employee contributions to MERF for the year ended June 30, 2003, June 30, 2002 and June 30, 2001 are as follows:

<u>Fiscal Year Ended</u>	<u>City Contribution Amount</u>	<u>Employee Contribution Amount</u>	<u>Total Contribution Amount</u>	<u>Total Payroll covered by the MERF</u>
June 30, 2001	\$860	\$1,434	\$2,294	\$28,683
June 30, 2002	\$951	\$1,585	\$2,536	\$31,693
June 30, 2003	\$1,054	\$1,758	\$2,812	\$35,164

Employee Retirement System

Plan Description

The City is the administrator of a single-employer public employee retirement system (“PERS”) established and administered by the City to provide pension benefits for its Police and Fire Department employees. Benefits and contributions under this retirement system are established by the City and may be amended only by the City Council. The PERS, is considered to be part of the City’s financial reporting entity and is included in the City’s financial reports as pension trust funds. A separate stand-alone financial report for the PERS is not issued by the City.

Under the plans, all City police employees hired on or before, July 1, 2000 are eligible; those hired after this date shall be enrolled in the Connecticut Municipal Employees' Retirement Fund B. All Fire Department employees hired on, or before, July 1, 1995 are eligible; those hired after July 1, 1995 shall be enrolled in the Connecticut Municipal Employees' Retirement Fund B. Consequently these are "closed plans." Police Department and Fire Department employees are 100% vested after ten years of service. If an employee leaves covered employment or dies before he or she is vested, accumulated employee contributions are refunded without interest. The retirement benefit is calculated at 50% (2-1/2% per year for the first 20 years) of the compensation being paid to an active member of the same grade as that at which the member retired except that firemen may contribute at the level of a lieutenant's pay and retire at that grade and patrolmen may contribute at the level of a sergeant's pay and retire at that grade. An additional 1/2% of pay is added for each of the next five years of allowable service plus 1% for each year of allowable service over 25 to a maximum of 80%.

The financial information of the PERS is as follows:

Statement of Plan Net Assets

	.....Employee Retirement Funds.....		
	Police Benefit Plan	Firemen's Benefit Plan	Total
Assets:			
Cash and cash equivalents.....	\$ 2,197	\$ 1,939	\$ 4,136
Investments.....	<u>68,617</u>	<u>69,086</u>	<u>137,703</u>
TOTAL.....	<u>\$70,814</u>	<u>\$71,025</u>	<u>\$141,839</u>
Liabilities:			
Accounts payable.....	<u>\$7</u>	<u>\$7</u>	<u>\$14</u>
Net assets:			
Reserved for employee retirement.....	<u>\$70,807</u>	<u>\$71,018</u>	<u>\$141,825</u>

Statement of Changes in Plan Net Assets

	.....Employee Retirement Funds.....		
	Police Benefit Plan	Firemen's Benefit Plan	Total
Additions:			
Contributions:			
Employer.....	\$ 402	\$ 768	\$ 1,170
Plan members.....	436	496	932
	<hr/>	<hr/>	<hr/>
Total contribution.....	838	1,264	2,102
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments.....	31	(955)	(924)
Interest and dividends.....	2,424	3,072	5,496
Miscellaneous.....	25	122	147
	<hr/>	<hr/>	<hr/>
Total investment income (loss).....	2,480	2,239	4,719
Investment expense.....	(213)	(212)	(425)
	<hr/>	<hr/>	<hr/>
Net investment income.....	2,267	2,027	4,294
	<hr/>	<hr/>	<hr/>
Total.....	3,105	3,291	6,396
Deductions:			
Benefits.....	4,492	3,440	7,932
Administration.....	89	164	253
	<hr/>	<hr/>	<hr/>
Total.....	4,581	3,604	8,185
	<hr/>	<hr/>	<hr/>
Net increase (decrease).....	(1,476)	(313)	(1,789)
Net assets held in trust for pension benefits, July 1, 2002.....	72,283	71,331	143,614
	<hr/>	<hr/>	<hr/>
Net assets held in trust for pension benefits, June 30, 2003.....	\$70,807	\$71,018	\$141,825
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

As of the most recent actuarial valuation, PERS membership consisted of:

	<u>Fire</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits.....	129	160
Current employees:		
Vested.....	122	81
Non-vested.....	<u>4</u>	<u>40</u>
	<hr/>	<hr/>
Total.....	<u>255</u>	<u>281</u>

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the PERS.

Methods Used to Value Investments: All funds are invested through an investment agreement with Fleet Investment Services and Paine Webber and are reported at fair value.

Funding Policy and Progress

The employees hired prior to July 1, 1990 shall receive full escalation of pension benefits and contribute 7% of their salaries. Employees hired on or after July 1, 1990 receive no escalation of pension benefits and contribute 5-1/2% of their salaries. The City is required to contribute the remaining amounts necessary to finance the coverage for its employees. For the fiscal year ended June 30, 2003, these required contributions were \$819 and \$278 for the fire and police plans, respectively. Benefits and contributions are established by the City and may be amended only by the City Council and Union negotiation.

Annual Pension Cost and Net Pension Obligations

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

	<u>Fire</u>	<u>Police</u>
Annual required contribution.....	\$819	\$278
Interest on net pension obligation	(7)	(20)
Adjustment to annual required contribution.....	<u>5</u>	<u>12</u>
Annual pension cost.....	817	270
Contributions made.....	<u>768</u>	<u>402</u>
Increase (decrease) in net pension obligation.....	49	(132)
Net pension obligation, July 1, 2002.....	<u>(92)</u>	<u>(245)</u>
Net pension obligation (asset), June 30, 2003.....	<u><u>\$(43)</u></u>	<u><u>\$(377)</u></u>

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

	<u>Fire</u>	<u>Police</u>
Actuarial Valuation Date	March 1, 2003	March 1, 2003
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll- Closed	Level Percentage of Payroll- Closed
Remaining Amortization Period	30 years	30 years
Asset Valuation Method	90% of Market	90% of Market
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Projected Salary Increases*	3.5%	3.75%

*Includes inflation at 4%

Trend Information

Fire Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2001	\$819	\$819	100%	\$(17)
6/30/2002	818	893	109	(92)
6/30/2003	817	768	94	(43)

Police Plan

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2001	\$273	\$300	110%	\$(142)
6/30/2002	272	375	138	(245)
6/30/2003	270	402	149	(377)

Pension Plan Required Supplementary Information*Schedule of Funding Progress*Fire Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (c)	Covered Payroll (d)	UAAL as % of Covered Payroll (c/d)
12/01/1999*	\$65,572	\$64,562	\$ (1,010)	\$7,397	(13.7)%
2/28/2001	68,937	62,921	(6,016)	6,526	(92.2)
3/01/2003	76,915	65,434	(11,481)	7,426	(154.6)

Police Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (c)	Covered Payroll (d)	UAAL as % of Covered Payroll (c/d)
12/01/1999	\$71,240	\$61,910	\$(9,330)	\$8,060	(115.8)%
2/28/2001	68,608	64,741	(3,867)	6,727	(57.5)
3/01/2003	69,758	67,116	(2,642)	7,084	(37.3)

Schedule of Employer Contributions

Fire Plan

	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2001	\$819	100%
6/30/2002	819	109
6/30/2003	819	94

Police Plan

	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2001	\$273	110%
6/30/2002	278	135
6/30/2003	278	145

Single-employer Defined Benefit Pension Plan

In addition to the above PERS, the City is currently paying benefits to three groups of retirees by means of annual appropriations. This program covers those individuals whose pension payments commenced prior to November 1972. Since no active employees are included, their benefits are not advance funded but paid as they come due from General Fund appropriations, i.e., on a “pay-as-you-go” basis. The unfunded liability for this plan is decreasing rapidly since the average age is 84 years.

There are twenty-two (22) retirees, thirty-seven (37) beneficiaries, and no active employees covered by this plan.

Summary of Significant Accounting Policies and Plan Asset Matters

The annual required contribution (ARC) and the annual pension cost represent the actual benefits paid out during the year.

Funding Policy

Funds are budgeted in the General Fund to cover pension benefits paid each year. Annual contributions are equal to the annual benefit payments. Benefits and contributions were established by City Charter.

Annual Pension Cost and Net Pension Obligation

The City’s annual pension cost, which is equal to the annual benefit payments, for the current year amounted to \$1,107. The “pay-as-you-go” Plan does not have a net pension obligation as of June 30, 2003.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2001	\$1,262	\$1,262	100%	N/A
6/30/2002	1,165	1,165	100	N/A
6/30/2003	1,107	1,107	100	N/A

Pension Plan Required Supplementary Information

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
04/30/1996	\$-0-	\$13,516	\$13,516	0.0%	N/A	N/A
06/30/1997	-0-	12,270	12,270	0.0	N/A	N/A
06/30/2000	-0-	10,618	10,618	0.0	N/A	N/A

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/1998	1,559	100
06/30/1999	1,424	100
06/30/2000	1,387	100
06/30/2001	1,262	100
06/30/2002	1,165	100
06/30/2003	1,107	100

Commonly accepted actuarial formulas and methods were employed for projecting the estimated pension payments for future years, and the computation of the actuarial liabilities for the “pay-as-you-go” Plan. Amortization methods and periods, asset valuation methods and projected salary increases are not applicable.

Certified Employees of the School District

All certified employees of the Consolidated School District of New Britain participate in the State of Connecticut Teachers’ Retirement System under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) attained any age and has accumulated thirty five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Consolidated School District withholds seven percent (7%) of all teachers’ annual salaries and transmits the funds to the State Teachers’ Retirement Board. For the year ended June 30, 2003 the certified employees of the City contributed \$3,801 to this plan and the total payroll for certified employees covered by this plan for the year was \$54,327.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. For the year ended June 30, 2003 the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$3,426 as payments made by the State of Connecticut on-behalf of the City. The City does not have any liability for teacher pensions.

The State of Connecticut Teacher 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.

Total Payroll

Total payroll for the City for the year ended June 30, 2003 was \$115,600 of which \$102,711 was covered under the various pension plans described above.

14. CONTINGENT LIABILITIES

The City of New Britain is a defendant in a number of lawsuits. It is the opinion of management that such pending litigation will not be finally determined so as to result in a judgement or judgements against the City which would materially affect its financial position.

GENERAL FUND

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specific funds. The General Fund accounts for the normal recurring activities of the City such as the police department, fire department, parks and recreation, public works and the Board of Education. These activities are funded primarily by property taxes levied on individuals and local businesses.

CITY OF NEW BRITAIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2003

		(thousands)			
		....BUDGETED AMOUNTS....			
		ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General property taxes:					
Current Taxes.....		\$ 80,300	\$ 80,300	\$ 79,344	\$ (956)
Prior Year Levy.....		2,150	2,150	2,133	(17)
Interest and Liens.....		1,050	1,050	1,139	89
Supplemental Motor Vehicle.....		1,050	1,441	1,478	37
		<hr/>			
Total general property taxes.....		84,550	84,941	84,094	(847)
Intergovernmental revenues (State):					
State Education for the Blind.....		150	150	18	(132)
H.E.W. Private Schools.....		105	105	123	18
Special School Transportation.....		655	655	590	(65)
Elementary and Secondary Transportation.....		2,143	2,143	2,028	(115)
Special Education.....		1,750	1,750	1,388	(362)
Education Equalization.....		56,740	58,537	58,362	(175)
Miscellaneous.....		1	1		(1)
State Infraction Distribution.....		2	3	3	
Principal Subsidy.....		3,761	3,966	3,966	
Interest Subsidy.....		1,959	1,959	1,707	(252)
DCA Tax Abatements.....		33	33	32	(1)
Town Aid Road Fund.....		495	495	223	(272)
Veterans Exemption Reimbursement.....			164	164	
Tax Relief for the Elderly.....			685	685	
State Property Tax Relief.....		4,019	4,019	3,835	(184)
Telephone Access Line Tax Relief.....		505	577	577	
Civil Defense.....		21	21	11	(10)
Off Track Betting.....		235	284	284	
State Pilot Hospital Colleges.....		3,697	3,732	3,732	
State Pilot Model Housing.....		150	282	282	
Manufacturers in Distress.....		85	85	172	87
Boat License Distribution.....		13	13	13	
Bingo.....		1	1	1	
Disability Exemption.....				17	17
Manufacturing Equipment Tax Reimbursement.....		1,425	1,425	1,459	34
Federal Emergency Management Agency.....				66	66
Legalized Gaming Distribution.....		5,780	5,780	4,494	(1,286)
		<hr/>			
Total		83,725	86,865	84,232	(2,633)
Intergovernmental revenues (other than State):					
In lieu of taxes.....		62	62	82	20
		<hr/>			
Total intergovernmental revenues.....		83,787	86,927	84,314	(2,613)

Licenses and permits:				
Building Structures and Equipment.....	446	446	532	86
All Other Licenses.....	26	26	56	30
Health.....	33	33	32	(1)

(Continued) - 1.

CITY OF NEW BRITAIN, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

(thousands)

	....BUDGETED AMOUNTS....			VARIANCE
	ORIGINAL	FINAL	ACTUAL	FAVORABLE (UNFAVORABLE)
Licenses and permits (continued):				
Disposal.....	\$ 10	\$ 10	\$ 20	\$ 10
Planning and Zoning.....	3	3	5	2
Total licenses and permits	<u>518</u>	<u>518</u>	<u>645</u>	<u>127</u>
Charges for services:				
City Hall Commissions Rent.....	116	116	168	52
Town Clerk.....	506	506	713	207
Recreation.....	408	441	582	141
Public Safety.....	937	1,826	1,835	9
Parking.....	1,546	1,546	1,843	297
Engineering.....	332	332	219	(113)
Health.....	23	23	34	11
Public Works.....	1,383	1,383	1,358	(25)
Parking Tickets.....	230	230	313	83
Assessor.....	5	5	7	2
Senior Center.....	15	15	14	(1)
Total charges for services	<u>5,501</u>	<u>6,423</u>	<u>7,086</u>	<u>663</u>
Total licenses, fees and charges for services.....	<u>6,019</u>	<u>6,941</u>	<u>7,731</u>	<u>790</u>
Other revenue:				
Present value savings of refunding bond.....	75	75	162	87
Investment Income.....	1,400	1,400	961	(439)
Miscellaneous.....	137	135	213	78
Sale of Real Estate Property.....	1,205	6,954	7,152	198
Emergency Medical Service.....	10	10	14	4
NB Housing Authority.....	10	10	16	6
Board of Education.....	115	115	145	30
Water Department.....	1	1		(1)
Miscellaneous Grants Programs.....	3	3	9	6
Commission on Community and Neighborhood Development.....	5	5	6	1
Total other revenue.....	<u>2,961</u>	<u>8,708</u>	<u>8,678</u>	<u>(30)</u>
Total revenues	177,317	187,517	184,817	(2,700)
Other financing sources:				
Transfers in.....	<u>2,051</u>	<u>4,933</u>	<u>5,736</u>	<u>803</u>
TOTAL.....	<u>\$179,368</u>	<u>\$192,450</u>	190,553	<u>\$ 1,897</u>

Budgetary revenues are different than GAAP revenues because:

- State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted 3,426
- Cancelled encumbrances are recorded as revenue on the budgetary basis..... (146)
- Property taxes collected within 60 days of year end are recorded in the year collected for budgetary purposes (10)

Total revenues and other financing sources as reported on the statement of revenues, expenditures,

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CITY OF NEW BRITAIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

....BUDGETED AMOUNTS.....

	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Government:				
Legislative	\$ 387	\$ 154	\$ 153	\$ 1
Boards and Commissions	22	22	19	3
Judicial	73	73	65	8
Elections	340	342	294	48
Mayor's Office	282	282	278	4
Planning and Zoning	174	177	171	6
Finance	3,247	2,355	2,281	74
Recording and Reporting	493	495	486	9
Legal	1,307	1,310	781	529
Central Services	168	179	172	7
Economic Development			81	(81)
Total General Government	6,493	5,389	4,781	608
Public Safety:				
Police	12,766	13,716	13,331	385
Fire	13,436	13,503	13,411	92
Lighting	779	779	718	61
Building	584	588	579	9
Civil Preparedness	77	79	74	5
Central Emergency Dispatch	1,369	1,415	1,335	80
Total Public Safety	29,011	30,080	29,448	632
Public Works:				
Bureau of Engineering	673	681	654	27
Administration	434	441	440	1
Street Services	3,076	3,068	2,794	274
Public Buildings	2,692	2,714	2,579	135
Capital Projects	371	385	386	(1)
Signals and Control	284	233	225	8
Waste Disposal	5,137	5,140	5,128	12
Total Public Works	12,667	12,662	12,206	456

Parks and Recreation:

Administration	274	331	329	2
Forestry	164	206	195	11
Horticulture	274	274	248	26
Maintenance	2,264	2,305	2,296	9
Special Projects	23	26	57	(31)
Recreation Department	764	767	685	82
Willow Brook Sports Complex	54	56	50	6
Willow Brook Food Concessions		51	49	2

(Continued) - 1.

CITY OF NEW BRITAIN, CONNECTICUT
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), ETC.

(thousands)

....BUDGETED AMOUNTS.....

	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Parks and Recreation (continued):				
City Supported Agencies	\$ 2,771	\$ 2,779	\$ 2,780	\$ (1)
Cultural Organizations	71	99	96	3
CT Wolves		369	369	
Total Parks and Recreation	6,659	7,263	7,154	109
Health and Social Services:				
Rights and Opportunities Commission	67	73	69	4
Civil Service Commission	304	305	306	(1)
Nursing	477	479	449	30
Environmental Control	354	354	350	4
Administration	201	202	170	32
Social Services	84	150	138	12
Senior Center	477	485	475	10
Handicap Services	111	113	109	4
Veterans Services	89	89	89	
Total Health and Human Services	2,164	2,250	2,155	95
Education	96,601	99,823	99,518	305
Total Expenditures.....	153,595	157,467	155,262	2,205
Transfers Out:				
Insurance Reserve		525	525	
Capital Non-Recurring		2,419	2,454	(35)
Capital Equipment Reserve	300	576	576	
Capital Projects		6,117	6,117	
Dog Fund	103	103	103	
Debt Service	24,613	24,395	24,140	255
Grants and Contributions	588	678	632	46
High School Athletics	170	170	170	
Total Transfers Out.....	25,774	34,983	34,717	266
TOTAL	\$179,369	\$192,450	189,979	\$2,471

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut "on-behalf" payments to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted.....	3,426
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.....	(4)

Total expenditures and other financing sources as reported on the statement of revenues, expenditures, changes in fund balances - governmental funds - Exhibit IV..... \$193,401

CITY OF NEW BRITAIN, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2003 AND 2002

(thousands)	2003	2002
<u>A S S E T S</u>		
Cash and cash equivalents	\$30,286	\$15,452
Investments		326
Property taxes receivable (net of allowance for uncollectible accounts)	8,236	7,455
Accounts receivable	423	1,468
Due from other governments	33,952	38,209
Due from other funds	<u>8,809</u>	<u>11,630</u>
TOTAL	<u>\$81,706</u>	<u>\$74,540</u>
 <u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>		
Liabilities:		
Accounts payable and accrued expenses	\$15,820	\$11,731
Due to other funds	17,344	11,513
Deferred revenue	<u>41,526</u>	<u>44,702</u>
Total liabilities	<u>74,690</u>	<u>67,946</u>
Fund balance:		
Reserve for encumbrances	1,274	1,417
Unreserved, undesignated	<u>5,742</u>	<u>5,177</u>
Total fund balance	<u>7,016</u>	<u>6,594</u>
TOTAL	<u>\$81,706</u>	<u>\$74,540</u>

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF TAX COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

GRAND LIST YEAR	MILL RATE	UNCOLLECTED TAXES		LAWFUL DEDUCTIONS	TRANSFERS TO SUSPENSE	ADJUSTED AMOUNT COLLECTIBLE	COLLECTIONS			UNCOLLECTED TAXES JUNE 30, 2003	
		JULY 1, 2002	NET ADDITIONS				TAXES	INTEREST	LIEN FEES		TOTAL
2001	54.76	\$84,455	\$289	\$706		\$84,038	\$80,822	\$445	\$12	\$81,279	\$3,216
2000	50.88	2,780	48	50	\$ 49	2,729	1,566	334	10	1,910	1,163
1999	49.98	1,039	3	17	24	1,001	366	128	3	497	635
1998	49.42	606	1	7	19	581	87	46	13	146	494
1997	49.48	499		3	14	482	37	24	4	65	445
1996	49.58	472		4	13	455	20	19	4	43	435
1995	49.83	456			11	445	16	14	4	34	429
1994	50.85	337			3	334	7	9	3	19	327
1993	50.85	284		1	3	280	6	9	2	17	274
1992	49.36	250			2	248	5	8	2	15	243
1991	49.54	261				261	5	10	2	17	256
1990	48.15	313				313	5	10	2	17	308
1989	45.76	295				295	4	9	1	14	291
1988	43.90	266				266	2	5	1	8	264
1987	39.90	208				208	2	5	1	8	206
TOTAL		<u>\$92,521</u>	<u>\$341</u>	<u>\$788</u>	<u>\$138</u>	<u>\$91,936</u>	<u>\$82,950</u>	<u>\$1,075</u>	<u>\$64</u>	<u>84,089</u>	<u>\$8,986</u>
										Suspense collections	5
										Total collections	84,094
										Property taxes receivable considered available:	
										June 20, 2002	(606)
										June 30, 2003	596
										Total property tax revenue	<u>\$84,084</u>

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are designated or legally restricted to expenditures for specific purposes. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Stanley Quarter Park	Golf fees and Concession income	Operations of Public Golf Course
Lead Paint Reduction	State and Federal grants	Lead paint mitigation
Cemetery	Lot sales, internments, trust income	Fairview Cemetery operations
Dog	License fees and State grants	Animal Population Control
Willowbrook Park Pool	License, fees and charges for service	Operations of the Willowbrook Park Pool
Economic Development	State and Federal grants	Small business development
Sewer Use	User fees and investment earnings	Operation of the sewer systems
Historical Documents	State and Federal grants	Preservation of historical documents
Paul Byrne Grant	State grant	Subsidizes after school programs for City's youth
New Britain Marketing Collaborative	New Britain Chamber of Commerce and the City's General Fund.	Promote the City and it's various activities and events
Local Capital Improvement	State grant	Capital Improvement Fund
Youth Summer Transportation	State grant	Youth transportation to State recreation areas
Larvicide Grant	State grant	Preventing the spread of the West Niles Virus
Board of Education State & Federal Grants	State and Federal grants	Education Programs
Statue Restoration	State grant	Police bicycle patrol program
Lead Poisoning Prevention	State grant	Prevent lead poisoning in City youth
Summer Recreation and Education	State grant	Summer youth program
Substance Abuse (TCE) Grant	Federal grant	Drug rehabilitation programs
Anti Tobacco Grant	State grant	Anti-tobacco campaign
Martin Luther King Brick Sale	Donations	Account for the sale of bricks
Preventative Health Services Grants	State grant	Identifying and characterizing behavioral risk factors for sexually transmitted diseases.
Smoking Cessation Grant	State grants	Provides support and counseling to encourage the cessation of smoking
Learn to Serve	State grant	Development of the youth and community service
Exercise the Right Choice	State grant	After school programs
Exercise the Right Choice II	State grant	After school programs
Grassroots Tennis Grant	State to the Connecticut Tennis Foundation	Indoor tennis programs
Immunization Action Plan	State grant	Infant vaccination Program
Bullet Proof Vest Grant	Federal grant	Subsidizes the purchase of bullet proof vests for the City's police officers
DSS Food Stamp Workfare	State grant	Activities for food stamp recipients
Oval Grove Welfare to Work	City of New Britain Housing Authority	Workfare program
Bioterrorism Grant	Federal grant	Assists the City with the development of plans in the event of a bio-terrorist attack
System of Care Grant	State grant passed through Wheeler Clinic	Programs to respond to the mental health needs of City youth
Historical Records Preservation	State grant	Preservation of the City's Records
21 st Century Grant	State grant	Provides after school programs for the City's school age population
Public Safety Digital 911 System	State grant	Upgrade the City's Emergency Response System (911).
Centralized and Distribution Services	Various funding sources	This fund houses the costs for centralized services, mainly cell phone costs at this point, until these charges are ready to be allocated to the various City funds
Conversation on Race	State and Federal grants	Interracial awareness program
Victim Services Coordinator Grant	State grant	Provides for overtime expenses for the City's victim service coordinator
Federal Omnibus Appropriation	Federal grant	Reducing crime and improving public safety
Independent Living	State grant	Teach transitional living skills to youth
AIDS Outreach	State grant	HIV prevention, education, testing and support services

Fund	Funding Source	Function
Youth Service Bureau Care Unit	State grant	Help at-risk children and their families
Juvenile Justice Center	Federal and State grants	Prevent City youth from committing delinquent or re-entering the Juvenile Court System
STD Control Program	State grant	STD prevention education and testing
Summer Food	State grant	Breakfast and lunch to needy children during the summer
Recreation Donation	Donations from local businesses	Fund various youth activities and scholarship awards
Recreation Amusement	Rental of recreation equipment	For the maintenance and purchase of new equipment
Weed and Seed	Federal grant	Crime reduction, economic growth projects, and neighborhood restoration
Health Per Capita	State grant	Augment local public health effort
Highway Safety Grant	State grant	Purchasing intoxilyzers for the City's police department
Drug Investigation	State Drug Asset Forfeiture Fund	Drug education and enforcement.
Senior Citizens Center		Operations of the City's Senior Center
Mobile Data Communication	State, Federal and Local funding	Enhance the City's Emergency Response System
Pulmonary Screening	State grant	Pulmonary screening
Drug Enforcement Training	State grant	Reduction of drug trafficking and drug use
Safe Neighborhood Program	State grant	Crime prevention and safer neighborhoods
Mayor's Fun Day	State grant	Provides music, activities, food, and fun for children of all ages
State Narcotics Task Force	State grant	Reducing drug trafficking
Youth Service Bureau Program Activity	Donations	Youth Service Bureau and Community Services
School Lunch Program	Federal, State and Local	School lunch programs
School Rental Account	Rental fees	Rental of school facilities
High School Athletic	Gate receipts	Purchase athletic equipment and supplies
Adult Education	Federal, State and local	Educational programs for adult residents
Summer School Music	Various funding sources	Summer school music program
Youth Build Program	Federal grant	Training at-risk youth in construction principles & practices for future employment opportunities.
Myrtle Street Incubator	State grant	Rehabilitation of a former factory into a business incubator
Myrtle Street Planning Grant	State grant	Rehabilitation of former factory into a business incubator
Community and Neighborhood Development	State grant	Provide community and neighborhood development
Urban Action Grant	State grant	Community & economic development projects
New Britain Industrial Park	State grant	Planning activities at the former New Britain machine site
Business Outreach	State grant	Development costs for the Constructive Workshops business incubator
Emergency Shelter Grant	Federal grant	Housing opportunities for homeless individuals
Community Development Block Grant	Federal grant	Housing and community activities to for low- and moderate-income persons
HOME Project	Federal grant	Acquisition, rehabilitation and creation of housing for low and moderate income persons
Lead Grant	Federal grant	Residences in need of lead removal
State Home Programs	State grant	Rehabilitation of residential units
CHFA Broad Street Demolition	State grant	Demolition activities in the Broad St. Neighborhood Revitalization Zone
Redevelopment Commission	Various funding sources	Activities of the redevelopment commission
Brownfield Pilot	Federal grant	Evaluation of Brownfield sites
Oak Street Neighborhood	State grant	Demolition activities in the North-Oak Neighborhood Revitalization Zone.
Nuisance Abatement	State grant	To coordinate policies, acquire & redevelop properties identified as nuisances by the local Police & the State Attorney General's Office
Rental	Rental income	DMD properties
C.B. Erwin Walnut Hill Park	Investment earnings	The upkeep of Walnut Hill Park
Darius Miller Walnut Hill	Investment earnings	The upkeep of Walnut Hill Park
C.B. Stanley Walnut Hill	Investment earnings	The upkeep of Walnut Hill Park
Parks and Recreation	Investment earnings	The upkeep of Walnut Hill Park and Fairview Cemetery.
Darius Miller F/B/O Fairview Cemetery	Investment earnings	The upkeep of Fairview Cemetery
A.W. Stanley	Investment earnings	City park upkeep

CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2003

(thousands)

.....SPECIAL REVENUE.....

	STANLEY QUARTER PARK	LEAD PAINT REDUCTION PROGRAM	CEMETERY FUND	DOG FUND	WILLOWBROOK PARK POOL	ECONOMIC DEVELOPMENT	SEWER USE FUND	HISTORICAL DOCUMENTS FUND
<u>A S S E T S</u>								
Cash and cash equivalents	\$110		\$ 2					
Investments	3		1,184					
Accounts receivable	20		9	\$15			\$2,846	
Loans receivable								
Due from other governments		\$283		26	\$192			
Due from other funds	165						2,645	
Inventory								
TOTAL	<u>\$298</u>	<u>\$283</u>	<u>\$1,195</u>	<u>\$41</u>	<u>\$192</u>	<u>\$- 0 -</u>	<u>\$5,491</u>	<u>\$- 0 -</u>
<u>L I A B I L I T I E S</u> A N D <u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable	\$163		\$ 10	\$20			\$ 21	
Due to other funds		\$101	157		\$ 57			
Deferred revenue		182						
Total liabilities	<u>163</u>	<u>283</u>	<u>167</u>	<u>20</u>	<u>57</u>		<u>21</u>	
Fund balance (deficit):								
Reserved for encumbrances	94		1	9	135		54	
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated	100		101				1,060	
Unreserved, undesignated	(59)		926	12			4,356	
Total fund balance (deficit)	<u>135</u>		<u>1,028</u>	<u>21</u>	<u>135</u>		<u>5,470</u>	
TOTAL	<u>\$298</u>	<u>\$283</u>	<u>\$1,195</u>	<u>\$41</u>	<u>\$192</u>	<u>\$- 0 -</u>	<u>\$5,491</u>	<u>\$- 0 -</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....						
	PAUL BYRNE GRANT	NEW BRITAIN MARKETING COLLABORATIVE	LOCAL CAPITAL IMPROVEMENT	YOUTH SUMMER TRANSPORTATION	LARVACIDE GRANT	BOE STATE AND FEDERAL GRANTS	STATUE RESTORATION FUND
<u>A S S E T S</u>							
Cash and cash equivalents						\$1,395	
Investments							
Accounts receivable			\$168				
Loans receivable							
Due from other governments						1,322	
Due from other funds	\$18	\$22		\$1	\$8		\$20
Inventory							
TOTAL	<u>\$18</u>	<u>\$22</u>	<u>\$168</u>	<u>\$1</u>	<u>\$8</u>	<u>\$2,717</u>	<u>\$20</u>
<u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>							
Liabilities:							
Accounts payable			\$ 65			\$ 355	
Due to other funds			151			1,051	
Deferred revenue						1,311	
Total liabilities			216			2,717	
Fund balance (deficit):							
Reserved for encumbrances		\$ 2	510				\$14
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	\$18	20	(558)	\$1	\$8		6
Total fund balance (deficit)	<u>18</u>	<u>22</u>	<u>(48)</u>	<u>1</u>	<u>8</u>		<u>20</u>
TOTAL	<u>\$18</u>	<u>\$22</u>	<u>\$ 168</u>	<u>\$1</u>	<u>\$8</u>	<u>\$2,717</u>	<u>\$20</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	LEAD POISONING PREVENTION FUND	SUMMER RECREATION AND EDUCATION	SUBSTANCE ABUSE (TCE) GRANT	ANTI TOBACCO GRANT	MARTIN LUTHER KING BRICK SALE	PREVENTATIVE HEALTH SERVICES GRANTS	SMOKING CESSATION GRANT	LEARN TO SERVE
<u>A S S E T S</u>								
Cash and cash equivalents								
Investments								
Accounts receivable								
Loans receivable								
Due from other governments	\$11		\$30			\$17		
Due from other funds					\$7		\$1	
Inventory								
TOTAL	<u>\$11</u>	<u>\$ - 0 -</u>	<u>\$30</u>	<u>\$-0-</u>	<u>\$7</u>	<u>\$17</u>	<u>\$1</u>	<u>\$-0-</u>
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable	\$ 1					\$17		
Due to other funds	10		\$30					
Deferred revenue								
Total liabilities	<u>11</u>		<u>30</u>			<u>17</u>		
Fund balance (deficit):								
Reserved for encumbrances								
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated					\$7		\$1	
Total fund balance (deficit)					<u>7</u>		<u>1</u>	
TOTAL	<u>\$11</u>	<u>\$ - 0 -</u>	<u>\$30</u>	<u>\$-0-</u>	<u>\$7</u>	<u>\$17</u>	<u>\$1</u>	<u>\$-0-</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....								
	BULLET	DSS	OVAL						
	PROOF	FOOD	GROVE	BIOTERRORISM	SYSTEM				
	VEST	STAMP	WELFARE	GRANT	OF CARE				
	GRANT	WORKFARE	TO WORK	GRANT	GRANT				
	EXERCISE	EXERCISE	GRASSROOTS	IMMUNIZATION					
	THE RIGHT	THE RIGHT	TENNIS	ACTION					
	CHOICE	CHOICE II	GRANT	PLAN					
<u>A S S E T S</u>									
Cash and cash equivalents									
Investments									
Accounts receivable								\$5	\$8
Loans receivable									
Due from other governments	\$14	\$22							
Due from other funds	1		\$2	\$12	\$4				1
Inventory									
TOTAL	<u>\$15</u>	<u>\$22</u>	<u>\$2</u>	<u>\$12</u>	<u>\$4</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$5</u>	<u>\$9</u>
<u>L I A B I L I T I E S</u>									
A N D									
<u>F U N D B A L A N C E</u>									
Liabilities:									
Accounts payable	\$ 5	\$ 8		\$ 1		\$ 3		\$1	\$2
Due to other funds		11				23		4	
Deferred revenue									
Total liabilities	<u>5</u>	<u>19</u>		<u>1</u>		<u>26</u>		<u>5</u>	<u>2</u>
Fund balance (deficit):									
Reserved for encumbrances	10	5				22			
Reserved for inventories									
Reserved for trust purposes									
Unreserved, designated									
Unreserved, undesignated		(2)	\$2	11	\$4	(48)			7
Total fund balance (deficit)	<u>10</u>	<u>3</u>	<u>2</u>	<u>11</u>	<u>4</u>	<u>(26)</u>			<u>7</u>
TOTAL	<u>\$15</u>	<u>\$22</u>	<u>\$2</u>	<u>\$12</u>	<u>\$4</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$5</u>	<u>\$9</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	HISTORICAL	21ST	PUBLIC	CENTRALIZED	CONVERSATION	VICTIM	FEDERAL	INDEPENDENT
	RECORDS	CENTURY	SAFETY	AND	ON RACE	SERVICES	OMNIBUS	LIVING
	PRESERVATION	GRANT	DIGITAL	DISTRIBUTION	FUND	COORDINATOR	APPROPRIATION	
			911 SYSTEM	SERVICES		GRANT		
<u>A S S E T S</u>								
Cash and cash equivalents								
Investments								\$ 5
Accounts receivable								
Loans receivable								
Due from other governments						\$6		
Due from other funds	\$30	\$134		\$9	\$3		\$22	15
Inventory								
TOTAL	<u>\$30</u>	<u>\$134</u>	<u>\$-0-</u>	<u>\$9</u>	<u>\$3</u>	<u>\$6</u>	<u>\$22</u>	<u>\$20</u>
<u>L I A B I L I T I E S</u>								
A N D								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable		\$ 5				\$1	\$1	\$1
Due to other funds						4		
Deferred revenue								
Total liabilities		5				5	1	1
Fund balance (deficit):								
Reserved for encumbrances		9				1		
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	\$30	120		\$9	\$3		\$21	\$19
Total fund balance (deficit)	<u>30</u>	<u>129</u>		<u>9</u>	<u>3</u>	<u>1</u>	<u>21</u>	<u>19</u>
TOTAL	<u>\$30</u>	<u>\$134</u>	<u>\$-0-</u>	<u>\$9</u>	<u>\$3</u>	<u>\$6</u>	<u>\$22</u>	<u>\$20</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....								
	AIDS OUTREACH	YSB CARE UNIT	JUVENILE JUSTICE CENTER	STD CONTROL PROGRAM	SUMMER FOOD	RECREATION DONATION FUND	RECREATION AMUSEMENT FUND	WEED AND SEED FUND	HEALTH PER CAPITA
<u>A S S E T S</u>									
Cash and cash equivalents									
Investments									
Accounts receivable									
Loans receivable									
Due from other governments				\$11					
Due from other funds	\$13	\$79	\$6		\$31	\$10	\$9	\$153	\$52
Inventory									
TOTAL	<u>\$13</u>	<u>\$79</u>	<u>\$6</u>	<u>\$11</u>	<u>\$31</u>	<u>\$10</u>	<u>\$9</u>	<u>\$153</u>	<u>\$52</u>
<u>L I A B I L I T I E S</u>									
A N D									
<u>F U N D B A L A N C E</u>									
Liabilities:									
Accounts payable	\$ 2	\$ 2	\$5	\$ 1		\$ 2		\$ 8	\$ 1
Due to other funds				5					
Deferred revenue									
Total liabilities	<u>2</u>	<u>2</u>	<u>5</u>	<u>6</u>		<u>2</u>		<u>8</u>	<u>1</u>
Fund balance (deficit):									
Reserved for encumbrances						4	4	1	1
Reserved for inventories									
Reserved for trust purposes									
Unreserved, designated							3		
Unreserved, undesignated	11	77	1	5	\$31	4	2	144	50
Total fund balance (deficit)	<u>11</u>	<u>77</u>	<u>1</u>	<u>5</u>	<u>31</u>	<u>8</u>	<u>9</u>	<u>145</u>	<u>51</u>
TOTAL	<u>\$13</u>	<u>\$79</u>	<u>\$6</u>	<u>\$11</u>	<u>\$31</u>	<u>\$10</u>	<u>\$9</u>	<u>\$153</u>	<u>\$52</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	HIGHWAY SAFETY GRANT	DRUG INVESTIGATION	SENIOR CITIZENS CENTER	MOBILE DATA COMMUNICATION	PULMONARY SCREENING FUND	DRUG ENFORCEMENT TRAINING	SAFE NEIGHBORHOOD PROGRAM	MAYOR'S FUN DAY
<u>A S S E T S</u>								
Cash and cash equivalents								
Investments								
Accounts receivable		\$ 5		\$ 10	\$ 1			
Loans receivable								
Due from other governments								
Due from other funds		178	\$ 49	226	5	\$ 26		
Inventory								
TOTAL	\$-0-	\$183	\$49	\$236	\$6	\$26	\$-0-	\$-0-
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable		\$ 41	\$ 6			\$ 4	\$ 9	
Due to other funds	\$ 10						16	
Deferred revenue								
Total liabilities	10	41	6			4	25	
Fund balance (deficit):								
Reserved for encumbrances			2	\$ 1				
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	(10)	142	41	235	\$ 6	22	(25)	
Total fund balance (deficit)	(10)	142	43	236	6	22	(25)	
TOTAL	\$-0-	\$183	\$49	\$236	\$6	\$26	\$-0-	\$-0-

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	SPECIAL REVENUE.....								
	STATE		SCHOOL	SCHOOL	HIGH	ADULT	SUMMER		
	NARCOTICS	YSB	SCHOOL	SCHOOL	SCHOOL	ADULT	SUMMER	YOUTH	
	TASK	PROGRAM	LUNCH	RENTAL	ATHLETIC	EDUCATION	MUSIC	BUILD	
	FORCE	ACTIVITY	PROGRAM	ACCOUNT	FUND	FUND	FUND	PROGRAM	
<u>A S S E T S</u>									
Cash and cash equivalents			\$ 83	\$193	\$48	\$68	\$51	\$32	
Investments				2	50				
Accounts receivable									
Loans receivable			626						
Due from other governments									
Due from other funds	\$75	\$20							
Inventory			11						
TOTAL	<u>\$75</u>	<u>\$20</u>	<u>\$720</u>	<u>\$195</u>	<u>\$98</u>	<u>\$68</u>	<u>\$51</u>	<u>\$32</u>	
<u>L I A B I L I T I E S</u>									
<u>A N D</u>									
<u>F U N D B A L A N C E</u>									
Liabilities:									
Accounts payable			\$304		\$37				
Due to other funds			331	\$ 2		\$ 1		\$ 184	
Deferred revenue									
Total liabilities			635	2	37	1		184	
Fund balance (deficit):									
Reserved for encumbrances									
Reserved for inventories			11						
Reserved for trust purposes									
Unreserved, designated		\$ 2							
Unreserved, undesignated	\$75	18	74	193	61	67	\$51	(152)	
Total fund balance (deficit)	75	20	85	193	61	67	51	(152)	
TOTAL	<u>\$75</u>	<u>\$20</u>	<u>\$720</u>	<u>\$195</u>	<u>\$98</u>	<u>\$68</u>	<u>\$51</u>	<u>\$ 32</u>	

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	MYRTLE STREET INCUBATOR	MYRTLE STREET PLANNING GRANT FUND	COMMUNITY AND NEIGHBORHOOD DEVELOPMENT	URBAN ACTION GRANT	NEW BRITAIN INDUSTRIAL PARK	BUSINESS OUTREACH	EMERGENCY SHELTER GRANT	COMMUNITY DEVELOPMENT BLOCK GRANT
<u>A S S E T S</u>								
Cash and cash equivalents			\$22	\$1	\$27	\$66	\$4	\$1,425
Investments								
Accounts receivable				1				409
Loans receivable								1,615
Due from other governments								88
Due from other funds								267
Inventory								
TOTAL	\$ -0-	\$ - 0 -	\$22	\$2	\$27	\$66	\$4	\$3,804
<u>L I A B I L I T I E S</u>								
<u>A N D</u>								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable			\$22			\$ 93	\$ 6	\$ 82
Due to other funds						83		22
Deferred revenue						10		1,615
Total liabilities			22			186	6	1,719
Fund balance (deficit):								
Reserved for encumbrances								
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated				\$2	\$27	(120)	(2)	2,085
Total fund balance (deficit)				2	27	(120)	(2)	2,085
TOTAL	\$ -0-	\$ - 0 -	\$22	\$2	\$27	\$ 66	\$ 4	\$3,804

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	HOME PROJECT	LEAD GRANT	STATE HOME PROGRAMS	CHFA BROAD STREET DEMOLITION	REDEVELOPMENT COMMISSION	BROWNFIELD PILOT	OAK STREET NEIGHBORHOOD	NUISANCE ABATEMENT
<u>A S S E T S</u>								
Cash and cash equivalents	\$157	\$228	\$446	\$180	\$5		\$11	\$57
Investments								
Accounts receivable	20							
Loans receivable	763	479						
Due from other governments								
Due from other funds	6		28					
Inventory								
TOTAL	<u>\$946</u>	<u>\$707</u>	<u>\$474</u>	<u>\$180</u>	<u>\$5</u>	<u>\$-0-</u>	<u>\$11</u>	<u>\$57</u>
<u>L I A B I L I T I E S</u>								
A N D								
<u>F U N D B A L A N C E</u>								
Liabilities:								
Accounts payable	\$ 88	\$ 8			\$10			
Due to other funds	190	6	\$ 2					
Deferred revenue	763	693	469	\$180			\$11	\$ 57
Total liabilities	<u>1,041</u>	<u>707</u>	<u>471</u>	<u>180</u>	<u>10</u>		<u>11</u>	<u>57</u>
Fund balance (deficit):								
Reserved for encumbrances								
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	(95)		3		(5)			
Total fund balance (deficit)	<u>(95)</u>	<u>-0-</u>	<u>3</u>	<u>-0-</u>	<u>(5)</u>		<u>-0-</u>	<u>-0-</u>
TOTAL	<u>\$ 946</u>	<u>\$707</u>	<u>\$474</u>	<u>\$180</u>	<u>\$ 5</u>	<u>\$-0-</u>	<u>\$11</u>	<u>\$ 57</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	RENTAL	C.B. ERWIN WALNUT HILL PARK	DARIUS MILLER WALNUT HILL	C.B. STANLEY WALNUT HILL	SPECIAL REVENUE	PARKS AND RECREATION FUND
<u>A S S E T S</u>						
Cash and cash equivalents	\$34					\$12
Investments		\$279	\$1,028	\$1,372		
Accounts receivable						
Loans receivable						
Due from other governments						
Due from other funds			8			
Inventory						
TOTAL	<u>\$34</u>	<u>\$279</u>	<u>\$1,036</u>	<u>\$1,372</u>		<u>\$12</u>
<u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>						
Liabilities:						
Accounts payable			\$ 3			
Due to other funds						
Deferred revenue						
Total liabilities			3			
Fund balance (deficit):						
Reserved for encumbrances						
Reserved for inventories						
Reserved for trust purposes		\$279	846	\$1,370		
Unreserved, designated			37			
Unreserved, undesignated	\$34		150	2		\$12
Total fund balance (deficit)	<u>34</u>	<u>279</u>	<u>1,033</u>	<u>1,372</u>		<u>12</u>
TOTAL	<u>\$34</u>	<u>\$279</u>	<u>\$1,036</u>	<u>\$1,372</u>		<u>\$12</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2003

(thousands)

	DARIUS MILLER F/B/O FAIRVIEW CEMETERY	A.W. STANLEY	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
.....SPECIAL REVENUE.....					
<u>A S S E T S</u>					
Cash and cash equivalents			\$ 4,657		\$ 4,657
Investments	\$232	\$94	4,192		4,192
Accounts receivable			3,574		3,574
Loans receivable			2,857		2,857
Due from other governments			2,648		2,648
Due from other funds			4,361	\$(301)	4,060
Inventory			11		11
TOTAL	<u>\$232</u>	<u>\$94</u>	<u>\$22,300</u>	<u>\$(301)</u>	<u>\$21,999</u>
<u>L I A B I L I T I E S</u>					
<u>A N D</u>					
<u>F U N D B A L A N C E</u>					
Liabilities:					
Accounts payable			\$ 1,414		\$ 1,414
Due to other funds			2,451	\$(301)	2,150
Deferred revenue			5,291		5,291
Total liabilities			9,156	(301)	8,855
Fund balance (deficit):					
Reserved for encumbrances			879		879
Reserved for inventories			11		11
Reserved for trust purposes	\$232	\$94	2,821		2,821
Unreserved, designated			1,303		1,303
Unreserved, undesignated			8,130		8,130
Total fund balance (deficit)	<u>232</u>	<u>94</u>	<u>13,144</u>		<u>13,144</u>
TOTAL	<u>\$232</u>	<u>\$94</u>	<u>\$22,300</u>	<u>\$(301)</u>	<u>\$21,999</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

.....SPECIAL REVENUE.....

	STANLEY QUARTER PARK	LEAD PAINT REDUCTION PROGRAM	CEMETERY FUND	DOG FUND	WILLOWBROOK PARK POOL	ECONOMIC DEVELOPMENT	SEWER USE FUND	HISTORICAL DOCUMENTS FUND
Revenues:								
Intergovernmental revenue		\$100			\$247			
Revenues from the use of money	\$ 3		\$ 329				\$ 149	
Licenses, fees, and charges for goods and services.....	1,278		272	\$ 33			4,266	
Other revenues	11				1		37	
Total revenues.....	1,292	100	601	33	248		4,452	
Expenditures:								
Public safety				125				
Public works			768				3,687	
Health and welfare		91						
Parks, recreation, and libraries	1,448				113			
Education								
Total expenditures.....	1,448	91	768	125	113		3,687	
Excess (deficiency) of revenues over expenditures	(156)	9	(167)	(92)	135		765	
Other financing sources (uses):								
Transfers in				103			32	
Transfers out	(40)		(77)			\$(250)	(381)	\$(20)
Total other financing sources (uses).....	(40)		(77)	103		(250)	(349)	(20)
Net change in fund balances	(196)	9	(244)	11	135	(250)	416	(20)
Fund balance (deficit), beginning of year .	331	(9)	1,272	10	-0-	250	5,054	20
Fund balance (deficit), end of year	\$ 135	\$-0-	\$1,028	\$ 21	\$135	\$ -0-	\$5,470	\$-0-

CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

.....SPECIAL REVENUE.....

	PAUL BYRNE GRANT	NEW BRITAIN MARKETING COLLABORATIVE	LOCAL CAPITAL IMPROVEMENT	YOUTH SUMMER TRANSPORTATION	LARVACIDE GRANT	BOE STATE AND FEDERAL GRANTS	STATUE RESTORATION FUND
Revenues:							
Intergovernmental revenue	\$67		\$1,587	\$1		\$16,581	
Revenues from the use of money							
Licenses, fees, and charges for goods and services.....							
Other revenues		\$ 4	37			1,398	
Total revenues.....	67	4	1,624	1		17,979	
Expenditures:							
Public safety							
Public works							
Health and welfare							
Parks, recreation, and libraries	49	5	1,624	1			\$ 4
Education						19,469	
Total expenditures.....	49	5	1,624	1		19,469	4
Excess (deficiency) of revenues over expenditures	18	(1)				(1,490)	(4)
Other financing sources (uses):							
Transfers in							
Transfers out							
Total other financing sources (uses).....							
Net change in fund balances	18	(1)				(1,490)	(4)
Fund balance (deficit), beginning of year .	-0-	23	(48)	1	\$8	1,490	24
Fund balance (deficit), end of year	\$18	\$22	\$ (48)	\$1	\$8	\$ - 0 -	\$20

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	LEAD POISONING PREVENTION FUND	SUMMER RECREATION AND EDUCATION	SUBSTANCE ABUSE (TCE) GRANT	ANTI TOBACCO GRANT	MARTIN LUTHER KING BRICK SALE	PREVENTATIVE HEALTH SERVICES GRANTS	SMOKING CESSATION GRANT	LEARN TO SERVE
Revenues:								
Intergovernmental revenue	\$46		\$30			\$17		
Revenues from the use of money								
Licenses, fees, and charges for goods and services								\$2
Other revenues								
Total revenues.....	46		30			17		2
Expenditures:								
Public safety								
Public works								
Health and welfare	46		30			23		1
Parks, recreation, and libraries		\$ 45						
Education								
Total expenditures.....	46	45	30			23		1
Excess (deficiency) of revenues over expenditures		(45)				(6)		1
Other financing sources (uses):								
Transfers in								
Transfers out					\$(3)			
Total other financing sources (uses).....					(3)			
Net change in fund balances		(45)			(3)	(6)		1
Fund balance (deficit), beginning of year .	-0-	45	-0-	3	\$7	6	-0-	\$-0-
Fund balance (deficit), end of year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$7</u>	<u>\$-0-</u>	<u>\$1</u>	<u>\$-0-</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....									
	EXERCISE	EXERCISE	GRASSROOTS	IMMUNIZATION	BULLET	DSS	OVAL		BIOTERRORISM	SYSTEM
	THE RIGHT	THE RIGHT	TENNIS	ACTION	PROOF	FOOD	GROVE		GRANT	OF CARE
	CHOICE	CHOICE II	GRANT	PLAN	VEST	STAMP	WELFARE	TO WORK		GRANT
					GRANT	WORKFARE				
Revenues:										
Intergovernmental revenue	\$251	\$400		\$ 68	\$ 21	\$119			\$19	
Revenues from the use of money										
Licenses, fees, and charges for goods and services.....										
Other revenues			\$3							\$104
Total revenues.....	251	400	3	68	21	119			19	104
Expenditures:										
Public safety					37					
Public works										
Health and welfare						145			19	103
Parks, recreation, and libraries	271	384	5	81						
Education										
Total expenditures.....	271	384	5	81	37	145			19	103
Excess (deficiency) of revenues over expenditures	(20)	16	(2)	(13)	(16)	(26)				1
Other financing sources (uses):										
Transfers in					20					
Transfers out										
Total other financing sources (uses).....					20					
Net change in fund balances	(20)	16	(2)	(13)	4	(26)				1
Fund balance (deficit), beginning of year .	30	(13)	4	24	-0-	-0-	-0-		\$-0-	6
Fund balance (deficit), end of year	\$ 10	\$ 3	\$ 2	\$ 11	\$ 4	\$(26)	\$-0-		\$-0-	\$ 7

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	HISTORICAL RECORDS PRESERVATION	21ST CENTURY GRANT	PUBLIC SAFETY DIGITAL 911 SYSTEM	CENTRALIZED AND DISTRIBUTION SERVICES	CONSERVATION ON RACE FUND	VICTIM SERVICES COORDINATOR GRANT	FEDERAL OMNIBUS APPROPRIATION	INDEPENDENT LIVING
Revenues:								
Intergovernmental revenue	\$10	\$579				\$12	\$283	\$72
Revenues from the use of money								
Licenses, fees, and charges for goods and services.....	11							
Other revenues					\$2			5
Total revenues.....	21	579			2	12	283	77
Expenditures:								
Public safety						11	262	
Public works								
Health and welfare								74
Parks, recreation, and libraries	11	450			1			
Education								
Total expenditures.....	11	450			1	11	262	74
Excess (deficiency) of revenues over expenditures	10	129			1	1	21	3
Other financing sources (uses):								
Transfers in	20			\$9				10
Transfers out				\$(122)				
Total other financing sources (uses).....	20			(122)	9			10
Net change in fund balances	30	129	(122)	9	1	1	21	13
Fund balance (deficit), beginning of year .	-0-	-0-	122	-0-	2	-0-	-0-	6
Fund balance (deficit), end of year	<u>\$30</u>	<u>\$129</u>	<u>\$ -0-</u>	<u>\$9</u>	<u>\$3</u>	<u>\$ 1</u>	<u>\$21</u>	<u>\$19</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....								
	AIDS OUTREACH	YSB CARE UNIT	JUVENILE JUSTICE CENTER	STD CONTROL PROGRAM	SUMMER FOOD	RECREATION DONATIONS FUND	RECREATION AMUSEMENT FUND	WEED AND SEED FUND	HEALTH PER CAPITA
Revenues:									
Intergovernmental revenue	\$89	\$ 67	\$336	\$21	\$116			\$570	\$68
Revenues from the use of money									
Licenses, fees, and charges for goods and services.....						\$12	\$33		
Other revenues		9				6	1		
Total revenues.....	89	76	336	21	116	18	34	570	68
Expenditures:									
Public safety								386	
Public works									
Health and welfare	86	212	336	16	76				71
Parks, recreation, and libraries						27	42		
Education									
Total expenditures.....	86	212	336	16	76	27	42	386	71
Excess (deficiency) of revenues over expenditures	3	(136)		5	40	(9)	(8)	184	(3)
Other financing sources (uses):									
Transfers in		142							
Transfers out									
Total other financing sources (uses).....		142							
Net change in fund balances	3	6		5	40	(9)	(8)	184	(3)
Fund balance (deficit), beginning of year .	8	71	1	-0-	(9)	17	17	(39)	54
Fund balance (deficit), end of year	<u>\$11</u>	<u>\$77</u>	<u>\$ 1</u>	<u>\$ 5</u>	<u>\$ 31</u>	<u>\$ 8</u>	<u>\$ 9</u>	<u>\$145</u>	<u>\$51</u>

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	HIGHWAY SAFETY GRANT	DRUG INVESTIGATION	SENIOR CITIZENS CENTER	MOBILE DATA COMMUNICATION	SPECIAL PULMONARY SCREENING FUND	REVENUE DRUG ENFORCEMENT TRAINING	SAFE NEIGHBORHOOD PROGRAM	MAYOR'S FUN DAY
Revenues:								
Intergovernmental revenue	\$ 12	\$ 66		\$101		\$204		
Revenues from the use of money								
Licenses, fees, and charges for goods and services.....			\$85		\$ 1			\$8
Other revenues		107						
Total revenues.....	12	173	85	101	1	204		8
Expenditures:								
Public safety	21	158		112		277	\$ 491	
Public works								
Health and welfare					2			
Parks, recreation, and libraries			89					8
Education								
Total expenditures.....	21	158	89	112	2	277	491	8
Excess (deficiency) of revenues over expenditures	(9)	15	(4)	(11)	(1)	(73)	(491)	
Other financing sources (uses):								
Transfers in	10			122		27	414	
Transfers out								
Total other financing sources (uses).....	10			122		27	414	
Net change in fund balances	1	15	(4)	111	(1)	(46)	(77)	
Fund balance (deficit), beginning of year .	(11)	127	47	125	7	68	52	
Fund balance (deficit), end of year	<u>\$ (10)</u>	<u>\$142</u>	<u>\$43</u>	<u>\$236</u>	<u>\$ 6</u>	<u>\$ 22</u>	<u>\$ (25)</u>	<u>\$-0-</u>

CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	.....SPECIAL REVENUE.....							
	STATE	YSB	SCHOOL	SCHOOL	HIGH	ADULT	SUMMER	
	NARCOTICS	PROGRAM	LUNCH	RENTAL	SCHOOL	EDUCATION	SCHOOL	YOUTH
	TASK	ACTIVITY	PROGRAM	ACCOUNT	ATHLETIC	FUND	MUSIC	BUILD
	FORCE				FUND	FUND	FUND	PROGRAM
Revenues:								
Intergovernmental revenue			\$2,729					\$ 139
Revenues from the use of money								
Licenses, fees, and charges for goods and services.....			836	\$ 44	\$ 119	\$29	\$12	
Other revenues		\$26						
Total revenues.....		26	3,565	44	119	29	12	139
Expenditures:								
Public safety								
Public works								
Health and welfare		23						303
Parks, recreation, and libraries								
Education			3,454	17	242	27	2	
Total expenditures.....		23	3,454	17	242	27	2	303
Excess (deficiency) of revenues over expenditures		3	111	27	(123)	2	10	(164)
Other financing sources (uses):								
Transfers in					170			
Transfers out								
Total other financing sources (uses).....					170			
Net change in fund balances		3	111	27	47	2	10	(164)
Fund balance (deficit), beginning of year .	\$75	17	(26)	166	14	65	41	12
Fund balance (deficit), end of year	\$75	\$20	\$ 85	\$193	\$ 61	\$67	\$51	\$(152)

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

		.....SPECIAL REVENUE.....						
		MYRTLE	MYRTLE	COMMUNITY AND	URBAN	NEW BRITAIN	EMERGENCY	COMMUNITY	
		STREET	STREET	NEIGHBORHOOD	ACTION	INDUSTRIAL	SHELTER	DEVELOPMENT	
		INCUBATOR	GRANT FUND	DEVELOPMENT	GRANT	PARK	GRANT	BLOCK	
								GRANT	
Revenues:									
	Intergovernmental revenue						\$71	\$3,371	
	Revenues from the use of money								
	Licenses, fees, and charges for goods and services.....							203	
	Other revenues								
	Total revenues.....						71	3,574	
06	Expenditures:								
	Public safety								
	Public works								
	Health and welfare	\$ 44	\$ 3				67	3,489	
	Parks, recreation, and libraries								
Education									
	Total expenditures.....	44	3				67	3,489	
	Excess (deficiency) of revenues over expenditures	(44)	(3)				4	85	
Other financing sources (uses):									
	Transfers in								
	Transfers out								
	Total other financing sources (uses).....								
	Net change in fund balances	(44)	(3)				4	85	
	Fund balance (deficit), beginning of year .	44	3		\$2	\$27	\$(120)	(6)	2,000
	Fund balance (deficit), end of year	\$-0-	\$-0-	\$-0-	\$2	\$27	\$(120)	\$(2)	\$2,085

CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
AS OF JUNE 30, 2003

(thousands)

	SPECIAL REVENUE.....							
	HOME PROJECT	LEAD GRANT	STATE HOME PROGRAMS	CHFA BROAD STREET DEMOLITION	REDEVELOPMENT COMMISSION	BROWNFIELD PILOT	OAK STREET NEIGHBORHOOD	NUISANCE ABATEMENT
Revenues:								
Intergovernmental revenue	\$1,714	\$843	\$264	\$7		\$19	\$2	
Revenues from the use of money								
Licenses, fees, and charges for goods and services.....								
Other revenues								
Total revenues.....	1,714	843	264	7		19	2	
Expenditures:								
Public safety								
Public works								
Health and welfare	2,246	843	266	7		19	2	
Parks, recreation, and libraries								
Education								
Total expenditures.....	2,246	843	266	7		19	2	
Excess (deficiency) of revenues over expenditures	(532)		(2)					
Other financing sources (uses):								
Transfers in								
Transfers out								
Total other financing sources (uses).....								
Net change in fund balances	(532)		(2)					
Fund balance (deficit), beginning of year .	437	-0-	5	-0-	\$(5)	-0-	-0-	\$(0-
Fund balance (deficit), end of year	\$(95)	\$(0-	\$3	\$(0-	\$(5)	\$(0-	\$(0-	\$(0-

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CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

	(thousands)				
	SPECIAL REVENUE.....				PARKS AND
	C.B. ERWIN	DARIUS	C.B.	STANLEY	RECREATION
	WALNUT HILL	MILLER	WALNUT HILL	WALNUT HILL	FUND
	RENTAL	PARK	WALNUT HILL	WALNUT HILL	FUND
Revenues:					
Intergovernmental revenue					
Revenues from the use of money	\$ 5	\$ 7	\$ 1	\$ 192	
Licenses, fees, and charges for goods and services.....					
Other revenues			15		
Total revenues.....	5	7	16	192	
Expenditures:					
Public safety					
Public works					
Health and welfare	1				
Parks, recreation, and libraries		19	39	206	
Education					
Total expenditures.....	1	19	39	206	
Excess (deficiency) of revenues over expenditures	4	(12)	(23)	(14)	
Other financing sources (uses):					
Transfers in					
Transfers out					
Total other financing sources (uses).....					
Net change in fund balances	4	(12)	(23)	(14)	
Fund balance (deficit), beginning of year .	30	291	1,056	1,386	\$12
Fund balance (deficit), end of year	\$34	\$279	\$1,033	\$1,372	\$12

CITY OF NEW BRITAIN, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	DARIUS MILLER F/B/O FAIRVIEW CEMETERY	A.W. STANLEY	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
.....SPECIAL REVENUE.....					
Revenues:					
Intergovernmental revenue			\$31,319		\$31,319
Revenues from the use of money	\$ 32	\$ 1	719		719
Licenses, fees, and charges for goods and services.....			7,030		7,030
Other revenues			1,980		1,980
Total revenues.....	32	1	41,048		41,048
Expenditures:					
Public safety			1,880		1,880
Public works			4,455		4,455
Health and welfare			8,644		8,644
Parks, recreation, and libraries	15	1	4,938		4,938
Education			23,211		23,211
Total expenditures.....	15	1	43,128		43,128
Excess (deficiency) of revenues over expenditures	17		(2,080)		(2,080)
Other financing sources (uses):					
Transfers in			1,079	\$(142)	937
Transfers out			(893)	142	(751)
Total other financing sources (uses).....			186		186
Net change in fund balances	17		(1,894)		(1,894)
Fund balance (deficit), beginning of year .	215	94	15,038	-0-	15,038
Fund balance (deficit), end of year	<u>\$232</u>	<u>\$94</u>	<u>\$13,144</u>	<u>\$ -0-</u>	<u>\$13,144</u>

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CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the financial resources for the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds.

Revenues to the Capital Projects Fund consist of the proceeds of long and short-term debt, grants, and transfers from operating funds and the Capital and Non-Recurring Expenditure Fund.

Appropriations are made on a project life basis by the City Council in the form of resolutions or bond ordinances.

The schedule on the following pages displays for each project:

1. The original appropriation as amended.
2. Expenditures for the current fiscal year.
3. Expenditures for all fiscal years.
4. Outstanding encumbrances.
5. The project balance at fiscal year end.

For management reporting purposes, projects are classified into functional areas.

If projects are completed with remaining funded balances, the unexpended balance is transferred to the Capital Reserve Account of the Capital and Non-Recurring Expenditure Fund. The Reserve is then used as a source of funding for future projects.

CITY OF NEW BRITAIN, CONNECTICUT

CAPITAL PROJECTS FUND

SCHEDULE OF EXPENDITURES - ACTUAL VS. APPROPRIATIONS (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

PROJECT DESCRIPTION	AMENDED BUDGET	CURRENT YEAR EXPENDITURES AND TRANSFERS	CUMULATIVE EXPENDITURES	ENCUMBERED	AVAILABLE BUDGET
Capital Equipment Reserve.....	\$ 6,027	\$ 627	\$ 5,442	\$ 29	\$ 556
Capital and Nonrecurring.....	22,565	3,832	16,881	215	5,469
Subway.....	1,255	589	1,245	127	(117)
Roosevelt Demo.....	16,500	28	16,169		331
NBHS Renovation.....	400	1	418		(18)
NBHS Addition/Renovation.....	16,850	34	16,618		232
Lincoln, Northend, Vance.....	41,650	1,020	2,210	3,215	36,225
Advanced refunding 1995 issue, 2002.....	4,700	92	92		4,608
City Hall Renovation.....	33,491	2,231	33,298	19	174
Black Rock Avenue.....	1,619		876		743
Broad, Beaver, Main and North.....	6,595	2,050	2,602	2,700	1,293
Main Street Reconstruction.....	3,250	109	2,634	333	283
Arch Street Walkway.....	4,020	584	2,425	741	854
Police Headquarters Renovation.....	11,410				11,410
EMS Ambulance.....	375	4	409	4	(38)
Driving Range.....	1,100	785	983	54	63
Storm Water System Improvement.....	7,136			3	7,133
Hatch Building Renovation.....	2,370				2,370
Environmental Remediation.....	7,707				7,707
Local Capital Improvement.....	950	25	306	11	633
Darius Miller Shell Improvement.....	175	17	191		(16)
Arch Street Reconstruction.....	9,920	2,247	9,920		
Badolato Garage Rehabilitation.....	2,618	200	2,615		3
Szczesny Garage Rehabilitation.....	3,162		3,162		
Fafnir Booth Street Ind.....	8,100	27	7,576	27	497
Sanitary Sewer.....	1,350		1,118	26	206
St. Clair/Lester/East Street.....	10,200	56	309	94	9,797
Willow Brook Phase IV.....	2,450	26	175	180	2,095
Street Lighting.....	575	18	72	7	496
Hart Street Extension.....	9,500	112	224	359	8,917
Broad Street Reconstruction.....	25,200	417	1,932	614	22,654
NB Machine Industrial Park.....	3,600	33	1,191		2,409
Fafnir Smart Park Expansion.....	2,900	1,002	1,021	5	1,874
Judicial District Parking Garage.....	16,415	17	16,149		266
Willow Street Project.....	2,325				2,325
Sewer I & I Improvements.....	20,375	2,686	4,972	1,448	13,955
TOTAL.....	<u>\$308,835</u>	<u>\$18,869</u>	<u>\$153,235</u>	<u>\$10,211</u>	<u>\$145,389</u>

INTERNAL SERVICE FUNDS

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

Special Reserve Fund – to account for monies reserved for future insurance expenditures.

Health Insurance Fund – to account for revenues and expenditures related to the City's Medical Self-Insurance Plan.

Workers Compensation Fund – to account for revenues and expenditures related to the City's Worker's Compensation Plan.

General Accident Casualty & Liability Fund – to account for revenues and expenditures related to the City's self-insurance program for general liability coverage.

CITY OF NEW BRITAIN, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2003

(thousands)

	SPECIAL RESERVE FUND	HEALTH INSURANCE FUND	WORKERS' COMPENSATION	GENERAL ACCIDENT CASUALTY AND LIABILITY	TOTAL
<u>A S S E T S</u>					
Cash and cash equivalents	\$ 184		\$ 1,344	\$ 110	\$ 1,638
Investments	2,464		12,182	1,119	15,765
Due from other funds	525	\$4,894			5,419
Accounts receivable	21	115	354	9	499
Total assets.....	<u>\$3,194</u>	<u>\$5,009</u>	<u>\$13,880</u>	<u>\$1,238</u>	<u>\$23,321</u>
L I A B I L I T I E S A N D <u>N E T A S S E T S</u>					
Liabilities:					
Accounts payable and accrued expenses		\$2,000	\$ 68	\$ 44	\$ 2,112
Due to other funds			368	26	394
Claim reserves		1,400	11,151	2,228	14,779
Total liabilities.....		3,400	11,587	2,298	17,285
Net assets	<u>\$3,194</u>	<u>1,609</u>	<u>2,293</u>	<u>(1,060)</u>	<u>6,036</u>
Total liabilities and net assets	<u>\$3,194</u>	<u>\$5,009</u>	<u>\$13,880</u>	<u>\$ 1,238</u>	<u>\$23,321</u>

CITY OF NEW BRITAIN, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	SPECIAL RESERVE FUND	HEALTH INSURANCE FUND	WORKERS' COMPENSATION	GENERAL ACCIDENT CASUALTY AND LIABILITY	INTERFUND ELIMINATION	TOTAL
Operating revenues:						
Charges to other funds		\$16,798	\$ 472	\$ 2		\$17,272
Other revenues		3,130	27	29		3,186
Total operating revenues		19,928	499	31		20,458
Operating expenses:						
Claims incurred		18,118	1,600	134		19,852
Administrative costs	\$ 12	1,186	229	3		1,430
Total operating expenses	12	19,304	1,829	137		21,282
Operating income (loss)	(12)	624	(1,330)	(106)		(824)
Non-operating revenues (expenses):						
Revenues from the use of money	202	7	929	68		1,206
Reduction in actuarial claims reserve			2,840	1,017		3,857
Total non-operating revenues (expenses)	202	7	3,769	1,085		5,063
Net income (loss) before transfers	190	631	2,439	979		4,239
Other financing sources (uses):						
Transfers (to) other funds	(1,100)	(750)			\$ 1,100	(750)
Transfers from other funds	525		975	125	(1,100)	525
Total other financing sources (uses)	(575)	(750)	975	125		(225)
Change in net assets	(385)	(119)	3,414	1,104		4,014
Net assets (deficit), beginning of year	3,579	1,728	(1,121)	(2,164)		2,022
Net assets (deficit), end of year	\$ 3,194	\$ 1,609	\$ 2,293	\$ (1,060)	\$ - 0 -	\$ 6,036

CITY OF NEW BRITAIN, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

	(thousands)					
	SPECIAL RESERVE FUND	HEALTH INSURANCE FUND	WORKERS' COMPENSATION	GENERAL ACCIDENT CASUALTY AND LIABILITY	INTERFUND ELIMINATION	TOTAL
Cash flows from operating activities:						
Cash received from charges to other funds		\$ 15,786	\$ 118	\$ 2		\$ 15,906
Cash received from other operating activities		3,050	27	20		3,097
Cash paid for premiums and other operating expenses	\$ (437)	(1,224)	(953)	(47)		(2,661)
Cash payments for claims made		(18,167)	(1,600)	(134)		(19,901)
Net cash provided (used) by operating activities	(437)	(555)	(2,408)	(159)		(3,559)
Cash flows from non-capital financing activities:						
Cash received from other funds	525		975	125	\$(1,100)	525
Reduction in actuarial claims reserve						
Cash paid to other funds	(1,100)	(750)			1,100	(750)
Net cash provided (used) by non-capital financing activities.....	(575)	(750)	975	125		(225)
Cash flows from investing activities:						
Interest income	181	7	929	68		1,185
Sale of investments	811		843			1,654
Purchase of investments				(134)		(134)
Net cash provided (used) by investing activities	992	7	1,772	(66)		2,705
Net increase (decrease) in cash and cash equivalents	(20)	(1,298)	339	(100)		(1,079)
Cash and cash equivalents, beginning of year	204	1,298	1,005	210		2,717
Cash and cash equivalents, end of year	\$ 184	\$ - 0 -	\$ 1,344	\$ 110	\$ - 0 -	\$ 1,638
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (12)	\$ 624	\$(1,330)	\$(106)		\$ (824)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
(Increase) decrease in accounts receivable		(80)	(354)	(9)		(443)
(Increase) decrease in due from other funds	(425)	(2,179)				(2,604)
Increase (decrease) in accounts payable and accrued expenses.....		(38)	8	3		(27)
Increase (decrease) in due to other funds		1,167	(732)	(47)		388
Increase (decrease) in claim reserves		(49)				(49)
Total adjustments.....	(425)	(1,179)	(1,078)	(53)		(2,735)
Net cash provided (used) by operating activities	\$(437)	\$ (555)	\$(2,408)	\$(159)	\$ - 0 -	\$(3,559)
Non-cash investment activities:						
Net increase (decrease) in the fair value of investments ...	\$55		\$293	\$17	\$ - 0 -	\$365

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 Funds – to account for the accumulation of resources to be used for retirement annuity payments in accordance with contract amounts and times in the future. These funds cover all members of the Fire Department and sworn members of the Police Department. Resources are contributed by employees at rates fixed by contract and by the City at amounts determined by an annual actuarial study..

Student Activity Fund – to account for the collection and payment of expenses for education extra-curricular activities at the high school, middle school, and grammar schools. Annually, the Board of Education transfers funds from their General Fund Budget.

Contractor's Bond Fund – to account for all bonds collected from contractor's – these bonds will be returned to payee upon successful completion of related construction project.

CITY OF NEW BRITAIN, CONNECTICUTPENSION TRUST FUNDSCOMBINING BALANCE SHEET
JUNE 30, 2003

(thousands)

	FIREMEN'S PENSION FUND	POLICE BENEFIT FUND	TOTAL
<u>A S S E T S</u>			
Cash and cash equivalents	\$ 1,939	\$ 2,197	\$ 4,136
Investments	69,497	68,206	137,703
TOTAL	<u>\$71,436</u>	<u>\$70,403</u>	<u>\$141,839</u>
L I A B I L I T I E S A N D <u>N E T A S S E T S</u>			
Liabilities:			
Accounts payable and accrued expenses	\$ 7	\$ 7	\$ 14
Net assets held in trust for pension benefits	71,429	70,396	141,825
TOTAL	<u>\$71,436</u>	<u>\$70,403</u>	<u>\$141,839</u>

CITY OF NEW BRITAIN, CONNECTICUTPENSION TRUST FUNDSCOMBINING SCHEDULE OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	FIREMEN'S PENSION FUND	POLICE BENEFIT FUND	TOTAL
Additions:			
Contributions:			
Employer.....	\$ 768	\$ 402	\$ 1,170
Employee.....	496	436	932
Total contributions.....	1,264	838	2,102
Investment income:			
Net appreciation (depreciation) fair value of investments	(561)	(363)	(924)
Interest and dividends	3,089	2,407	5,496
Miscellaneous	122	25	147
Total investment income.....	2,650	2,069	4,719
Less investment expense	(212)	(213)	(425)
Net investment income	2,438	1,856	4,294
Total additions.....	3,702	2,694	6,396
Deductions:			
Benefits	3,440	4,492	7,932
Administration	164	89	253
Total deductions.....	3,604	4,581	8,185
Net increase (decrease)	98	(1,887)	(1,789)
Net assets held in trust for pension benefits, July 1, 2002.....	71,331	72,283	143,614
Net assets held in trust for pension benefits, June 30, 2003.....	<u>\$71,429</u>	<u>\$70,396</u>	<u>\$141,825</u>

CITY OF NEW BRITAIN, CONNECTICUTAGENCY FUNDSCOMBINING BALANCE SHEET
AS OF JUNE 30, 2003

(thousands)

	CONTRACTOR'S BOND FUND	STUDENT ACTIVITY FUNDS	TOTAL
<u>A S S E T S</u>			
Cash and cash equivalents		\$127	\$127
Investments	\$301	71	372
TOTAL.....	<u>\$301</u>	<u>\$198</u>	<u>\$499</u>
<u>L I A B I L I T I E S</u> <u>A N D</u> <u>F U N D B A L A N C E</u>			
Liabilities:			
Due to other funds.....	\$ 17		\$ 17
Due to beneficiaries.....	284	\$198	482
Total liabilities	<u>301</u>	<u>198</u>	<u>499</u>
Fund balance			
TOTAL.....	<u>\$301</u>	<u>\$198</u>	<u>\$499</u>

CITY OF NEW BRITAIN, CONNECTICUTAGENCY FUNDSCOMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

	BALANCE JULY 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2003
<u>CONTRACTOR'S BOND FUND</u>				
Assets:				
Cash and cash equivalents.				
Investments.....	\$285	\$80	\$64	\$301
TOTAL	<u>\$285</u>	<u>\$80</u>	<u>\$64</u>	<u>\$301</u>
Liabilities:				
Due to other funds.....	\$ 10	\$ 9	\$ 2	\$ 17
Due to beneficiaries.....	275	71	62	284
TOTAL	<u>\$285</u>	<u>\$80</u>	<u>\$64</u>	<u>\$301</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents.	\$212	\$702	\$787	\$127
Investments.....		71		71
TOTAL	<u>\$212</u>	<u>\$773</u>	<u>\$787</u>	<u>\$198</u>
Liabilities:				
Due to other funds.....				
Due to beneficiaries.....	\$212	\$773	\$787	\$198
TOTAL	<u>\$212</u>	<u>\$773</u>	<u>\$787</u>	<u>\$198</u>
<u>TOTAL ALL FUNDS</u>				
Assets:				
Cash and cash equivalents.	\$212	\$702	\$787	\$127
Investments.....	285	151	64	372
TOTAL	<u>\$497</u>	<u>\$853</u>	<u>\$851</u>	<u>\$499</u>
Liabilities:				
Due to other funds.....	\$ 10	\$ 9	\$ 2	\$ 17
Due to beneficiaries.....	487	844	849	482
TOTAL	<u>\$497</u>	<u>\$853</u>	<u>\$851</u>	<u>\$499</u>

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

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

The City's capitalization policy requires the recording of capital assets with original cost of \$5,000 or more. Infrastructure assets are also recorded based on a threshold of \$5,000. Provision for depreciation is not included in the schedules.

CITY OF NEW BRITAIN, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCOMPARATIVE SCHEDULE BY SOURCE
JUNE 30, 2003 AND 2002

(thousands)

	2003	2002
Governmental funds capital assets:		
Land	\$ 22,593	\$ 24,550
Buildings	182,285	174,090
Equipment	15,603	15,268
Vehicles	12,690	12,912
Infrastructure	83,808	79,975
Construction in progress	<u>2,210</u>	<u>9,025</u>
TOTAL.....	<u>\$319,189</u>	<u>\$315,820</u>
Investment in governmental funds capital assets by source:		
Capital Projects Funds:		
General obligation bonds and notes.....	\$177,461	\$169,311
State grants	118,145	118,996
General Fund revenues	15,512	19,977
Special Revenue Fund revenues	3,103	2,568
Gifts	<u>4,968</u>	<u>4,968</u>
TOTAL.....	<u>\$319,189</u>	<u>\$315,820</u>

CITY OF NEW BRITAIN, CONNECTICUT

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY
AS OF JUNE 30, 2003

(thousands)

FUNCTION AND ACTIVITY	LAND AND BUILDINGS	EQUIPMENT	VEHICLES	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government.....	\$ 78,662	\$ 1,243	\$ 443	\$ 170		\$ 80,518
Public Safety.....	592	3,772	4,928			9,292
Public Works.....	420	1,008	5,269	83,395		90,092
Health and Social Services.....		8	86			94
Parks and Recreation.....	10,424	1,546	1,703	243		13,916
Education.....	114,780	8,026	261		\$2,210	125,277
TOTAL.....	<u>\$204,878</u>	<u>\$15,603</u>	<u>\$12,690</u>	<u>\$83,808</u>	<u>\$2,210</u>	<u>\$319,189</u>

CITY OF NEW BRITAIN, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDSCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2002	TRANSFERS IN AND ADDITIONS	TRANSFERS OUT AND DELETIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2003
General Government	\$ 82,911	\$ 151	\$ 2,544	\$ 80,518
Public Safety	9,061	691	460	9,292
Public Works	86,680	7,865	4,453	90,092
Health and Social Services	106		12	94
Park and Recreation	13,955	192	231	13,916
Education	123,107	10,853	8,683	125,277
TOTAL	<u>\$315,820</u>	<u>\$19,752</u>	<u>\$16,383</u>	<u>\$319,189</u>

CITY OF NEW BRITAIN, CONNECTICUT
 GOVERNMENT-WIDE EXPENSES BY FUNCTION
 LAST TWO FISCAL YEARS
 (thousands)

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	PUBLIC WORKS	HEALTH AND WELFARE	PARKS, RECREATION AND LIBRARIES	EDUCATION	INTEREST ON LONG-TERM DEBT	NON- DEPARTMENTAL FIXED CHARGES*	WATER	TOTAL
2002	\$7,327	\$25,874	\$18,295	\$7,573	\$11,220	\$123,103	\$12,930	\$10,709	\$6,328	\$223,359
2003	\$5,706	\$29,398	\$22,828	\$10,286	\$13,169	\$129,607	\$12,299		\$5,794	\$229,087

*Nondepartmental fixed charges are allocated by function after fiscal year ended June 30, 2002.

CITY OF NEW BRITAIN, CONNECTICUT

GOVERNMENT-WIDE REVENUES
LAST TWO FISCAL YEARS

(thousands)

FISCAL YEAR	PROGRAM REVENUES.....			GENERAL REVENUES.....				TOTAL
	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PROPERTY TAXES	GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PURPOSES	UNRESTRICTED INVESTMENT EARNINGS	OTHER GENERAL REVENUES	
2002	\$26,723	\$92,470	\$8,411	\$78,945	\$18,587	\$3,324	\$2,160	\$230,620
2003	\$24,385	\$94,877	\$9,353	\$84,956	\$21,807	\$3,339	\$3,883	\$242,600

CITY OF NEW BRITAIN, CONNECTICUT

GENERAL GOVERNMENTAL REVENUES AND TRANSFERS BY SOURCE
 BUDGETARY BASIS
 LAST TEN FISCAL YEARS

(thousands)

FISCAL YEAR	TAXES	LICENSES FEES AND PERMITS	INTERGOVERNMENTAL REVENUE	CHARGES FOR SERVICES	INVESTMENT AND OTHER REVENUE	TRANSFER FROM OTHER FUNDS	TOTAL
1994	\$71,200	\$496	\$55,739	\$4,465	\$1,445	\$ 853	\$134,198
1995	74,534	491	59,845	4,419	1,382	711	141,382
1996	74,850	482	60,989	4,337	1,154	2,268	144,080
1997	74,400	478	60,517	4,301	1,401	765	141,862
1998	72,757	534	66,405	4,808	1,623	820	146,947
1999	73,401	597	71,912	5,370	2,067	837	154,184
2000	73,605	646	74,593	5,813	3,484	4,533	162,674
2001	75,795	509	80,128	5,603	2,729	6,076	170,840
2002	78,340	784	83,847	6,083	4,754	3,426	177,234
2003	84,094	645	84,314	7,086	8,678	5,736	190,553

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Note: These statistics include only General Fund revenues, expenditures and transfers.

CITY OF NEW BRITAIN, CONNECTICUTGENERAL GOVERNMENTAL EXPENDITURES AND OTHER USES BY FUNCTION
LAST TEN FISCAL YEARS

FISCAL YEAR	GENERAL GOVERNMENT	PUBLIC SAFETY	PUBLIC WORKS	PARKS AND RECREATION	SOCIAL SERVICES	EDUCATION	TRANSFERS TO OTHER FUNDS	OTHER EXPENDITURES	NON- DEPARTMENTAL FIXED CHARGES*	DEBT SERVICE	TOTAL
1994 ..	\$3,238	\$17,543	\$ 9,014	\$5,407	\$7,637	\$60,684	\$12,224	\$947	\$16,708	\$307	\$133,709
1995 ..	3,297	18,011	9,199	5,239	6,623	64,081	16,027	97	18,075		140,649
1996 ..	5,322	17,787	8,436	5,590	4,588	66,135	18,253	954	16,677		143,742
1997 ..	3,401	18,542	9,946	5,520	3,350	67,806	16,380	415	15,840		141,200
1998 ..	3,598	19,414	9,543	5,214	2,367	70,920	22,116	181	12,972		146,325
1999 ..	3,747	20,393	10,007	5,532	1,551	75,599	25,688	196	10,080	508	153,301
2000 ..	3,814	22,352	10,396	5,676	1,644	79,906	36,810	112	8,392		169,102
2001 ..	3,742	22,588	10,708	5,938	1,686	85,470	30,101	597	9,087		169,917
2002 ..	3,930	23,240	10,890	6,351	1,748	98,260	30,646	335	9,527		184,927
2003 ..	4,781	29,448	12,206	7,154	2,155	99,518	34,717				189,979

* Nondepartmental fixed charges are allocated by function after fiscal year ended June 30, 2002.

Note: These statistics include only General Fund revenues, expenditures and transfers.

TABLE 5

CITY OF NEW BRITAIN, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

FISCAL YEAR	MILL RATE	TOTAL TAX LEVY*	CURRENT TAX COLLECTIONS*	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS*	TOTAL TAX COLLECTIONS*	TOTAL COLLECTIONS AS A PERCENT OF CURRENT LEVY	OUTSTANDING DELINQUENT TAXES*	OUTSTANDING DELINQUENT TAXES AS A PERCENT OF CURRENT LEVY
1992 1994	49.36	\$71,478	\$68,159	95.36%	\$1,925	\$70,084	98.05%	\$7,066	9.89%
1993 1995	50.85	74,022	71,240	96.24%	2,213	73,453	99.23%	7,409	10.01%
1994 1996	50.85	74,200	71,185	95.94%	2,266	73,451	98.99%	7,778	10.48%
1995 1997	49.83	73,212	70,110	95.76%	2,869	72,979	99.68%	7,467	10.20%
1996 1998	49.58	72,134	69,749	96.69%	1,989	71,738	99.45%	7,821	10.84%
1997 1999	49.48	72,166	69,680	96.56%	2,515	72,195	100.04%	7,065	9.79%
1998 2000	49.42	72,836	70,322	96.55%	2,297	72,619	99.70%	7,006	9.62%
1999 2001	49.98	74,903	72,236	96.44%	2,476	74,712	99.75%	8,063	10.76%
2000 2002	50.88	77,444	74,664	96.41%	2,416	77,080	99.53%	8,205	10.59%
2001 2003	54.76	84,038	80,822	96.17%	2,133	82,955	98.71%	8,986	10.69%

*Amounts presented in thousands

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2003

(thousands)

Total Tax Collections (Including interest and lien fees) received by Treasurer for the year ended June 30, 2003						\$84,094*
Reimbursement for revenue loss (year ended June 30, 2003):						
Veterans Exemption						164
Disability Exemption						17
Tax relief for the elderly (C.G.S. 7-129d) and disability exemptions						685
Manufacturing Equipment Exemption						172
Boat registration reimbursement						<u>13</u>
BASE for debt limitation computation						<u>\$85,145</u>
* Budgetary basis	General	Schools	Sewers	Urban		Pension
	<u>Purposes</u>			<u>Renewal</u>		
Debt limitation:						
2-1/4 times base	\$191,576					
4-1/2 times base		\$383,153				
3-3/4 times base			\$319,294			
3-1/4 times base				\$276,721		
3 times base						\$255,435
Total debt limitation	<u>191,576</u>	<u>383,153</u>	<u>319,294</u>	<u>276,721</u>		<u>255,435</u>
Indebtedness:						
Bonds payable	147,250	53,575	540			
Notes payable	42,169	1,500				
Bonds authorized - unissued	<u>96,934</u>	<u>43,530</u>	<u>20,375</u>			
Total indebtedness.....	<u>286,353</u>	<u>98,605</u>	<u>20,915</u>			
Less: Self-liquidating indebtedness:						
Sewer: Bonds payable			540			
Subways: Bonds payable	1,240					
Statutory Exclusion-Pension Obligation	<u>102,535</u>					
Total self-liquidating indebtedness	<u>103,775</u>		<u>540</u>			
Total indebtedness less self-liquidating indebtedness.....	<u>182,578</u>	<u>98,605</u>	<u>20,375</u>			
Debt limitation in excess of outstanding and authorized debt	<u>\$ 8,998</u>	<u>\$284,548</u>	<u>\$298,919</u>	<u>\$276,721</u>		<u>\$255,435</u>

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NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$596,015)

CITY OF NEW BRITAIN, CONNECTICUTRATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT
LAST TEN FISCAL YEARS

FISCAL YEAR	NET ASSESSED VALUE ³	ESTIMATED FULL VALUE ³	NET LONG-TERM DEBT ^{1 3}	RATIO OF NET LONG-TERM DEBT TO ASSESSED VALUE (%)	RATIO OF NET LONG-TERM DEBT TO ESTIMATED FULL VALUE (%)	POPULATION ²	NET LONG-TERM DEBT PER CAPITA
1994	\$1,448,576	\$2,069,394	\$106,115	7.33%	5.13%	72,315	1
1995	1,452,532	2,075,045	106,565	7.34%	5.14%	72,315	1
1996	1,460,543	2,086,490	103,800	7.11%	4.97%	72,315	1
1997	1,468,456	2,097,794	117,380	7.99%	5.60%	72,315	2
1998	1,460,008	2,085,725	214,200	14.67%	10.27%	70,948	3
1999	1,454,304	2,077,577	218,680	15.04%	10.53%	70,948	3
2000	1,466,745	2,095,349	232,900	15.88%	11.12%	70,492	3
2001	1,484,295	2,120,421	220,955	14.89%	10.42%	70,010	3
2002	1,507,861	2,154,087	209,200	13.87%	9.71%	71,538	3
2003	1,518,115	2,168,736	199,398	13.13%	9.19%	71,538	3

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¹ Excludes Self-Liquidating Debt and includes Overlapping Debt. School building grants have not been deducted.² State of Connecticut, Municipal Fiscal Indicator, Fiscal Year Ending 1993 - 1997.³ Amounts presented in thousands.

CITY OF NEW BRITAIN, CONNECTICUTRATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30,	PRINCIPAL (3)	INTEREST (3)	TOTAL DEBT SERVICE (3)	TOTAL GENERAL FUND EXPENDITURES (1)(3)	RATIO OF DEBT SERVICE TO TOTAL GENERAL FUND EXPENDITURES (%)
1994 (2)	\$ 5,991	\$ 5,892	\$11,883	\$134,693	8.82%
1995 (2)	8,852	6,158	15,010	140,608	10.68%
1996 (2)	9,332	6,169	15,501	146,208	10.60%
1997 (2)	8,910	5,816	14,726	144,888	10.16%
1998 (2)	9,660	6,476	16,136	151,567	10.65%
1999 (2)	9,085	5,773	14,858	153,299	9.69%
2000 (2)	9,205	5,700	14,905	164,553	9.06%
2001 (2)	10,571	6,684	17,255	172,701	9.99%
2002 (2)	10,781	6,222	17,003	180,229	9.43%
2003	10,983	5,694	16,677	189,979	8.78%

(1) Includes General Fund expenditures and operating transfers out.

(2) Excludes Enterprise Fund New Britain Water Department debt.

(3) Amounts presented in thousands.

NOTE: All years are shown on a GAAP basis (Generally Accepted Accounting Principles).

CITY OF NEW BRITAIN, CONNECTICUT

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

FISCAL YEAR	COMMERCIAL.....CONSTRUCTION.....		RESIDENTIAL.....CONSTRUCTION.....		BANK DEPOSITS*	.....PROPERTY VALUE.....		
	NUMBER OF UNITS	VALUE*	NUMBER OF UNITS	VALUE*		COMMERCIAL*	RESIDENTIAL*	EXEMPT*
1994 ...	302	\$11,684	444	\$2,481	\$19,013	\$369,387	\$798,165	\$41,016
1995 ...	183	12,277	659	3,917	19,284	364,585	800,345	46,223
1996 ...	179	18,932	684	3,933	43,846	351,991	806,220	48,824
1997 ...	225	8,465	688	3,542	44,364	298,097	834,083	43,301
1998 ...	238	26,552	670	3,243	87,046	296,382	827,825	51,479
1999 ...	162	9,167	647	3,246	88,075	292,315	826,045	54,095
2000 ...	172	32,774	873	5,599	98,108	294,816	833,111	57,905
2001 ...	185	13,411	741	5,808	146,830	298,343	843,080	57,092
2002 ...	189	24,651	816	9,151	452,173	303,080	824,800	61,504
2003 ...	193	15,159	761	9,862	69,643	305,141	858,545	63,756

*Amounts presented in thousands

CITY OF NEW BRITAIN, CONNECTICUT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(thousands)

FISCAL YEAR	GRAND LIST OCTOBER 1,	.....REAL PROPERTY.....		.....PERSONAL PROPERTY.....		.....TOTALS.....	
		ASSESSED VALUE	ESTIMATED VALUE	ASSESSED VALUE	ESTIMATED VALUE	ASSESSED VALUE	ESTIMATED VALUE
1994	1992	\$1,180,927	\$1,687,038	\$267,650	\$382,356	\$1,448,577	\$2,069,394
1995	1993	1,176,568	1,680,811	275,964	394,234	1,452,532	2,075,045
1996	1994	1,179,061	1,684,374	281,482	402,117	1,460,543	2,086,491
1997	1995	1,151,862	1,645,518	316,594	452,276	1,468,456	2,097,794
1998	1996	1,150,847	1,644,068	309,160	441,658	1,460,007	2,085,726
1999	1997	1,148,943	1,641,348	305,361	436,230	1,454,304	2,077,578
2000	1998	1,149,843	1,642,633	316,902	452,717	1,466,745	2,095,350
2001	1999	1,148,144	1,640,206	336,151	480,215	1,484,295	2,120,421
2002	2000	1,129,388	1,613,412	378,473	540,676	1,507,861	2,154,088
2003	2001	1,178,494	1,683,563	403,377	576,253	1,581,871	2,259,816

CITY OF NEW BRITAIN, CONNECTICUTDEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

POPULATION AND DENSITY

Historical

<u>Year</u>	<u>Population</u>	<u>% Increase</u>	<u>City Density</u>
1950	73,726	7.34	5,543
1960	82,201	11.50	6,181
1970	83,441	1.51	6,274
1980	73,840	(11.51)	5,552
1990	75,491	2.24	5,676
1998	70,340	(6.82)	5,272
1999	70,010	(0.46)	5,248
2000	71,538	0.02	5,363

Source: State of Connecticut, Municipal Fiscal Indicators, October, 2000

AGE DISTRIBUTION OF THE POPULATION

	<u>City of New Britain</u>		<u>State of Connecticut</u>		<u>United States of America</u>	
	<u>2000</u>	<u>%</u>	<u>2000</u>	<u>%</u>	<u>2000</u>	<u>%</u>
Under 5 years	4,754	6.6	223,344	6.5	19,175,798	6.8
5 - 9 years	5,051	7.1	244,144	7.2	20,549,505	7.3
10 - 14 years	4,816	6.7	241,587	7.1	20,528,072	7.3
15 - 19 years	5,249	7.3	216,627	6.4	20,219,890	7.2
20 - 24 years	6,384	8.9	187,571	5.5	18,964,001	6.7
25 - 44 years	10,667	14.9	451,640	13.3	39,891,724	14.2
35 - 44 years	10,018	14.1	581,049	17.1	45,148,527	16.1
45 - 54 years	8,212	11.5	480,807	14.1	37,677,952	13.4
55 - 59 years	2,859	4.1	176,961	5.2	13,469,237	4.8
60 - 64 years	2,246	3.1	131,652	3.8	10,805,447	3.8
65 - 74 years	4,959	6.9	231,565	6.8	18,390,986	6.5
75 - 84 years	4,716	6.6	174,345	5.1	12,361,180	4.4
85 and Over	1,607	2.2	64,273	1.9	4,239,587	1.5
Total	<u>71,538</u>	<u>100.0</u>	<u>3,405,565</u>	<u>100.0</u>	<u>281,421,906</u>	<u>100.0</u>

Median Age (2000)

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

INCOME DISTRIBUTION

	<u>City of New Britain</u>		<u>State of Connecticut</u>		<u>United States of America</u>	
	<u>Families</u>	<u>%</u>	<u>Families</u>	<u>%</u>	<u>Families</u>	<u>%</u>
Less than 10,000	1,518	8.9	33,423	3.8	4,155,386	5.8
10,000 - 14,999	972	5.7	23,593	2.7	3,115,586	4.3
15,000 - 24,999	2,358	13.8	63,262	7.1	7,757,397	10.7
25,000 - 34,999	2,403	14.0	75,413	8.5	8,684,429	12.0
35,000 - 49,999	2,870	16.8	120,134	13.6	12,377,108	17.1
50,000 - 74,999	3,689	21.6	198,924	22.5	16,130,100	22.3
75,000 - 99,999	1,865	10.9	141,981	16.0	9,009,327	12.5
100,000 - 149,999	1,090	6.4	132,177	14.9	6,936,210	9.6
150,000 - 199,999	139	0.8	42,472	4.8	1,983,673	2.8
200,000 and up	204	1.1	54,368	6.1	2,112,564	2.9
Total	<u>17,108</u>	<u>100.0</u>	<u>885,747</u>	<u>100.0</u>	<u>72,261,780</u>	<u>100.0</u>

Source: U.S. Department of Commerce, Bureau of Census, 1990

(Continued) - 1.

CITY OF NEW BRITAIN, CONNECTICUT
 DEMOGRAPHIC AND ECONOMIC STATISTICS (CONTINUED)

INCOME LEVELS

	<u>City of New Britain</u>	<u>State of Connecticut</u>	<u>United States of America</u>
Per Capita			
Income 2000	\$23,379	\$40,640	\$29,676
Median Family			
Income 2000	\$41,056	\$64,502	\$51,751
Median Household			
Income 2000	\$34,185	\$53,108	\$42,148

Source: State of Connecticut

MAJOR EMPLOYERS

<u>Employer</u>	As of Dec. 31, 2002	As of June 30, 2001
	<u>No. of Employees</u>	<u>No. of Employees</u>
City of New Britain	1,912	1,902
New Britain General Hospital	1,700	1,800
The Hospital for Special Care	1,370	1,250
Central Connecticut State University	1,330	1,850
The Stanley Works	1,200	1,500
Tilcon Connecticut	1,000	750
State of Connecticut	900	900
Grove Hill Medical Center	500	500
Moore Medical	282	370
Creed Monarch	270	350
Guida's Dairy	337	330
American Savings Bank	404	320
Parker/Skinner Value	205	275

Source: Municipal Development Agency, City of New Britain

EMPLOYMENT DATA

By Place of Residence

	.City of New Britain.		.....Percentage Unemployed.....		
	<u>Employed</u>	<u>Unemployed</u>	<u>City of New Britain</u>	<u>Hartford Labor Mkt</u>	<u>State of Connecticut</u>
2002	31,665	2,106	6.2	4.0	3.9
2001	31,887	1,841	5.7	3.3	3.3
2000	32,668	1,330	3.9	2.5	2.3
1999	31,567	1,821	5.5	3.3	3.2
1998	32,294	1,772	5.2	3.5	3.4
1997	32,061	2,665	7.7	5.6	5.1
1996	32,071	2,925	8.4	6.1	5.7
1995	33,191	2,705	7.5	3.8	4.7
1994	33,102	2,782	7.8	5.9	5.6
1993	34,083	3,272	8.8	6.6	6.2
1992	33,163	4,203	11.2	9.6	7.5
1991	33,711	3,852	10.3	8.9	6.7

Source: Connecticut Department of Economic and Community Development, Town Profiles 1998 - 1999

(Continued) - 2.

CITY OF NEW BRITAIN, CONNECTICUT
 DEMOGRAPHIC AND ECONOMIC STATISTICS (CONTINUED)

TAX EXEMPT PROPERTIES

<u>Publicly Owned</u>	<u>As of 10/01</u>	<u>As of 10/00</u>
City of New Britain	\$157,120,810	\$156,244,360
State of Connecticut	179,227,920	179,662,480
Federal	2,543,710	2,543,710
City of Hartford	239,400	239,400
New Britain Housing Authority	<u>20,339,700</u>	<u>20,339,700</u>
Total Publicly Owned	<u>\$359,471,540</u>	<u>\$359,029,650</u>
<u>Privately Owned</u>		
Total Privately Owned	<u>\$209,821,390</u>	<u>\$208,904,500</u>
Total Tax Exempt	<u>\$569,292,930</u>	<u>\$567,934,150</u>
Percentage as compared to Net Taxable Grand List (10/1/00)	37.66%	
Percentage as compared to Net Taxable Grand List (10/1/01)	37.50%	

Source: Assessor's Office, City of New Britain

Principal Taxpayers
 (2001 Net Taxable Grand List)

<u>Name</u>	<u>Nature of Business</u>	<u>Taxable Valuation</u>	<u>Percent of Net Taxable Grand List (%)</u>
Stanley Works	Manufacturing	\$ 35,759,990	2.36%
Conn. Light and Power Co	Utility	16,130,140	1.06
Conn. Natural Gas Corp	Utility	9,687,652	.64
Investment Associates LTP	Professional Services	9,109,812	.60
NB-BTMC LLC	Retail	7,349,080	.48
Creed Monarch	Manufacturing	7,213,672	.46
Brittany Farms Associates	Rentals	6,938,830	.48
Tilcon Connecticut	Construction	6,040,538	.40
Newbrite Assoc. Ltd. Ptshp	Retail	5,980,080	.39
HSC Community Services Inc	Nursing Home	<u>5,803,800</u>	<u>.38</u>
		<u>\$110,013,594</u>	<u>7.25%</u>

(Concluded) - 3.

CITY OF NEW BRITAIN, CONNECTICUTSCHOOL DATA
LAST TEN FISCAL YEARS

SCHOOL FACILITIES

<u>School</u>	<u>Grades</u>	<u>Date Occupied</u>	<u>Additions and Renovations</u>	<u>Enrollment 09/16/2003</u>	<u>City Rated Capacity</u>
Chamberlain	K-5	1952	1982, 1989, 1993	582	757
DiLoreto	K-5	1951	1982, 1991	588	822
Gaffney	K-5	1959	1982, 1990	558	639
Holmes	K-5	1955	1978, 1991, 1997	552	697
Jefferson	K-5	1956	1982, 1991, 1997	479	567
Lincoln	K-5	1925	1976, 1982, 1994	472	610
Northend	K-5	1932	1982	284	330
Smalley	K-5	1971	1982, 1997	655	816
Smith	K-5	1952	1982, 1993	677	767
Vance	K-5	1926	1988, 1994	403	592
NB Center or School					
Readiness	Pre-K	1992	n/a	75	175
Pulaski Middle	6-8	1961	1982, 1992	957	1,350
Roosevelt	6-8	1993	1993	704	792
Slade	6-8	1960	1982, 1992	987	1,190
New Britain High School	9-12	1972	1982, 1989	<u>2,799</u>	<u>2,094</u>
City Total				<u>10,772</u>	<u>12,198</u>

Source: Superintendent's Office, New Britain Board of Education

SCHOOL ENROLLMENT

<u>School Year</u>	<u>Elementary</u>	<u>Middle</u>	<u>Secondary</u>	<u>Outside Placement</u>	<u>Special Education</u>	<u>Pre-K</u>	<u>Total</u>
1991-1992	4,714	1,703	1,630	86	62	57	8,166
1992-1993	4,683	1,754	1,705	77	67	67	8,276
1993-1994	4,668	1,884	1,783	89	71	44	8,450
1994-1995	4,885	1,900	1,828	95	69	61	8,743
1995-1996	5,141	2,065	1,886	87	73	76	9,241
1996-1997	5,124	2,106	2,017	121	77	83	9,407
1997-1998	5,179	2,154	2,117	130	79	125	9,654
1998-1999	5,305	2,215	2,202	136	90	145	9,957
1999-2000	5,400	2,239	2,413	132	*	164	10,216
2000-2001	5,341	2,280	2,502	157	*	172	10,295
2001-2002	5,269	2,406	2,720	204	*	163	10,558
2002-2003	5,135	2,648	2,799	159	*	190	10,772
Projected							
2003-2004	5,135	2,648	2,799	-	*	190	10,772
2004-2005	4,859	2,580	2,823	-	*	169	10,431
2005-2006	4,829	2,476	2,982	-	*	171	10,458
2006-2007	4,824	2,336	3,083	-	*	173	10,416
2007-2008	4,782	2,292	3,054	-	*	175	10,303
2008-2009	4,823	2,212	2,976	-	*	177	10,188
2009-2010	4,772	2,246	2,847	-	*	179	10,044
2010-2011	4,771	2,201	2,782	-	*	181	9,935
2011-2012	4,725	2,255	2,660	-	*	183	9,823
2012-2013	4,693	2,213	2,660	-	*	185	9,751

Source: Superintendent's Office, New Britain Board of Education

* Enrollment of Special Education students incorporated into school population by level of enrollment.

CITY OF NEW BRITAIN, CONNECTICUTMISCELLANEOUS STATISTICS
AS OF 6/30/03

DATE OF INCORPORATION: 1850

FORM OF GOVERNMENT: Mayor - Concurrent two-year terms
Council - Concurrent two-year terms
Commission - Appointed by the Mayor

AREA OF TOWN: 13.3 square miles

CITY ATTRACTIONS: New Britain Rockcats - a baseball affiliate of the Minnesota Twins
Central Connecticut State University - known for it's schools of
Education, Technology, and Business
State of Connecticut Government Center, Regional Courthouse, and
Department of Public Utility Control building

Number of Parks: 8 (including Central Park)
Number of Hospitals: 2
Number of Libraries: 3 (includes the main library and
2 branches)

SEWERS: The City is the largest member of a three-municipality sewer
district, The Mattabassett District.
It is divided approximately 75% - City of New Britain, 15% - Town of
Berlin, and 10% Town of Cromwell.
Mandated sewer use charges defray the cost of the yearly operation
and maintenance assessment.

PUBLIC WORKS: Number of Maintenance Personnel: 59
Miles of Public Roadway Serviced: 163 miles

WATER: The City's Water Department serves residents of various communities
such as New Britain, Berlin, Newington, Farmington and Plainville.
Number of Reservoirs: 6
Acreage owned outside the City: 6,692

UTILITIES: Gas: Supplied by the Connecticut Natural Gas Corporation
Electricity: Supplied by Connecticut Light & Power

SUBWAYS: The City rents to four utilities including Connecticut Light & Power
and Southern New England Telephone.

SOLID WASTE: The City is a participant in two joint ventures: Tunxis Recycling
Operating Committee (which includes 12 other cities and towns) and
Bristol Resource Recovery Facility Operating Committee (which
includes 14 other cities and towns).

CITY OF NEW BRITAIN, CONNECTICUT
MUNICIPAL EMPLOYEES

	<u>6/30/02</u>	<u>12/31/01</u>	<u>12/31/99</u>
Board of Education	1,331	1,286	1,264
General Government	<u>623</u>	<u>616</u>	<u>616</u>
TOTAL	<u>1,954</u>	<u>1,902</u>	<u>1,880</u>

General Government Employees:

<u>Department</u>	<u>Full-time Employees As of 6/30/2002</u>
Police (including mgmt, civilians and dispatch)	197
Fire (including mgmt)	139
Administrative, Financial and all other	84
Health and Welfare	24
Parks and Recreation (including Stanley Golf)	61
Public Works, Engineering, Sanitation, Garage	70
Water	<u>48</u>
Total	<u>623</u>

Employee Relations

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

<u>Board of Education Groups</u>	<u>6/30/03 Employees Represented</u>	<u>Current Contract Exp Date</u>
Education Employees American Federation of State, County and Municipal Employees - General Government Local 1186	196	6/30/04
Teachers Aides New Britain Federation of Para-Professionals-Teachers Aides 2407	265	6/30/04
Teachers New Britain Federation of Teachers, Teachers 871	824	6/30/04
School Administrators American Federation of School Administrators - Administration 51	37	6/30/05
Supervisory Employees American Federation of State, County Principal Employees - Local 818	7	6/30/05
Support Services Administrators American Federation of School Administrators - Administration 51	2	6/30/05

(Continued) - 1.

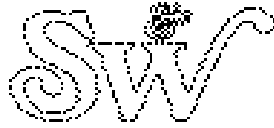
CITY OF NEW BRITAIN, CONNECTICUT
MUNICIPAL EMPLOYEES

General Government Groups		6/30/03 Employees Represented	Current Contract Exp Date		
City Hall Supervisors	American Federation of State, County and Municipal Employees - Supervisors Local 818	39	6/30/05		
Firefighters	Hardware City Firefighters - Fire 992	130	6/30/03		
Police Officers	American Federation of State, County and Municipal Employees - Local 1165	148	6/30/02*		
City Hall Employees	American Federation of State, County and Municipal Employees - Local 1186	226	6/30/03		
Managers and Professional Employees	Non-Affiliated Association (MPA)	9	6/30/05		
Professional Union	American Federation of State, County and Municipal Employees - Local 1303-332	49	6/30/03		
Non-Affiliated Employees	Management (Mgmt)	6	n/a ¹		
Emergency Dispatch Employees	Connecticut Independent Labor Union (CILU)	16	6/30/06		
		<u>06/30/2002</u>	<u>12/31/2001</u>	<u>12/31/1999</u>	<u>12/31/1998</u>
Board of Education		1,331	1,286	1,264	1,204
General Government		<u>623</u>	<u>616</u>	<u>616</u>	<u>619</u>
TOTAL		<u>1,954</u>	<u>1,902</u>	<u>1,880</u>	<u>1,823</u>

¹ Undefined/indefinite by ordinance

* Under Negotiation

Source: Finance Department, City of New Britain



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

To The Honorable Mayor and Members of the
Common Council of the City of New Britain
New Britain, Connecticut

We have audited the financial statements of the City of New Britain (the "City") as of and for the year ended June 30, 2003, and have issued our report thereon dated December 4, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described not to be a material weakness.

We also noted certain matters involving the internal control over financial reporting and its operation that we have reported to the management of the City, in a separate letter dated December 4, 2003.

This report is intended for the information and use of management, the Mayor, members of the Common Council, the Board of Education, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "David J. ...", is positioned to the right of the date.

December 4, 2003

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002**

Finding 03-01	U.S. Department of Education Educational Grant Programs Passed through the State of Connecticut Department of Education
Condition:	The Board of Education has not established general ledger control over the operations of the State and Federal grants fund. The absence of the general ledger does not provide sufficient internal controls over this fund or the ability to prepare timely and accurate financial reports.
Criteria:	General ledger control and periodic financial reporting should be established for all significant funds of the City.
Effect:	The interim budgetary reporting to management of the City was not accurate and resulted in significant audit adjustments.
Cause:	General ledger control has not been established by the Board of Education over the operations of the State and Federal educational grants program. (This comment was previously reported as 97-5, 97-6, 00-05 and 02-01).
Recommendation:	We recommend the establishment of general ledger control over the State and Federal Educational Grants Fund. Additionally, we recommend the development of written accounting policies and procedures for the administration of this fund. Such policies and procedures should provide for the timely reconciliation of the financial records, timely and accurate reporting of the funds activity, and a provision for the maintenance of accounts receivable and deferred revenue subsidiary ledgers.



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

To The Honorable Mayor and Members of the
Common Council of the City of New Britain
New Britain, Connecticut

In accordance with federal requirements, we present the following report which describes the results of our testing of federal awards.

Compliance

We have audited the compliance of the City of New Britain (the "City") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

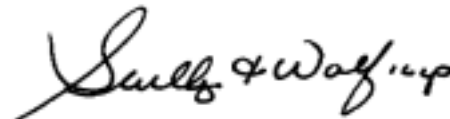
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated December 2, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management, the Common Council, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 2, 2003

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Environmental Protection Agency		
Direct program:		
Brownfield PILOT.....	66.811	\$ <u>19,233</u>
U.S. Department of Housing		
Direct programs:		
Community Development Block Grant.....	14.218	3,340,022
Emergency Shelter Grant.....	14.231	67,256
Home Program.....	14.239	1,403,295
Youth Build Program.....	14.243	303,492
Passed through the State Department of Economic and Community Development:		
Lead Paint.....	14.900	<u>843,064</u>
Total U.S. Department of Housing.....		<u>5,957,129</u>
U.S. Department of Agriculture		
Passed through the State Department of Education:		
Snack Program – Early Childhood Program.....	10.556	41,973
School Breakfast Program.....	10.553	435,363
National School Lunch Program.....	10.555	1,974,531
Summer Food Service Program.....	10.559	76,012
Food Distribution Program.....	10.550	<u>295,322</u>
Total U.S. Department of Agriculture.....		<u>2,823,201</u>
U.S. Department of Justice		
Direct programs:		
Weed and Seed.....	16.595	386,688
Drug Investigation.....	16.590	157,958
Local Law Enforcement Block Grant.....	16.592	261,700
Passed through the State Judicial Branch:		
Juvenile Justice Center.....	16.540	47,391
Passed through the Bureau of Justice Assistance:		
Bullet Proof Vests.....	16.607	<u>20,475</u>
Total U.S. Department of Justice.....		<u>874,212</u>

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, ETC.**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Federal Highway Administration		
Passed through the State Department of Transportation: Surface Transportation Program:		
Project: Broad, Beaver, Main and North Street Reconstruction.....	20.205	<u>\$ 1,067,297</u>
U.S. Department of Education		
Passed through the State Department of Education: Education Consolidation and Improvement Act (P.L. 100-297) Title I:		
Project Nos.:	84.010	
861-200030101.....		1,301,744
861-300030101.....		<u>3,626,394</u>
Total.....		<u>4,928,138</u>
Title III Part A – English Language Acquisition:	84.365	
Project Nos.:		
927-300030101.....		117,770
927-300031101.....		<u>24,704</u>
Total.....		<u>142,474</u>
Carl D. Perkins Act Vocational Education (VOED) (P.L. 98-524):		
Project No. 901-300130101.....	84.048	<u>273,018</u>
Drug-Free Schools and Communities Act (P.L. 99-570):	84.186	
Drug-Free Schools Act:		
Project Nos.:		
929-200031103.....		18,403
929-300030101.....		<u>72,705</u>
Total.....		<u>91,108</u>
Goals 2000 - Educate America:	84.276	
Project No. 912-100000213.....		<u>8,404</u>

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, ETC.**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. Department of Education		
Passed through the State Department of Education (cont.):		
Twenty-First Century Community Learning Centers.....	84.287	<u>\$ 1,134,067</u>
Title II - Eisenhower Professional Development Project No. 941-200031101.....	84.281	<u>75,491</u>
School Renovation, IDEA and Technology (Self Improvement):	84.352	
Project Nos.:		
909-200000103.....		1,264,608
909-200000128.....		43,732
909-200000130.....		<u>32,689</u>
Total.....		<u>1,341,029</u>
Title II Part A - Teachers:	84.367	
Project No. 924-300030101.....		<u>783,091</u>
Title VI - Innovative Education Strategies:	84.298	
Project Nos.:		
942-200030101.....		118,642
942-300030101.....		<u>111,261</u>
Total.....		<u>229,903</u>
Title I Migrant - Consortium Incentive:	84.011	
Project Nos.:		
960-200030102.....		7,320
961-300000102.....		130
961-200030102.....		6,765
961-300000102.....		<u>116,677</u>
Total.....		<u>130,892</u>
Advanced Placement Fee Payment Program:	84.330	
Project No. 904-200000105.....		<u>130,892</u>

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, ETC.**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. Department of Education (continued)		
Passed through the State Department of Education (cont.):		
Adult Education:	84.007	
Project Nos.:		
910-300360140.....		\$ 70,037
910-300370140.....		<u>72,500</u>
Total.....		<u>142,537</u>
IDEA Part B – Individual with Disabilities:	84.027	
Project Nos.:		
962-200381101.....		288,416
962-200910149.....		43,050
962-200950149.....		49,249
962-300031101.....		<u>1,208,835</u>
Total.....		<u>1,589,550</u>
Preschool Grants Program:	84.173	
Project Nos.:		
963-200381101.....		44,865
963-300031101.....		<u>63,235</u>
Total.....		<u>108,100</u>
Title II Part D - Enhancement through Technology:	84.318	
Project Nos.:		
918-300001103.....		11,000
918-300002103.....		73,600
918-300003101.....		<u>102,517</u>
Total.....		<u>187,117</u>
Emergency Immigrant Education Program:	84.162	
Project No. 978-200030101.....		<u>141</u>
Comprehensive School Reform:	84.322A	
Project Nos.:		
911-200000103.....		20,091
911-300000103.....		<u>30,229</u>
Total.....		<u>50,320</u>

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, ETC.**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
U.S. Department of Education (continued)		
Passed through the State Department of Education (cont.):		
Title VI – Class Size Reduction:		
Project No. 903-200030101.....	84.340	\$ <u>20,068</u>
State Program Improvement Grants:	84.323	
Project Nos.:		
954-200000241.....		22,198
954-100003241.....		8,692
954-300001239.....		<u>182</u>
Total.....		<u>31,072</u>
Total U.S. Department of Education.....		<u>11,397,412</u>
U.S. Department of Health and Human Services		
Direct Program:		
Prevention and Treatment of Substance Abuse.....	93.959	30,200
Passed through the State Department of Public Health:		
Immunization Action Plan Program.....	93.268	80,167
Lead.....	93.197	91,386
Passed through Department of Children and Families:		
Independent Living Skills.....	93.674	<u>49,055</u>
Total U.S. Department of Health and Human Services.....		<u>250,808</u>
Federal Emergency Management Agency		
Passed through the Office of Policy and Management:		
Federal Emergency Management.....	83.534	71,640
Passed through the Military Department :		
Civil Defense.....	83.505	<u>10,753</u>
Total Federal Emergency Management Agency.....		<u>82,393</u>
U.S. Department of Environment Protection		
Direct Program:		
Water Filtration Project.....	66.454	<u>2,113,419</u>
TOTAL.....		<u>\$24,585,104</u>

See Notes to Schedules

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

I. SUMMARY OF AUDIT RESULTS

- We audited the basic financial statements of the City of New Britain as of and for the year ended June 30, 2003 and issued our unqualified report thereon dated December 2, 2003.
- We have also issued our unqualified opinion dated, December 2, 2003, on the City's Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.
- The audit disclosed no instances of material noncompliance.
- The audit disclosed a reportable condition in internal control over major programs, which is not considered to be a material weakness. This item is reported as Finding 03-01.
- We have issued an unqualified opinion relating to compliance for major programs.
- The audit disclosed no audit findings.
- The following schedule reflects the major programs included in the audit:

Federal Grantor and Program	Federal CFDA Number	Expenditure
U.S. Department of Education: Education Consolidation and Improvement Act (P.L. 100-297) Title I	84.010	\$4,928,138
Twenty-First Century Community Learning Centers	84.287	\$1,134,067
School Renovation, IDEA and Technology (Self Improvements)	84.352	\$1,341,029
Title II Part A - Teachers	84.367	\$783,091
Special Education Cluster: IDEA Part B - Individuals with Disabilities	84.027	\$1,589,550
Preschool Grants Program	84.173	\$108,100

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.**

Federal Grantor and Program	Federal CFDA Number	Expenditure
U.S. Department of Environmental Protection:		
Water Filtration Project	66.454	\$2,113,419
U.S. Department of Housing:		
Community Development Block Grant	14.218	\$3,340,022
Home Program	14.239	\$1,403,295
Lead Paint	14.900	\$843,064
U.S. Department of Agriculture:		
Child Nutrition Cluster:		
National School Lunch	10.555	\$1,974,531
School Breakfast	10.553	\$435,363
Snack Program - Early Childhood Program	10.559	\$41,973
Summer Food Service Program	10.556	\$76,012
Federal Highway Administration:		
Surface Transportation Program	20.205	\$1,067,297
U.S. Department of Justice:		
Weed and Seed Program	16.595	\$386,688

- The dollar threshold used to distinguish Type A is \$734,790.
- We have determined the auditee is not a low-risk entity.

II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

- We issued unqualified reports, dated December 2, 2003, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated one reportable condition, which is not considered a material weakness. It is also reported in this report as Finding 03-01.

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

- Finding 03-01** **U.S. Department of Education
Educational Grant Programs
Passed through the State of Connecticut Department of
Education**
- Condition:** The Board of Education has not established general ledger control over the operations of the State and Federal grants fund. The absence of the general ledger does not provide sufficient internal controls over this fund or the ability to prepare timely and accurate financial reports.
- Criteria:** General ledger control and periodic financial reporting should be established for all significant funds of the City.
- Effect:** The interim budgetary reporting to management of the City was not accurate and resulted in significant audit adjustments.
- Cause:** General ledger control has not been established by the Board of Education over the operations of the State and Federal educational grants program. (This comment was previously reported as 97-5, 97-6, 00-05 and 02-01).
- Recommendation:** We recommend the establishment of general ledger control over the State and Federal Educational Grants Fund. Additionally, we recommend the development of written accounting policies and procedures for the administration of this fund. Such policies and procedures should provide for the timely reconciliation of the financial records, timely and accurate reporting of the funds activity, and a provision for the maintenance of accounts receivable and deferred revenue subsidiary ledgers.

**CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.**

IV. STATUS OF PRIOR YEAR FINDING

Finding 02-01 **U.S. Department of Education
Educational Grant Programs
Passed through the State of Connecticut Department of
Education**

Condition: The City's General Fund provides resources, on a temporary basis, for the payment of expenditures incurred by the State and Federal grants program that are administered by the Board of Education. This process is further facilitated by recording grant expenditures in the Board of Education's operating budget and subsequently reclassifying them to the appropriate fund based upon education department prepared journal entries. During the fiscal year these journal entries were not received by the finance office on a timely basis, therefore causing the education expenditures, reported by the Board of Education, to be overstated at year-end. In December audit issues were raised regarding this fund, and subsequently additional entries were prepared and posted. Additionally, the Board of Education has not established general ledger control over the operations of this fund. The absence of the general ledger does not provide sufficient internal controls over this fund or the ability to prepare timely and accurate financial reports.

Recommendation: We recommend the establishment of general ledger control over the State and Federal Educational Grants Fund. Additionally, we recommend the development of written accounting policies and procedures for the administration of this fund. Such policies and procedures should provide for the timely reconciliation of the financial records, timely and accurate reporting of the funds activity, and the timely preparation of the journal entries adjusting the City's General Fund expenditures.

Current Status: During the current year, a policy to reconcile the Board of Education grant expenditures with the records of the Finance Office was implemented. However, this policy has not been formally documented and general ledger control has not been established and is indicated in Finding 03-01.

CITY OF NEW BRITAIN, CONNECTICUT
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2003

Various agencies of the Federal Government have made financial assistance available to the City of New Britain. These grants fund a number of programs including housing, education, human services, transportation and general government activities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the Federal grant programs of the City of New Britain are maintained in separate funds. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

- . Revenues are recognized when earned. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factor for determining eligibility recognize grant revenue to the extent of expenditures.
- . Expenditures are recorded on the accrual basis. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as an expenditure.

U.S.D.A. Contributions

The United States Department of Agriculture makes available commodities for donations to schools. An amount of \$295,322 is reflected as revenue in the accompanying financial schedules and represents the market value of such commodities received during the period.



Scully & Wolf, LLP / Certified Public Accountants / Glastonbury, Connecticut 06033

To The Honorable Mayor and Members of the
Common Council of the City of New Britain
New Britain, Connecticut

In accordance with State of Connecticut requirements, we present the following report which describes the results of our testing of State financial assistance.

Compliance

We have audited the compliance of the City of New Britain (the "City") with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that are applicable to each of its major state programs for the year ended June 30, 2003. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City's management. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act.

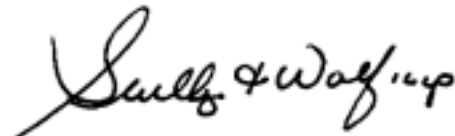
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City's ability to administer a major state program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Schedule of Expenditures of State Financial Assistance

We have audited the basic financial statements of the City as of and for the year ended June 30, 2003, and have issued our report thereon dated December 2, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Common Council, the Board of Education, management, the Office of Policy and Management, state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Sullivan & Wolf". The signature is written in a cursive, flowing style.

December 2, 2003

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2003**

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	EXPENDITURES
Department of Education		
Technology Infrastructure.....	1873-7001-013	\$ 35,518
Priority School District.....	0-7001-723	1,542,770
Extended School Hours Program in Priority Schools.....	0-7001-723	187,462
Summer School Accountability in Priority Schools.....	0-7001-723	163,914
Bilingual Education.....	0-7001-720	157,670
Young Parents Program.....	0-7001-724	14,767
School Readiness & Child Day Care in Priority Schools.....	0-7001-723	2,170,161
State Match – Food Service.....	0-7001-608	57,409
Early Reading Success in Priority Schools.....	0-7001-723	1,009,120
Adult Education.....	0-7001-710	697,459
Youth Service Bureau.....	0-7001-745	67,479
School Readiness Quality Enhancement.....	0-7001-332	68,220
Family Resource Centers.....	0-7001-617	172,208
Magnet School Transportation.....	0-7001-752	55,690
Open Choice.....	0-7001-747	24,000
Safe Learning.....	0-7001-345	8,931
Health Services.....	0-7001-713	<u>175,931</u>
 Total Department of Education.....		 <u>6,608,709</u>
Office of Policy and Management		
Local Capital Improvement.....	0-1310-1870-010	1,624,432
State-Owned Property.....	0-1310-9801-701	3,835,185
Private Colleges and General Hospitals.....	0-1310-9804-701	3,732,359
Manufacturer's (PILOT) Grant.....	0-1310-711	1,459,105
Property Tax Relief for Elderly and Totally Disabled Homeowners.....	0-1310-705	685,408
Mashantucket Pequot Grant.....	1114-9802-701	4,493,737
Property Tax Relief for the Disabled.....	0-1310-703	17,065
Property Tax Relief on Distressed Municipalities	0-1310-704	171,875
Property Tax Relief for Veterans.....	0-1310-707	163,618
Property Tax Relief for Elderly Homeowners Freeze Program.....	0-1310-706	75,674
Drug Enforcement Program.....	0-1310-710	277,049
Exercise the Right Choice.....	0-1310-044	271,587
Statue Restoration Program.....	0-1310-701	4,307

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, ETC.**

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	EXPENDITURES
Office of Policy and Management (cont.)		
Police Youth Enrichment Program.....	0-1310-043	\$ <u>67,191</u>
Total Office of Policy and Management.		<u>16,878,592</u>
Connecticut State Library		
Historical Preservation Grant.....	056-PC-02	<u>10,720</u>
Department of Transportation		
Town Aid Road Grant - Transportation Fund...	5000-714	<u>261,469</u>
Highway Safety Grant.....	*	<u>3,050</u>
Municipal Grant Agreements Transportation Fund:	3795-5000-000	
Projects:		
Arch Street Reconstruction – 88-111....		14,254
Black Rock Avenue – 88-142.....		23,690
Broad, Beaver, Main and North Street Reconstruction – 88-150.....		<u>266,824</u>
Total.....		<u>304,768</u>
Total Department of Transportation.....		<u>569,287</u>
Board of Education and Services for the Blind		
Education of Handicapped Blind Children.....	0-7101-605	<u>18,401</u>
Department of Environmental Protection		
Clean Water Fund.....	6864-3100-999	16,426,226
Willow Brook Park Pool.....	*	<u>113,377</u>
Total Department of Environmental Protection.....		<u>16,539,603</u>

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, ETC.**

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	EXPENDITURES
Department of Social Services		
Food Stamp Workforce.....	089-FSE-01	\$ 144,344
Summer Bussing.....	0-6100-708	1,200
Medicaid.....	0-6100-962	<u>728,584</u>
Total Department of Social Services.....		<u>874,128</u>
State Comptroller Office		
Boat Grant.....	*	<u>13,433</u>
State Department of Economic and Community Development		
Urban Action Grant:	3795-3500-000	
Projects:		
Arch Street Walkway.....		1,993,380
Oak Street.....		2,279
Gates Building Restoration.....		<u>258,078</u>
Total.....		2,253,737
Tax Abatement Program.....	0-3500-038	31,747
State (PILOT) Model Housing.....	0-3500-039	282,127
State Housing.....	1801-3500-008	91,386
State Home Program.....	*	<u>264,297</u>
Total State Department of Economic and Community Development.....		<u>2,923,294</u>
State Department of Public Health		
Behavioral Risk.....	*	16,707
STD Control.....	0-4001-703	16,446
HIV Prevention.....	0-4001-039	86,696
School Based Health Care Grant.....	0-4001-705	122,728
Health Per Capita Grant.....	0-4001-702	70,997
Child Lead Poisoning.....	0-4001-037	46,226
TB Control.....	*	2,800
Bioterrorism Grant.....	*	<u>19,303</u>
Total State Department of Public Health.....		<u>381,903</u>

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, ETC.**

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	EXPENDITURES
State Department of Special Revenue		
Off Track Betting.....	7016-999	\$ 283,993
Bingo payments.....	*	<u>641</u>
Total State Department of Special Revenue.....		<u>284,634</u>
State Department of Public Safety		
State Asset Forfeitures.....	1174-2000-999	51,317
Telecommunications.....	0-2000-371	<u>112,432</u>
Total State Department of Public Safety.....		<u>163,749</u>
Judicial Department		
Victim Services Coordinator.....	*	11,876
Juvenile Justice Center.....	0-9001-017	<u>288,549</u>
Total Judicial Department.....		<u>300,425</u>
Department of Higher Education		
Learn and Serve.....	*	<u>11</u>
Total State Financial Assistance before exempt programs.....		<u>45,566,889</u>

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, ETC.**

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM IDENTIFICATION NUMBER	EXPENDITURES
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing.....	0-7001-719	\$ 58,361,513
Transportation of School Children.....	0-7001-709	1,972,424
Nonpublic School Transportation.....	0-7001-737	589,670
Special Education: Agency Placement and Excess Costs.....	0-7001-733	1,387,693
School Building Grants:		
Principal Subsidy.....	0-7001-701	3,966,097
Interest Subsidy.....	0-7001-703	1,707,025
School Progress Payments.....	3089-7001-010	<u>2,164,954</u>
 Total Exempt programs.....		 <u>70,149,376</u>
 TOTAL.....		 <u><u>\$115,716,265</u></u>

*State grant program identification number not available

See Notes to Schedules

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued – unqualified:

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes _____ none
reported X yes _____ none

Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes _____ none
reported X yes _____ none

Type of auditor's report issued on compliance for major programs – unqualified:

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? _____ yes X no

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Department of Education:		
School Readiness and Child Day Care		
In Priority Schools	0-7001-723	\$2,170,161
Adult Education	0-7001-710	\$697,459
Priority School	0-7001-723	\$1,542,770
Early Reading Success In Priority Schools	0-7001-723	\$1,009,120
Summer School Accountability in		
Priority Schools	0-7001-723	\$163,914
Extended School Hours in Priority Schools	0-7001-723	\$187,462
Office of Policy and Management:		
Property Tax Relief for Elderly		
Homeowners	0-1310-705	\$685,408
Local Capital Improvement	0-1310-1870-010	\$1,624,432
Manufacturers PILOT Grant	0-1310-711	\$1,459,105

**CITY OF NEW BRITAIN, CONNECTICUT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS, ETC.**

<u>State Grantor and Program</u>	<u>State Grant Program Identification Number</u>	<u>Expenditures</u>
Office of Policy and Management: Private Colleges and General Hospitals	0-1310-9804-701	\$3,732,359
State-Owned Property	0-1310-9801-701	\$3,835,185
Mashantucket Pequot/Mohegan Fund	0-1114-9802-701	\$4,493,737
Department of Economic Development: Urban Action	3795-3500-000	\$2,253,737
Department of Environmental Protection: Clean Water Fund	6864-3100-999	\$16,426,226
Department of Social Services: Medicaid	0-6100-962	\$728,584

II. SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

- We issued reports, dated December 2, 2003, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated one reportable condition, which is not considered a material weakness. It is also reported in this report as Finding 03-01.

III. FINDINGS AND QUESTIONED COSTS FOR STATE AWARDS

**Finding 03-01 State of Connecticut Department of Education
 Educational Grant Program**

Condition: The Board of Education has not established general ledger control over the operations of the State and Federal grants fund. The absence of the general ledger does not provide sufficient internal controls over this fund or the ability to prepare timely and accurate financial reports.

Criteria: General ledger control and periodic financial reporting should be established for all significant funds of the City.

Effect: The interim budgetary reporting to management of the City was not accurate and resulted in significant audit adjustments.

Cause: General ledger control has not been established by the Board of Education over the operations of the State and Federal educational grants program. (This comment was previously reported as 97-5, 97-6, 00-05 and 02-01).

Recommendation: We recommend the establishment of general ledger control over the State and Federal Educational Grants Fund. Additionally, we recommend the development of written accounting policies and procedures for the administration of this fund. Such policies and procedures should provide for the timely reconciliation of the financial records, timely and accurate reporting of the funds activity, and a provision for the maintenance of accounts receivable and deferred revenue subsidiary ledgers.

IV. STATUS OF PRIOR YEAR FINDING

Finding 02-01 **State of Connecticut Department of Education
Educational Grants Program**

Recommendation: We recommend the establishment of general ledger control over the State and Federal Educational Grants Fund. Additionally, we recommend the development of written accounting policies and procedures for the administration of this fund. Such policies and procedures should provide for the timely reconciliation of the financial records, timely and accurate reporting of the funds activity, and the timely preparation of the journal entries adjusting the City's General Fund expenditures.

Condition: The City's General Fund provides resources, on a temporary basis, for the payment of expenditures incurred by the State and Federal grants program that are administered by the Board of Education. This process is further facilitated by recording grant expenditures in the Board of Education's operating budget and subsequently reclassifying them to the appropriate fund based upon education department prepared journal entries. During the fiscal year these journal entries were not received by the finance office on a timely basis, therefore causing the education expenditures, reported by the Board of Education, to be overstated at year-end. In December audit issues were raised regarding this fund, and subsequently additional entries were prepared and posted. Additionally, the Board of Education has not established general ledger control over the operations of this fund. The absence of the general ledger does not provide sufficient internal controls over this fund or the ability to prepare timely and accurate financial reports.

Current Status: During the current year, a policy to reconcile the Board of Education grant expenditures with the records of the Finance Office was implemented. However, this policy has not been formally documented and general ledger control has not been established and is indicated in Finding 03-01.

CITY OF NEW BRITAIN, CONNECTICUT

STATE FINANCIAL ASSISTANCE PROGRAMS

**NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2003**

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of New Britain through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, public works, social services, property tax relief, and transportation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the City's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

- . Revenues are recognized when earned. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, which are dependent upon expenditure factor for determining eligibility recognize grant revenue to the extent of expenditures.
- . Expenditures are recorded on the accrual basis. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as an expenditure.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on Section 4-230-19 of the Single Audit Act. In accordance with this section, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

2. LOAN PROGRAMS

In accordance with the State Single Audit Act, loan program participation constitutes state financial assistance (C.G.S. Section 4-230). The following is a summary of the Permanent Funding Obligation (PFO) for the year ended June 30, 2003:

Clean Water Fund	
Outstanding balance, July 1, 2002.....	\$17,562,624
Issued.....	14,634,648
Payments.....	<u>(1,004,064)</u>
 Outstanding balance, June 30, 2003.....	 <u>\$31,193,208</u>