

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE

CITY OF NEW BRITAIN CONNECTICUT

FISCAL YEAR ENDED JUNE 30, 2006



Robert Curry, Director of Finance

Prepared by Finance Department

CITY OF NEW BRITAIN, CONNECTICUT

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Introductory Section

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

MAYOR

Timothy T. Stewart

TREASURER

Teresa Sapieha-Yanchak

DEPUTY TREASURER

TOWN COUNCIL

Suzanne Bielinski, Mayor ProTem
Michael Trueworthy, Majority Leader
Salvatore Bonola, Assistant Majority Leader
James Wyskiewicz, Assistant Majority Leader
Tonilynn Collins, Majority Whip
Louis Salvio, Minority Leader
Peter Gostin, Assistant Minority Leader
Mark Bernacki
Shirley Black
John Carroll
Silvia Cruz
Paul Cantanzaro
Lawrence Hermanowski
Adam Platosz
James Sullivan

ADMINISTRATION

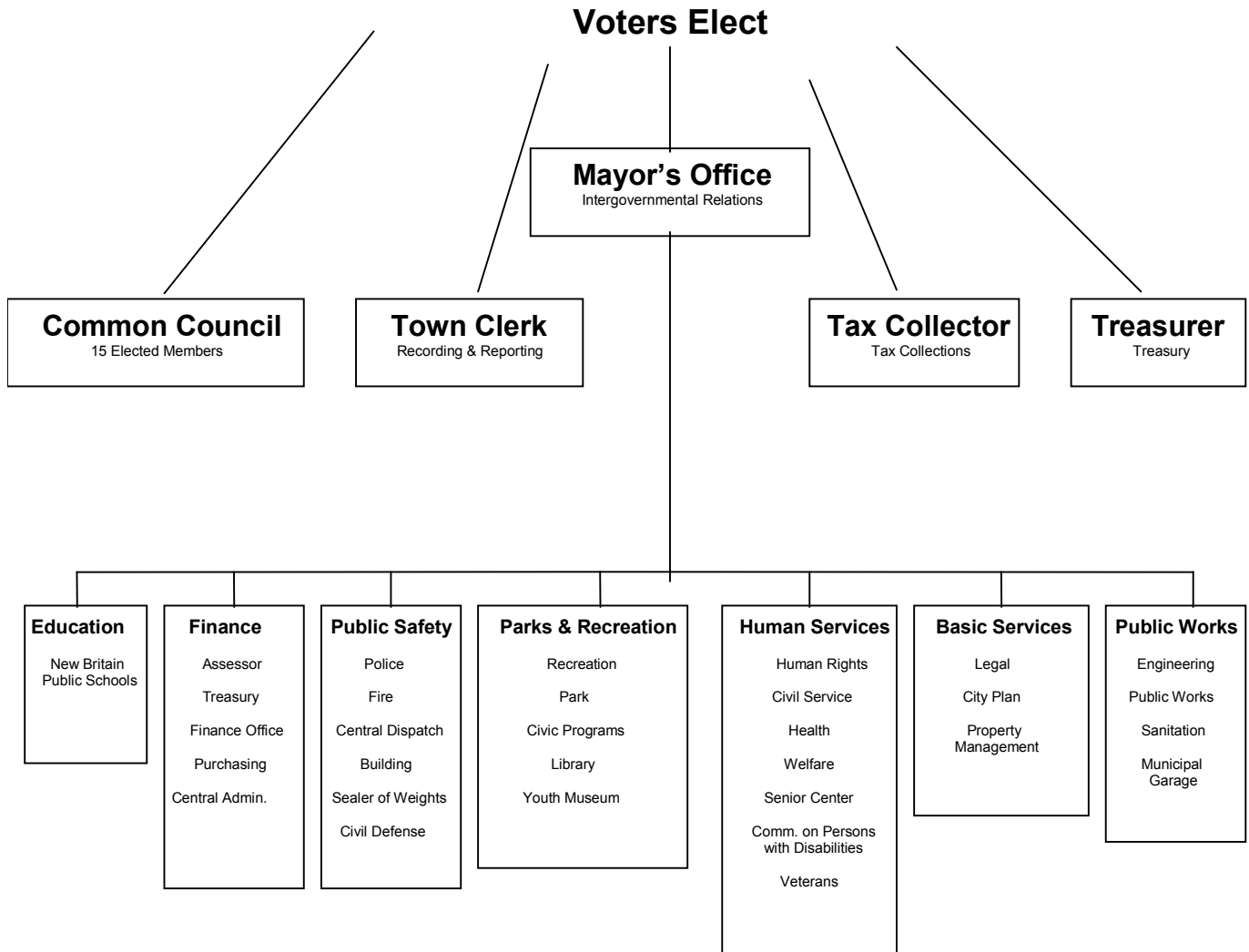
Corporation Counsel	Joseph Skelly
Town Clerk	Peter J. Denuzze
Tax Collector	Fred J. Menditto
Assessor	Michael Konik
Director of Finance	Robert Curry
Director of Health	Eugene Ciccone
Director of Personnel	Karen Levine
Director of Parks and Recreation	William A. DeMaio
Director of Public Works	Clarence Corbin
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

Frances Wolski, President
Peter Kockol, Vice President
Vanard Dawkins, Secretary
Sharon Beloin-Saavedra
Paul Carver
Marilyn Krackowsky
Louisa Leal
James Sanders
Charles Tillett Jr.
Clarence Woods
Dr. Doris Kurtz, Superintendent of Schools

ORGANIZATIONAL CHART

ORGANIZATION OF CITY GOVERNMENT



CITY OF NEW BRITAIN, CONNECTICUT



December 31, 2006

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, 2006.

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, 2006 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, 2006, are fairly presented in conformity with GAAP. The independent auditor's 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 recent growth of many small businesses representing a variety of sectors. TD Banknorth, a national leader in the financial sector has recently located its corporate headquarters in downtown New Britain. Webster Bank has also recently located offices in the North West section of town. Continued growth of City-based corporations will increase both employment and tax revenue.

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 (which recently underwent a 43,000 square foot, \$26 million renovation/expansion) 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 (A.W. Stanley, Stanley Quarter, Walnut Hill, Willow Brook, Osgood, Martha Hart, Washington, Chesley and Hungerford). Stanley Quarter Park is New England's largest public skate park with multi levels, two quarter pipes, stairs, grinding rails and pyramids. Some additional attractions offered in many of the City's parks include: paddle boats, aqua cycles, fun-yaks, a children's fishing pond, soccer fields, playgrounds, jogging tracks and outdoor ice skating.

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, five elected at large and ten on a five district basis (2 each). 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. However, due to the demands of City residents, the current administration has continued to make tax reduction and grand list growth a primary goal. One way to accomplish this goal is to expand the City's economic development efforts, while at the same time, monitoring, reviewing and validating all City expenditures, both operating and capital.

In line with these objectives, the City has continued to sell properties to employers and entrepreneurs who are building and expanding to create new jobs for New Britain's workers. The old New Britain Machine property on newly developed Commerce Circle has been sold to three local, family owned businesses that have a long history of commitment to our community, Dattco Transportation, Guida's Dairy and Siracusa Moving and Storage. Papa's Dodge has invested millions of dollars in a state of the art auto dealership and service center unlike any other in New England with hundreds of vehicles on their lot, a barbershop, diner, museum and video game center inside the massive building. Business will continue to grow due to a commitment from the State of Connecticut to return 60 acres of land from the former Pinnacle Heights housing project to use for economic development purposes. Another initiative to transform vacant property was the Habitat for Humanity Building Blitz which was a national effort to take six formerly city owned lots and turn them into 6 single family homes giving ownership opportunities to neighborhood residents who could otherwise could not afford them.

Other developments will also help to bring new life and vitality to the City's downtown as the Hole in the Wall Theater opens at its new Main Street location. Along with Trinity-on-Main, these two cultural centers will bring more and more people downtown.

Several overhauls to the City's aging infrastructure made significant progress during the past year, including the White Oaks storm and sanitary sewer project and the next phase of the reconstruction of Broad Street. The long-awaited upgrade of Northend School is almost complete bringing to a conclusion the overhaul of all of New Britain's schools that had begun more than twenty years ago. The City has recently begun planning and constructing a new addition to New Britain High School that will ease overcrowding and provide new and better facilities for high school students as well as an Alternative Behavioral Center.

On the financial side, a very significant development was the upgrade of the City's bond rating from A- to A by Standard and Poor's. In addition to significant savings on cost of debt, this was a national recognition of the City's efforts at enhanced fiscal management, including tighter controls on spending and increasing our grand list and associated revenues.

Financial Information

The Finance Department includes Accounting, Tax Assessment, Tax Collection, City Treasurer, Purchasing, Data Processing, and Risk Management. 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 in funds and account groups. 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, the regular members of the Police Department hired prior to April 1, 2000 and the regular members of the Fire Department hired prior to July 1, 1995, 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 hired prior to April 1, 2000 and July 1, 1995 respectively, 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 \$179,630 of general obligation bonds, and \$270 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, 2006, the City's net general obligation bonded debt of \$180 was well below the legal limit of \$677, and debt per capita equaled \$3.10.

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 \$4 million/occurrence, \$4,000,000 aggregate.

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, 125% aggregate stop loss.

First dollar Auto Liability coverage on all vehicles is placed with Metrogard/Royal; excess Auto Liability coverage is placed with United National. All risk property coverage is purchased from Allianz Global. Coverage provides replacement value for buildings and contents. Coverage for vacant and unoccupied buildings for which rehabilitation or sale is anticipated is provided by Lloyd's on an actual cash basis.

The Corporation Counsel's Office is diligently defending the City's interest in all legal matters. The City has appropriated in the fiscal year 2006 annual budget \$700,000 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. I would like to express my appreciation to the staff of the finance department and to all those who have 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.

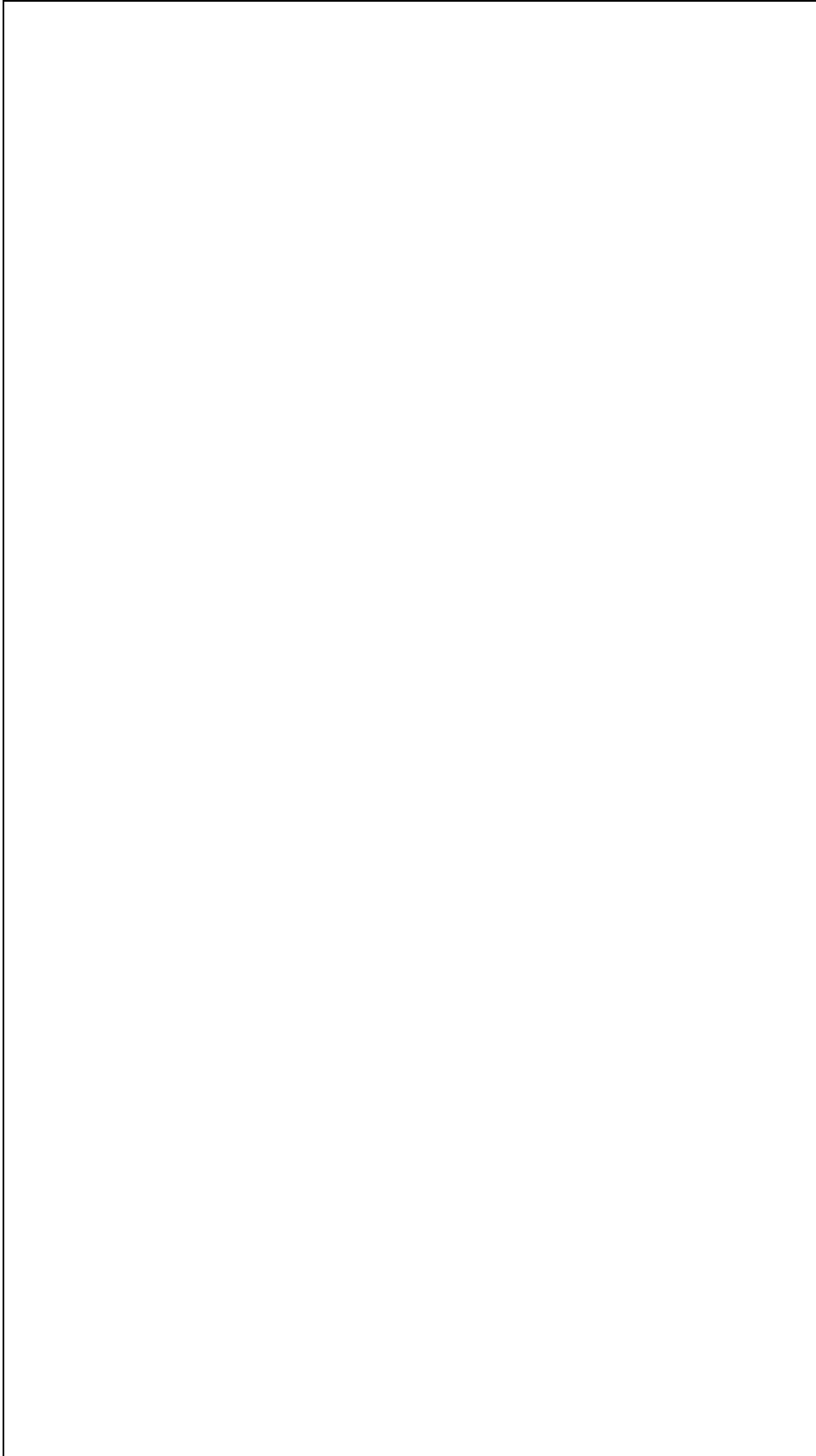
Respectfully submitted,

Robert Curry

Finance Director

Rebecca Salerni

Manager of Accounting



Financial Section



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, 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, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

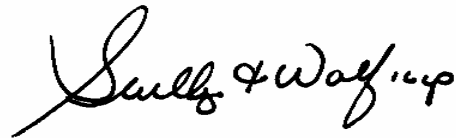
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Britain, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and budgetary comparison information on pages 13 through 21 and 66 through 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in black ink, appearing to read "Sully & Wolf". The signature is fluid and cursive, with a large initial 'S' and 'W'.

December 8, 2006

CITY OF NEW BRITAIN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. Please read this MD&A in conjunction with the transmittal letter beginning on page 3 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 \$5.7 million, or nearly 17%, net assets of our governmental activities increased by \$17.2 million, or 27.6%.
- In its governmental activities, the City had revenues of \$257 million and expenses of \$239 million; thus increasing the net assets of governmental activities by \$17.2 million.
- In the City's business-type activities, revenues were \$15.0 million while expenses were \$9.3 million; thus increasing the net assets of the business-type funds by \$5.7 million.
- The General Fund reported a fund balance this year of \$12 million.
- The tax collection rate of the current levy was 96.8%.

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 two 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.

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 \$98.6 million to \$121.1 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1 Net Assets (in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets.....	\$122,040	\$134,787	\$19,053	\$15,544	\$141,093	\$150,331
Capital assets:						
Capital assets not being depreciated	83,004	65,603	8,120	7,406	91,124	73,009
Capital assets being depreciated, net	128,643	132,818	59,851	60,749	188,494	193,567
Total assets	333,687	333,208	87,024	83,699	420,711	416,907
Long-term debt outstanding.	210,409	208,487	44,577	46,636	254,986	255,123
Other liabilities	43,892	62,476	679	498	44,571	62,974
Total liabilities	254,301	270,963	45,256	47,134	299,557	318,097
Net assets:						
Invested in capital assets, net of debt	103,955	87,181	23,391	21,744	127,346	108,925
Restricted.....	2,687	2,589			2,687	2,589
Unrestricted (deficit)	(27,256)	(27,525)	18,377	14,821	(8,879)	(12,704)
Total net assets.....	\$ 79,386	\$ 62,245	\$41,768	\$36,565	\$121,154	\$ 98,810

Net assets of the City's governmental activities increased by 27.6% (\$79.4 million compared to \$62.2 million). Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – totaled \$(27.3)million at June 30, 2006.

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

- Conservative spending;
- Higher than anticipated return on investments;
- Increase in encumbrances for education.

The net assets of business-type activities increased by nearly 17% (\$42 million compared to \$36 million) in 2006.

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

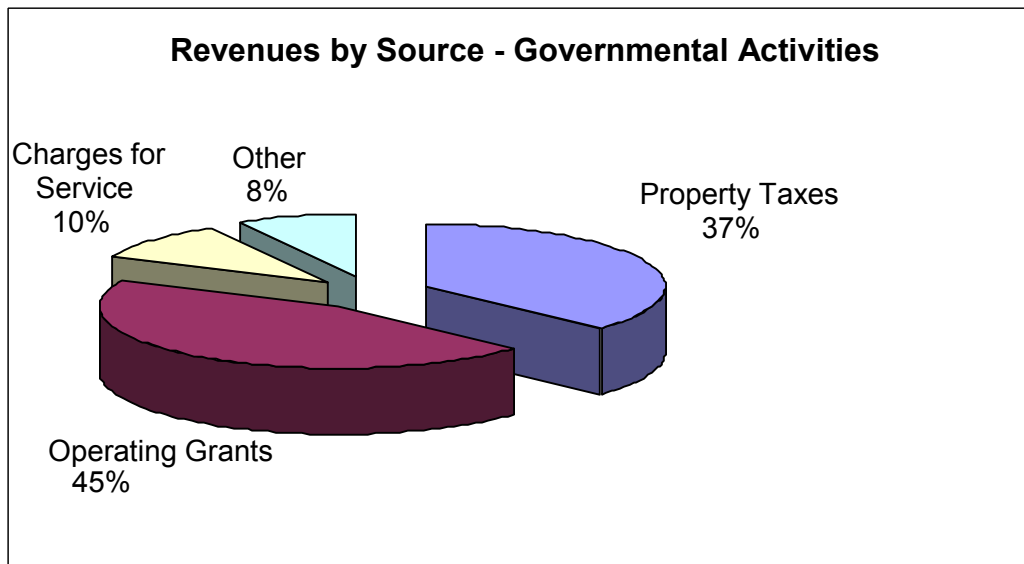
- Conservative spending;
- Slight rate increase resulting in greater than anticipated revenues.

Table 2 Changes In Net Assets (in thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program revenues:						
Charges for services	\$ 25,090	\$ 21,248	\$14,433	\$10,999	\$ 39,523	\$ 32,247
Operating grants and contributions	115,998	106,747			115,998	106,747
Capital grants and contributions	1,094	1,099			1,094	1,099
General revenues:						
Property taxes	95,192	98,000			95,192	98,000
Grants and contributions not restricted to specific purposes	14,603	14,776			14,603	14,776
Unrestricted investment earnings	4,437	2,900	579	412	5,016	3,312
Other general revenues	197	2,774			197	2,774
Total revenues	<u>256,611</u>	<u>247,544</u>	<u>15,012</u>	<u>11,411</u>	<u>271,623</u>	<u>258,955</u>
Program expenses:						
General government	8,041	6,413			8,041	6,413
Public safety	37,152	35,492			37,152	35,492
Public works	20,445	21,083			20,445	21,083
Health and welfare	8,373	9,153			8,373	9,153
Parks, recreation and libraries	11,609	12,334			11,609	12,334
Education	143,287	139,567			143,287	139,567
Interest on long-term debt	10,568	12,092			10,568	12,092
Water			9,309	9,031	9,309	9,031
Total program expenses	<u>239,475</u>	<u>236,134</u>	<u>9,309</u>	<u>9,031</u>	<u>248,784</u>	<u>245,165</u>
Increase in net assets before transfers	17,136	11,410	5,703	2,380	22,839	13,790
Transfers	<u>5</u>		<u>(5)</u>			
Increase in net assets	<u>\$ 17,141</u>	<u>\$ 11,410</u>	<u>\$ 5,698</u>	<u>\$ 2,380</u>	<u>\$22,839</u>	<u>\$13,790</u>

The City's total revenues were \$272 million. The total cost of all programs and services was \$249 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for governmental activities totaled \$257 million; property taxes (37%), operating grants (45.1%) and charges for services (9.7%) are the major revenue sources contributing 91.8% of the City's revenues.



Expenses for governmental activities were \$239 million of which 59% were supported by program revenues, and 41% were supported from general revenues. Expenses for education (60%), public safety (16%), public works (8%), and parks and recreation (5%) made up 89% of the total governmental expenses.

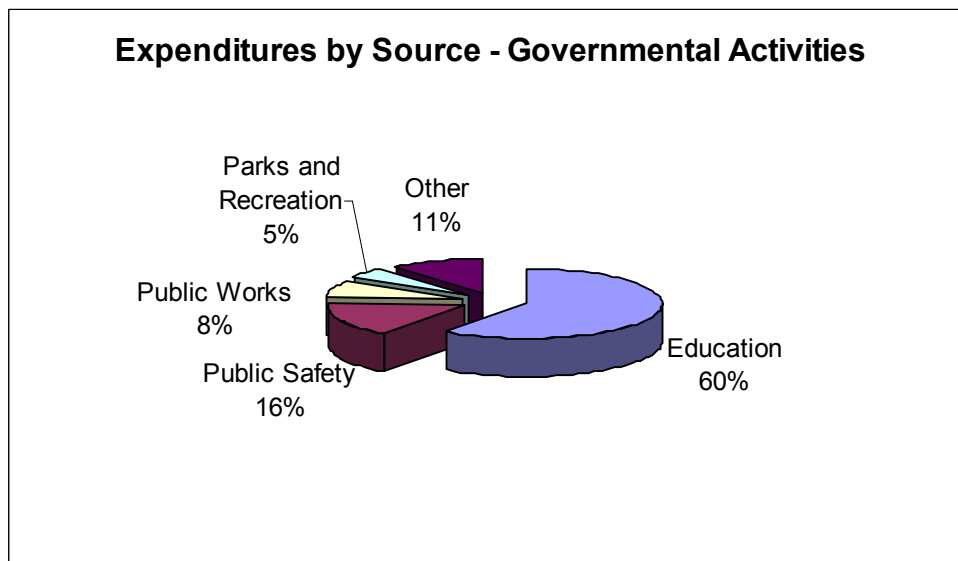
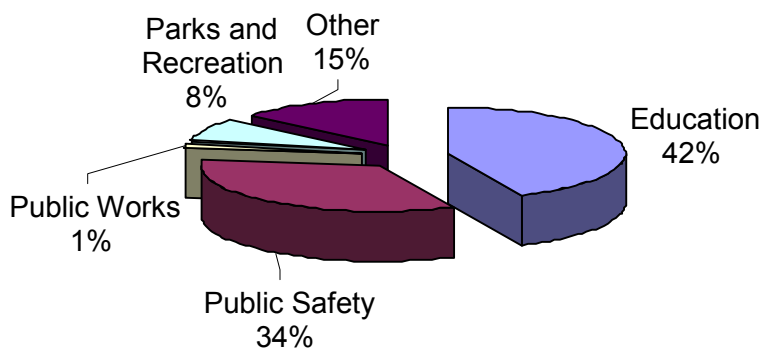


Table 3 presents the cost of each of the City's four largest programs – education, public safety, public works, and parks and recreation – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers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

Table 3
Governmental Activities
(in thousands)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Education	\$143,287	\$139,567	\$40,772	\$ 46,134
Public safety	37,152	35,492	33,585	32,673
Public works	20,445	21,083	675	5,559
Parks and recreation.....	11,609	12,334	7,719	6,878
All others	<u>26,982</u>	<u>27,658</u>	<u>14,542</u>	<u>15,796</u>
Totals.....	<u>\$239,475</u>	<u>\$236,134</u>	<u>\$97,293</u>	<u>\$107,040</u>

Net Program Costs - Governmental Activities



Business-type Activities

Revenues and expenses of the City's business-type activities amounted to \$15.0 million and \$9.3 million, respectively. Net assets increased by nearly 17% (from \$36 million to \$42 million). A major factor for this increase was conservative spending, as well as a slight rate increase resulting in higher than anticipated revenues.

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 \$13 million, which is an increase from last year's total of \$3 million. Included in this year's total change in fund balance, is an increase of \$3 million in the General Fund, a decrease of nearly \$1 million in the City's other governmental funds and an increase of \$8 million in the capital projects fund. The increase in the capital projects fund balance can be attributed to the issuance of bonds in April of 2006.

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 \$18.3 million and those for the internal service funds amounted to \$5.3 million. The total growth in net assets for both funds was \$5.7 million and \$19 thousand, 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

- Variances between the original budget and the final amended budget occurred as a result of revised revenue projections both on the part of the State as well as locally for items such as prior year tax levies, licenses, services and other fees. Variances also occurred within the expenditure budget as a result of transfers made to other funds for the purchase of items such as equipment and vehicles. The expenditure budget was also amended to reflect transfers to other City programs such as the local property tax relief fund and the centralized services fund.
- Due to the State revenue reductions in previous years, the budget for fiscal year 2006 was conservative. Consequently, State funding was higher than originally anticipated by approximately \$1.3 million.

The City's General Fund balance of \$12 million reported on Exhibit III differs from the General Fund's budgetary fund balance of nearly \$9 million. This is principally because budgetary fund balance includes \$3 million in outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the City had \$279.6 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 \$13.0 million, or 4.9% over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 24,038	\$ 23,628	\$2,167	\$ 2,167	\$ 26,205	\$ 25,795
Construction in progress	58,966	41,975	5,953	5,239	64,919	47,214
Buildings and improvements	89,436	92,158			89,436	92,158
Equipment	2,285	3,131			2,285	3,131
Vehicles	3,821	3,070			3,821	3,070
Infrastructure	33,101	34,459			33,101	34,459
Water filtration assets			59,851	60,749	59,851	60,749
Totals	<u>\$211,647</u>	<u>\$198,421</u>	<u>\$67,971</u>	<u>\$68,155</u>	<u>\$279,618</u>	<u>\$266,576</u>

For governmental type funds this year's major additions included various street projects which have commenced 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 2006-07 capital budget calls for it to spend another \$20.0 million for an addition to New Britain High School and the re-roofing of five elementary schools. In addition, there is \$34 million budgeted for various street and infrastructure projects throughout the City. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-term debt

At June 30, 2006 the City had \$193.7 million in bonds and notes outstanding versus \$188.9 million last year – an increase of 2.5% – as shown in Table 5.

Table 5
Outstanding Debt, at Year-end
(in millions)

	Governmental Activities		Business-Type Activities		Totals	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
General obligation bond (backed by the City)	\$179,630	\$174,240	\$14,000	\$14,000	\$193,630	\$188,240
Less deferred amount:						
For issuance discounts on refunding.....	(109)	(135)			(109)	(135)
Total general obligation bonds	179,521	174,105	14,000	14,000	193,521	188,105
Self liquidating bonds and notes (backed by specific tax and fee revenues).....	270	795			270	795
Totals	<u>\$179,791</u>	<u>\$174,900</u>	<u>\$14,000</u>	<u>\$14,000</u>	<u>\$193,791</u>	<u>\$188,900</u>

The City's general obligation bond rating from both Standard and Poor's and Fitch, both national rating agencies, is A. 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 \$677 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 2007 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 5.5% versus 7.1% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 4.1%.

These indicators were taken into account when adopting the General Fund budget for 2006-07. Amounts available for appropriation in the General Fund budget are \$203 million, a decrease of 1.9% over the final 2006 budget of \$207 million. Budgeted expenditures are also expected to decrease nearly 1.9% to \$203 million from the final appropriation of \$207 million in 2006.

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.

Basic Financial Statements

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2006

(thousands)

	.....PRIMARY GOVERNMENT.....		
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS:			
Cash and cash equivalents	\$ 38,433	\$16,893	\$ 55,326
Investments	22,725		22,725
Receivables, net	56,438	4,814	61,252
Internal balances	2,709	(2,709)	
Due from Fiduciary Fund	7		7
Inventory	47	55	102
Prepaid items	1,681		1,681
Capital assets:			
Capital assets not being depreciated	83,004	8,120	91,124
Capital assets being depreciated, net	128,643	59,851	188,494
22 Total assets	333,687	87,024	420,711
LIABILITIES:			
Accounts and other payables	21,071	454	21,525
Payroll liabilities		225	225
Bond anticipation notes and other interim financing	20,245		20,245
Unearned revenue	1,976		1,976
Due to Fiduciary Fund	8		8
Unamortized bond premium	592		592
Noncurrent liabilities:			
Due within one year	19,595	1,834	21,429
Due in more than one year	190,814	42,743	233,557
Total liabilities	254,301	45,256	299,557
NET ASSETS:			
Invested in capital assets, net of related debt	103,955	23,391	127,346
Restricted for:			
Trust purposes:			
Expendable	2,687		2,687
Unrestricted	(27,256)	18,377	(8,879)
Total net assets	\$ 79,386	\$41,768	\$121,154

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

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Primary Government:							
Governmental activities:							
General government	\$ 8,041	\$ 4,694	\$ 2		\$ (3,345)		\$ (3,345)
Public safety	37,152	2,362	1,205		(33,585)		(33,585)
Public works	20,445	10,449	9,186	\$ 135	(675)		(675)
Health and welfare	8,373	928	5,544		(1,901)		(1,901)
Parks, recreation and libraries	11,609	2,677	572	641	(7,719)		(7,719)
Education	143,287	3,980	98,217	318	(40,772)		(40,772)
Interest on long-term debt	10,568		1,272		(9,296)		(9,296)
Total governmental activities	239,475	25,090	115,998	1,094	(97,293)		(97,293)
Business-type activities:							
Water	9,309	14,433				\$ 5,124	5,124
Total	\$248,784	\$39,523	\$115,998	\$1,094	(97,293)	5,124	(92,169)
General revenues:							
Property taxes					95,192		95,192
Grants and contributions not restricted to specific programs					14,603		14,603
Unrestricted investment earnings					4,437	579	5,016
Miscellaneous					197		197
Transfers					5	(5)	
Total general revenues and transfers					114,434	574	115,008
Change in net assets					17,141	5,698	22,839
Net assets, July 1, 2005, as restated					62,245	36,070	98,315
Net assets, June 30, 2006					\$ 79,386	\$41,768	\$121,154

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

CITY OF NEW BRITAIN, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
JUNE 30, 2006

(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	\$15,900		\$ 8,623	\$ 9,232	\$ 33,755
Investments				3,992	3,992
Accounts receivables, net	31,630		5,507	11,067	48,204
Due from other funds	18,379			3,553	21,932
Inventories				47	47
TOTAL.....	\$65,909	\$ - 0 -	\$14,130	\$27,891	\$107,930
<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 S</u>					
Liabilities:					
Accounts payable	\$15,449		\$ 3	\$ 1,448	\$ 16,900
Due to other funds	8,400		9,344	2,776	20,520
Deferred revenue	30,090			6,661	36,751
Bond anticipation notes payable and other interim financing			20,245		20,245
Total liabilities.....	53,939		29,592	10,885	94,416
Fund balances (deficit):					
Reserved	2,990		5,670	3,474	12,134
Unreserved, reported in:					
General Fund.....	8,980				8,980
Special Revenue Funds.....				13,532	13,532
Capital Project Funds.....			(21,132)		(21,132)
Total fund balances (deficit).....	11,970		(15,462)	17,006	13,514
TOTAL.....	\$65,909	\$ - 0 -	\$ 14,130	\$27,891	

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	211,647
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	44,284
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	5,344
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(195,403)
Net assets of governmental activities	\$ 79,386

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

CITY OF NEW BRITAIN, CONNECTICUTGOVERNMENTAL FUNDSSTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)				
	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:					
Property taxes	\$ 95,175				\$ 95,175
Intergovernmental	96,815		\$ 8,802	\$29,332	134,949
Licenses, fees and charges for goods and services	9,447		600	8,880	18,927
Income on investments	3,066		591	408	4,065
Miscellaneous	1,455		84	862	2,401
Total revenues	205,958		10,077	39,482	255,517
Expenditures:					
Current:					
General government	7,065			86	7,151
Public safety	34,588			1,530	36,118
Public works	11,854		91	5,573	17,518
Health and welfare	2,429			5,896	8,325
Education	118,050			23,031	141,081
Parks and recreation	7,632			3,241	10,873
Capital outlay			22,711		22,711
Debt and sundry		\$ 24,841			24,841
Total expenditures	181,618	24,841	22,802	39,357	268,618
Excess (deficiency) of revenues over expenditures	24,340	(24,841)	(12,725)	125	(13,101)
Other financing sources (uses):					
Transfers in	7,180	24,841	3,635	851	36,507
Transfers out	(28,574)		(2,164)	(1,659)	(32,397)
Proceeds from the sale of bonds			18,910		18,910
Premium on long term debt issued			543		543
Total other financing sources (uses)	(21,394)	24,841	20,924	(808)	23,563
Net change in fund balances	2,946		8,199	(683)	10,462
Fund balance (deficit), July 1, 2005	9,024	- 0 -	(23,661)	17,689	
Fund balance (deficit), June 30, 2006	\$ 11,970	\$ - 0 -	\$ (15,462)	\$17,006	
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 capital outlay exceeded depreciation expense in the current period					14,613
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					(1,387)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds					(2,851)
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 proceeds exceeded repayments					(5,135)
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					1,420
Internal service funds are used by management to charge the costs of risk management to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities (Exhibit VI)					19
Change in net assets of governmental activities (Exhibit II)					\$ 17,141

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

CITY OF NEW BRITAIN, CONNECTICUTPROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2006

(thousands)

	BUSINESS-TYPE ...ACTIVITIES.. WATER ENTERPRISE FUND	GOVERNMENTAL ...ACTIVITIES.. INTERNAL SERVICE FUND
ASSETS:		
Current assets:		
Cash and cash equivalents	\$16,893	\$ 4,678
Investments		18,733
Receivables:		
Due from other funds		5,046
Other (net of allowance for uncollectible)	4,814	405
Inventory	<u>55</u>	<u> </u>
Total current assets	21,762	28,862
Noncurrent assets:		
Capital assets, net	<u>67,971</u>	<u> </u>
Total assets	<u>89,733</u>	<u>28,862</u>
LIABILITIES:		
Current liabilities:		
Accounts payable and accrued expenses	454	444
Compensated absences	225	
Due to other funds	2,709	3,750
Current portion of notes payable	<u>1,834</u>	<u> </u>
Total current liabilities	5,222	4,194
Noncurrent liabilities:		
Bonds and notes payable	42,743	
Claim reserves	<u> </u>	<u>19,324</u>
Total liabilities	<u>47,965</u>	<u>23,518</u>
NET ASSETS:		
Invested in capital assets, net of related debt	23,391	
Unrestricted	<u>18,377</u>	<u>5,344</u>
Total net assets	<u>\$41,768</u>	<u>\$ 5,344</u>

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

CITY OF NEW BRITAIN, CONNECTICUTPROPRIETARY FUNDSSTATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)	BUSINESS-TYPE ...ACTIVITIES.. WATER ENTERPRISE FUND	GOVERNMENTAL .ACTIVITIES.. INTERNAL SERVICE FUND
Operating revenues:			
Charges for services and goods.....	\$14,433		
Charges to other funds.....			\$19,174
Other.....			<u>10,756</u>
Total operating revenues.....	<u>14,433</u>		<u>29,930</u>
Operating expenses:			
Sources of supply expense.....	547		
Water treatment expense.....	950		
Pumping expense.....	631		
Transmission and distribution expense.....	818		
Administration and general expense.....	1,460		1,183
Customer accounts expense.....	392		
Depreciation expense.....	1,530		
Forestry expense.....	39		
Claims incurred.....			26,928
Maintenance expense.....	930		
Miscellaneous.....	<u>454</u>		
Total operating expenses.....	<u>7,751</u>		<u>28,111</u>
Operating income	<u>6,682</u>		<u>1,819</u>
Nonoperating revenue and expenses:			
Income on investments.....	579		627
Increase in actuarial claims reserve.....			1,678
Interest expense.....	<u>(1,558)</u>		
Total nonoperating revenue and expenses.....	<u>(979)</u>		<u>2,305</u>
Change in net assets before transfers	<u>5,703</u>		<u>4,124</u>
Transfers:			
Transfers in.....			310
Transfers out.....	<u>(5)</u>		<u>(4,415)</u>
Total transfers.....	<u>(5)</u>		<u>(4,105)</u>
Change in net assets.....	5,698		19
Total net assets, July 1, 2005, as restated	<u>36,070</u>		<u>5,325</u>
Total net assets, June 30, 2006	<u>\$41,768</u>		<u>\$ 5,344</u>

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

CITY OF NEW BRITAIN, CONNECTICUT

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)	.BUSINESS-TYPE ACTIVITIES. WATER ENTERPRISE FUND	.GOVERNMENTAL ACTIVITIES. INTERNAL SERVICE FUND
Cash flows from (to) operating activities:			
Cash received from charges to other funds			\$ 14,666
Cash received from customers		\$13,109	
Cash received from other operating activities			14,159
Cash paid for premiums and other operating expenses		(5,351)	(1,161)
Cash payments for claims made			(26,505)
Net cash provided by operating activities		<u>7,758</u>	<u>1,159</u>
Cash flows from noncapital financing activities:			
Transfers from other funds			310
Transfers to other funds		(5)	(4,415)
Net cash provided (used) by noncapital financing activities		<u>(5)</u>	<u>(4,105)</u>
Cash flows from (to) capital financing activities:			
Acquisition of capital assets		(1,841)	
Payment of loan obligation		(1,834)	
Interest paid on capital debt		(1,558)	
Net cash provided (used) by capital financing activities		<u>(5,233)</u>	
Cash flows from (to) investing activities:			
Income on investments		579	887
Purchase of investments			(730)
Net cash provided by investing activities		<u>579</u>	<u>157</u>
Net increase (decrease) in cash and cash equivalents		3,099	(2,789)
Cash and cash equivalents, July 1, 2005		13,794	7,467
Cash and cash equivalents, June 30, 2006		<u>\$16,893</u>	<u>\$ 4,678</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income		<u>\$ 6,682</u>	<u>\$ 1,819</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation		1,530	
Change in assets and liabilities:			
(Increase) decrease in accounts receivable		(1,324)	(287)
(Increase) decrease in due from other funds			(3,433)
Increase (decrease) in accounts payable and accrued expenses		(44)	238
Increase (decrease) in due to other funds		969	2,822
Purchase of inventory		(55)	
Total adjustments		<u>1,076</u>	<u>(660)</u>
Net cash provided by operating activities		<u>\$ 7,758</u>	<u>\$ 1,159</u>
Non-cash investment activities:			
Net increase (decrease) in fair value of investments		<u>\$-0-</u>	<u>\$ (260)</u>

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

CITY OF NEW BRITAIN, CONNECTICUTFIDUCIARY FUNDSSTATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

(thousands)

	PENSION TRUST FUNDS	AGENCY FUNDS
ASSETS:		
Cash and cash equivalents	\$ 16,953	\$351
Due from other funds	8	
Investments, at fair value:		
Equities	16,361	
Fixed income	63,343	
Mutual funds	61,739	175
Certificates of deposit		337
Total investments	141,443	512
Total assets	158,404	\$863
LIABILITIES:		
Accounts payable	14	
Due to other funds	7	
Due to beneficiaries		\$863
Total liabilities	21	\$863
NET ASSETS:		
Held in trust for pension benefits	\$158,383	

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, 2006

(thousands)

Additions:

Contributions:

Employer	\$ 1,205
Employee	<u>767</u>
Total	1,972

Investment income:

Net appreciation in fair value of investments	\$5,545
Interest and dividends	4,180
Miscellaneous	<u>8</u>
Total	9,733

Less investment expense	<u>(954)</u>
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Net investment income	<u>8,779</u>
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Total	10,751
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Deductions:

Benefits	9,161
Administration	<u>91</u>

Total	<u>9,252</u>
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Net increase	1,499
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Net assets held in trust for pension benefits, July 1, 2005	<u>156,884</u>
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Net assets held in trust for pension benefits, June 30, 2006	<u><u>\$158,383</u></u>
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The accompanying notes are an integral part
of these financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

(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.

Joint Ventures

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

Tunxis Recycling Operating Committee

The City is a participant with twelve (12) 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 31, 1990. Expenditures of \$141 were incurred in 2005-06 related to the City's participation in TROC.

Unreserved, fund balance, of the General Fund, for fiscal year ended June 30, 2006 as reflected in the Committee's financial statements is \$904. 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 thirteen (13) 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 the contracting municipalities in dealing with the trash to energy plant built by Ogden Martin Systems of Bristol, Inc. 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 to the BRRFOC amounted to \$2,980 this year.

Unreserved, fund balance for fiscal year ended June 30, 2006 as reflected in the BRRFOC's financial statements is \$13.9 million. A complete set of financial statements for BRRFOC can be obtained from the administrative office at 43 Enterprise Drive, Bristol, Connecticut.

On April 2005, the Committee issued \$41,920 in Solid Waste Revenue Refunding Bonds (Covanta Bristol, Inc. Project - 2005 series) with interest rates varying from 3.00% to 5.00%. The proceeds of the bonds, in addition to other funds made available as part of the transaction and the allowed investment earnings thereon, were used to current refund \$46,670 of outstanding revenue bonds of the Committee. The proceeds from the original bonds were loaned by the Authority to Ogden Martin Systems of Bristol, Inc. now known as Covanta 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 \$41,920.

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 Mattabasset 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. 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.

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, except for agency funds which have no measurement focus. 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.

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 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, as reported in the governmental funds, at the end of fiscal year was valued at \$6,958. The City and Board of Education compensated absences is generally liquidated by the General Fund.

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 9).

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.

L. Restatement

The City's beginning net assets of the business-type activities have been restated to properly reflect capital assets which were previously not recorded in the amount of \$326.

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 \$195,403 difference are as follows:

Bonds payable	\$179,900
Less: Deferred charge on refunding (to be amortized as interest expense)	(109)
Notes payable	4,336
Accrued interest payable	3,726
Compensated absences	6,958
Unamortized bond premium	<u>592</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$195,403</u>

Another element of that reconciliation states that “certain long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds”. The details of this \$44,284 difference are as follows:

Delinquent property taxes receivable	\$ 7,472
Accrued interest on property taxes receivable	7,996
Net pension asset	1,681
Housing loans receivable	4,684
Housing loans allowance for doubtful accounts	(178)
Accrued interest on housing loans	10
School building grants receivable	<u>22,619</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$44,284</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 \$14,613 difference are as follows:

Capital outlay	\$22,761
Depreciation expense	<u>(8,148)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$14,613</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 \$(1,387) 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>\$(1,387)</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 \$(5,135) difference are as follows:

Proceeds from the issuance of bonds.....	\$(18,910)
Premium on the sale of bonds.....	(543)
Principal repayments:	
General obligation debt	14,045
Capital leases	23
Clean water notes	251
Amortization of bond premium	25
Refunding deferral	<u>(26)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.....	<u><u>\$ (5,135)</u></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 \$1,420 difference are as follows:

Compensated absences	\$1,440
Accrued interest	<u>(20)</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>\$1,420</u></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, 2006:

Nonmajor:

Special Revenue Funds:

Local Capital Improvements.....	\$153
Exercise the Right Choice	\$78
Highway Safety Grant	\$49
Housing Inspectors DMD	\$1
Youth Build Program.....	\$14
Emergency Shelter Grant.....	\$20
Business Outreach	\$120
Redevelopment Commission	\$6
School Rental.....	\$5
Capital Projects Fund.....	\$15,462
Internal Service Funds:	
Workers' Compensation	\$1,169

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

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2006:

Deposits:	
Demand accounts.....	\$35,797
Certificates of deposit.....	<u>337</u>
Total deposits	36,134
Petty cash.....	5
Cash equivalents:	
State Tax Exempt Proceeds Fund (TEPF).....	153
State Short-Term Investment Fund (STIF).....	19,108
Financial Investors Trust Portfolio Money Market Fund.....	17,567
Less: Certificates of deposit classified as investments	<u>(337)</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$72,630</u></u>

Deposits

At June 30, 2006 the carrying amount of the City deposits was \$36,134 and the bank balance was \$44,329.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. Of the June 30, 2006 bank balance, \$817 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio. A minimum of \$4,351, based on June 30, 2006 deposits, was collateralized (collateral held by the pledging bank’s trust department is not in the City’s name). The balance of deposits of \$39,161 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2006 the City’s cash equivalents amounted to \$36,828. The following table provides a summary of the City’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor’s</u>
State Short-Term Investment Fund (STIF).....	AAAm
State Tax Exempt Proceeds Fund (TEPF)*	
Financial Investors Trust Portfolio Money Market Fund	AAAm

*Not rated

B. Investments

Investments as of June 30, 2006 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Interest Bearing Investments:		
Certificates of deposit*	\$ 337	.09
Corporate bonds	19,394	14.64
U.S. government and agency obligations	50,960	13.79
Other Investments:		
Marketable Equity Securities	30,062	
Pooled open-end mutual fund accounts:		
Mutual Funds	<u>63,927</u>	
TOTAL	<u>\$164,680</u>	
Portfolio weighted average maturity for interest bearing investments		13.94

*Subject to coverage by Federal Depository Insurance and collateralization as described under “Deposits” above.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments - As indicated above, State Statutes limit the investment options of cities and towns. The City has no investment policy that would further limit its investment choices. The following table provides a summary of the City’s investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard and Poor’s</u>	<u>Moody’s Investor Service</u>
Corporate bonds	AA+	Aa1

Concentration of Credit Risk – The City does not have a policy which limits investments in any one issuer that is in excess of five percent of the City’s total investments.

Custodial Credit Risk – Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2006, the City did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the City’s name.

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*				\$ 80	\$ 80
Taxes	\$ 9,063				9,063
Water				4,618	4,618
Sewer			\$ 3,700		3,700
Accounts	639	\$5,507	565	433	7,144
Housing loans			4,684		4,684
Intergovernmental	59		2,523		2,582
Intergovernmental – School Building Grants	22,619				22,619
Gross receivables	32,380	5,507	11,472	5,131	54,490
Less: allowance for uncollectibles	750		178**	317	1,245
Net total receivables	<u>\$31,630</u>	<u>\$5,507</u>	<u>\$11,294</u>	<u>\$4,814</u>	<u>\$53,245</u>

* Accrued interest on property taxes, long-term housing loans and sewer receivables in the amount of \$8,236 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>178</u>
TOTAL	<u>\$1,245</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	\$ 7,472	
Housing loans	4,684	
School building grants	22,619	
Grant drawdowns prior to meeting all eligibility requirements..		<u>\$1,976</u>
Total deferred/unearned revenue for governmental funds.....	<u>\$34,775</u>	<u>\$1,976</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land.....	\$ 23,628	\$ 1,425	\$(1,015)	\$ 24,038
Construction in progress	41,975	16,991		58,966
Total capital assets, not being depreciated.	<u>65,603</u>	<u>18,416</u>	<u>(1,015)</u>	<u>83,004</u>
Capital assets, being depreciated:				
Buildings	182,497	1,319	(147)	183,669
Machinery and equipment	16,343	358	(96)	16,605
Vehicles.....	13,259	1,565	(300)	14,524
Infrastructure	85,300	1,103		86,403
Total capital assets being depreciated.....	<u>297,399</u>	<u>4,345</u>	<u>(543)</u>	<u>301,201</u>
Less accumulated depreciation for:				
Buildings	90,339	3,913	(19)	94,233
Machinery and equipment	13,212	1,204	(96)	14,320
Vehicles.....	10,189	570	(56)	10,703
Infrastructure	50,841	2,461		53,302
Total accumulated depreciation	<u>164,581</u>	<u>8,148</u>	<u>(171)</u>	<u>172,558</u>
Total capital assets, being depreciated, net	<u>132,818</u>	<u>(3,803)</u>	<u>(372)</u>	<u>128,643</u>
Governmental activities capital assets, net	<u>\$198,421</u>	<u>\$14,613</u>	<u>\$(1,387)</u>	<u>\$211,647</u>

Business-type activities	Beginning* Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land.....	\$ 2,167			\$ 2,167
Construction in progress	5,239	\$ 714		5,953
Total capital assets, not being depreciated.	7,406	714		8,120
Capital assets, being depreciated:				
Source of supply.....	5,426	3		5,429
Pumping plant.....	2,910	13		2,923
Water treatment plant.....	2,090	484	\$ (35)	2,539
Filter plant	53,146			53,146
Transmission and distribution	11,441	118	(205)	11,354
General plant and administrative equipment	1,208	253	(149)	1,312
Total capital assets, being depreciated.....	76,221	871	(389)	76,703
Less accumulated depreciation for:				
Source of supply.....	2,184	53		2,237
Pumping plant.....	1,444	58		1,502
Water treatment	1,652	57	(5)	1,704
Filter plant	1,152	1,063		2,215
Transmission and distribution	8,060	156	(145)	8,071
General plant and administrative equipment	980	143		1,123
Total accumulated depreciation	15,472	1,530	(150)	16,852
Total capital assets, being depreciated, net.	60,749	(659)	(239)	59,851
Business-type activities capital assets, net..	\$68,155	\$ 55	\$(239)	\$67,971

*Restated by \$326 for amounts previously not recorded (see Note 1).

Depreciation expense was charged to functions/programs as follows:

Governmental activities

General government.....	\$ 480
Public safety.....	1,046
Public works	2,925
Health and social services.....	34
Parks and recreation.....	719
Education	2,944
Total depreciation expense - governmental activities	\$8,148

Business-type activities

Enterprise Fund - water depreciation expense - business-type activities \$1,530

Construction Commitments

The City has active construction projects as of June 30, 2006. The following is a summary of capital projects as of June 30, 2006:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>
Public buildings	\$ 44,901	\$ 33,644
Schools.....	65,774	43,178
Infrastructure	65,690	26,007
Parks and recreation.....	4,000	2,617
Miscellaneous	<u>931,463</u>	<u>58,323</u>
Total.....	<u>\$1,111,828</u>	<u>\$163,769</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, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund.....	Enterprise Fund	\$ 2,502
	Capital Projects Fund	9,344
	Nonmajor Fund	2,776
	Internal Service Fund	3,750
	Pension Trust Funds.....	7
Nonmajor Fund	General Fund.....	3,346
	Enterprise Fund	207
Internal Service Fund	General Fund.....	5,046
Pension Trust Funds.....	General Fund.....	<u>8</u>
TOTAL		<u>\$26,986</u>

All interfund receivables and payables are the result of regularly recurring transactions and represent temporary balances.

Interfund transfers:

		.....Transfer From.....				
<u>Transfers to</u>	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Internal Service</u>	<u>Enterprise Fund</u>	<u>Total Transfer</u>
General.....		\$1,633	\$1,132	\$4,415		\$ 7,180
Debt Service	\$23,953	461	427			24,841
Capital Projects.....	3,535		100			3,635
Nonmajor Governmental	776	70			\$5	851
Internal Service.....	310					310
TOTAL	<u>\$28,574</u>	<u>\$2,164</u>	<u>\$1,659</u>	<u>\$4,415</u>	<u>\$5</u>	<u>\$36,817</u>

All transfers represent routine transactions that occur annually to move resources from one fund to another.

8. 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, 2006:

<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>
2006 bond anticipation notes	Capital Projects Fund	5%	04/05/2007		\$20,245		\$20,245
2005 bond anticipation notes	Capital Projects and Enterprise Fund	4%	04/06/2006	\$34,060		\$34,060	
TOTAL				<u>\$34,060</u>	<u>\$20,245</u>	<u>\$34,060</u>	<u>\$20,245</u>

9. LONG-TERM DEBT

A schedule of bond indebtedness as of June 30, 2006 is as follows:

General Fund Long-Term Bonded Debt

	<u>Interest Rate (%)</u>	<u>Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance Outstanding</u>
Consolidated School District:					
1988 Series	6.4% - 6.7%	\$ 16,795	04/01/88	04/01/08	\$ 730
1992 Series	4.6% - 6.5%	6,875	02/01/92	02/01/07	410
1993 Series A	3.8% - 6.0%	13,300	02/01/93	10/01/12	5,160
1993 Series B	3.8% - 6.0%	13,075	02/01/93	04/01/12	4,320
1994 Series	4.0% - 5.0%	17,700	02/01/94	02/01/14	7,080
1996 Series	4.4% - 5.0%	4,325	03/15/96	04/15/11	975
1997 Series	4.4% - 5.1%	13,115	04/15/97	04/15/13	4,880
1999 Series	4.65%	12,425	04/13/99	04/01/15	8,030
2000 Series A	5.0% - 5.3%	5,600	04/12/00	04/01/14	3,350
2003 Series	2.0% - 5.25%	1,550	11/01/02	05/01/14	620
2006 Series	5.0% - 4.125%	<u>11,000</u>	04/15/06	04/15/21	<u>11,000</u>
Subtotal		<u>115,760</u>			<u>46,555</u>
Public Improvement:					
1986 Series	6.4% - 6.5%	9,915	10/01/86	10/01/06	310
1988 Series	6.4% - 7.0%	4,300	04/01/88	04/01/08	430
1992 Series	4.6% - 6.5%	8,285	02/01/92	02/01/12	2,400
1993 Series B	3.8% - 6.0%	16,210	02/01/93	04/01/12	5,400
1997 Series	4.4% - 5.1%	8,925	04/15/97	04/15/13	1,685
1999 Series	4.65%	1,300	04/13/99	04/01/13	150
2000 Series B	5.71%	12,080	04/01/00	04/01/20	9,675
2003 Series	3.0% - 5.0%	1,255	04/01/03	04/15/08	480
2006 Series	5.0% - 4.125%	<u>6,460</u>	04/15/06	04/15/21	<u>6,460</u>
Subtotal		<u>68,730</u>			<u>26,990</u>
General Obligation Pension Bonds:					
1998 Series	5.72% - 6.64%	<u>106,000</u>	02/01/98	02/01/26	<u>96,680</u>
Refunding Bonds of 1989:					
1998 Series	4.00% - 5.00%	<u>6,565</u>	06/01/98	04/01/09	<u>1,695</u>
General Obligation Taxable Worker's Compensation Bonds:					
2000 Series	Variable	<u>7,000</u>	06/01/00	06/01/10	<u>2,800</u>
Refunding Bonds of 1995:					
2003 Series	2.0% - 5.25%	<u>4,070</u>	11/01/02	05/01/14	<u>3,525</u>

Self Liquidating Long-Term Bonded Debt

	<u>Interest Rate (%)</u>	<u>Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance Outstanding</u>
MERF Bonds of 2005:					
2005 Series	4.93%	<u>\$ 1,450</u>	07/28/05	06/01/23	<u>\$ 1,385</u>
TOTAL GENERAL FUND DEBT		<u>\$309,575</u>			<u>\$179,630</u>
Sewer:					
1999 Series	4.65%	<u>\$900</u>	04/13/99	04/01/13	<u>\$270</u>
TOTAL SELF-LIQUIDATING DEBT		<u>\$900</u>			<u>\$270</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2006, 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	\$174,240	\$18,910	\$(13,520)	\$179,630	\$14,305
Less deferred amounts:					
For issuance					
discounts on					
refunding	(135)		26	(109)	
Total general obligation					
bonds	174,105	18,910	(13,494)	179,521	14,305
Self liquidating bonds	795		(525)	270	90
Total bonds payable	174,900	18,910	(14,019)	179,791	14,395
Notes payable:					
Clean Water notes	4,587		(251)	4,336	251
Capital leases	23		(23)		
Compensated absences.....	8,398	29	(1,469)	6,958	848
Risk management	20,579	25,403	(26,658)	19,324	4,101
Governmental activity					
long-term liabilities	<u>\$208,487</u>	<u>\$44,342</u>	<u>\$(42,420)</u>	<u>\$210,409</u>	<u>\$19,595</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Bonds payable	\$14,000			\$14,000	
Notes payable:					
Clean water notes	32,411		\$(1,834)	30,577	\$1,834
Compensated absences	225			225	
Business-type activity					
long-term liabilities	\$46,636	\$ - 0 -	\$(1,834)	\$44,802	\$1,834

In prior years, the City had defeased certain 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, 2006, \$3,570 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	\$217,676	\$120,958	\$96,718
Schools	\$435,353	\$47,064	\$388,289
Sewers	\$362,794	\$15,727	\$347,067
Urban renewal	\$314,421		\$314,421
Pension deficit	\$290,235		\$290,235

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$677,215).

The indebtedness above includes \$142,235 of authorized bonds which were unissued as of June 30, 2006.

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 Governmental Activities of the City as of June 30, 2006 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
2007	\$ 14,305	\$ 90	\$ 251	\$ 11,583	\$13	\$ 84	\$ 26,326
2008	13,365	90	251	9,721	8	79	23,514
2009	12,470	90	251	9,035	4	74	21,924
2010	12,255		251	8,350		69	20,925
2011	11,810		251	7,665		64	19,790
2012	11,925		251	7,019		59	19,254
2013	9,480		251	6,354		54	16,139
2014	7,435		251	5,855		49	13,590
2015	6,430		251	5,422		44	12,147
2016	6,375		251	5,036		39	11,701
2017	6,720		251	4,660		34	11,665
2018	7,075		251	4,250		29	11,605
2019	7,460		250	3,816		24	11,550
2020	7,870		250	3,357		19	11,496
2021	7,275		250	2,869		14	10,408
2022	6,625		250	2,416		9	9,300
2023	7,055		201	1,988		4	9,248
2024	7,400		123	1,533		1	9,057
2025	7,890			1,055			8,945
2026	8,410			544			8,954
TOTAL	\$179,630	\$270	\$4,336	\$102,528	\$25	\$749	\$287,538

Note: Self Liquidating principal includes sewer debt of \$270.

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 5.38%. This rate will change on a yearly basis.

The maturities relating to all bonds and serial notes of the Business-Type Activities of the City as of June 30, 2006 are as follows:

Year Ending June 30,	Principal Clean Water Notes	Principal Revenue Bonds	Interest Clean Water Notes	Interest Revenue Bonds	Total
2007	\$ 1,834		\$ 753	\$ 759	\$ 3,346
2008	1,834	\$ 375	707	755	3,671
2009	1,834	375	669	735	3,613
2010	1,834	375	617	715	3,541
2011	1,834	370	570	694	3,468
2012	1,834	375	523	674	3,406
2013	1,834	435	475	654	3,398

Year Ending June 30,	Principal Clean Water Notes	Principal Revenue Bonds	Interest Clean Water Notes	Interest Revenue Bonds	Total
2014	\$ 1,834	\$ 485	\$ 429	\$ 629	\$ 3,377
2015	1,834	530	358	603	3,325
2016	1,834	530	315	574	3,253
2017	1,834	530	286	545	3,195
2018	1,834	530	241	517	3,122
2019	1,835	530	197	488	3,050
2020	1,835	535	148	459	2,977
2021	1,835	535	100	430	2,900
2022	1,464	535	57	401	2,457
2023	1,200	535	25	372	2,132
2024	400	535	2	343	1,280
2025		535		314	849
2026		535		285	820
2027		535		237	772
2028		535		227	762
2029		535		198	733
2030		535		169	704
2031		535		140	675
2032		535		111	646
2033		535		82	617
2034		535		53	588
2035		535		24	559
TOTAL	<u>\$30,577</u>	<u>\$14,000</u>	<u>\$6,472</u>	<u>\$12,187</u>	<u>\$63,236</u>

Interest Rate Swap Agreements

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

<u>Type</u>	<u>Face Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Variable rate demand revenue bonds	\$14,000	Variable	April 1, 2035

Under terms of the agreement, the City will pay its counterparty a fixed interest rate in exchange for receiving the actual variable rate the City pays to its variable rate bondholders. The City and its counterparty will net the difference in these two payments and the City will continue to pay its bondholders. As a result of this agreement, the City has in effect exchanged its variable rate liability for a fixed rate obligation. This agreement does expose the City to certain market risks relating to 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 bondholders	\$14,000	5.07%	Variable rate paid to

Option On Interest Rate Swap Agreements (Swaption)

Effective October 26, 2005, the City entered into a swaption with the Bank of Montreal (the “Institution”), having the following terms and conditions:

On November 2, 2005, the Institution paid the City \$1.0 million in exchange for an option to enter into an interest rate swap agreement with the City exercisable by the Institution on the following dates: 2/1/06, 8/1/06, 2/1/07, 8/1/07, 2/1/08 and 8/1/08.

In the event of the exercise of this swaption, the Institution will pay the City the fixed rate of 5.50% on the notional amount of the City’s 1998 fixed rate pension bonds semi-annually, and the City will pay 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 eighteen months of the date on which the swap is terminated and shall make such payment on such established date.

Effective on June 20, 2006, this swap remains unexercised.

10. 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 Net Assets 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	\$2,990	\$ 740	\$5,670		
Inventory		47			
Trust purposes		2,687			
Pension benefits					\$158,383
Self-insurance.....				\$5,344	
TOTAL	<u>\$2,990</u>	<u>\$3,474</u>	<u>\$5,670</u>	<u>\$5,344</u>	<u>\$158,383</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	\$ 64
Cemetery Fund	101
Sewer Fund	724
Recreation Amusement Fund	4
Darius Miller Walnut Hill	32
Drug Investigation	<u>78</u>
TOTAL	<u>\$1,003</u>

11. 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, 2005 to June 30, 2006. 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 \$2,276 is reported in the internal service fund at June 30, 2006, 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 \$16 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, 2006 and June 30, 2005 as follows:

	.....June 30, 2006.....			.....June 30, 2005.....		
			General Accident Casualty And Liability			General Accident Casualty And Liability
	<u>Medical</u>	<u>Workers' Compensation</u>		<u>Medical</u>	<u>Workers' Compensation</u>	
Beginning of year claim reserve	\$ 1,853	\$17,613	\$1,113	\$ 1,573	\$16,033	\$ 2,228
Current year incurred claims and changes in prior year estimate	25,224		179	22,357	3,433	(1,023)
Claim payments	(24,801)	(1,678)	(179)	(22,077)	(1,853)	(92)
End of year claim reserve	<u>\$ 2,276</u>	<u>\$15,935</u>	<u>\$1,113</u>	<u>\$ 1,853</u>	<u>\$17,613</u>	<u>\$ 1,113</u>

12. 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 five 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 ¼% 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 5% of covered payroll. The City's and employee contributions to MERF for the year ended June 30, 2006, June 30, 2005 and June 30, 2004 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, 2004	\$1,274	\$1,664	\$2,938	\$33,306
June 30, 2005	\$1,742	\$1,802	\$3,544	\$36,026
June 30, 2006	\$2,621	\$1,963	\$4,584	\$39,250

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	\$ 6,289	\$10,664	\$ 16,953
Investments	72,408	69,035	141,443
Due from other funds.....	4	4	8
TOTAL	<u>\$78,701</u>	<u>\$79,703</u>	<u>\$158,404</u>
Liabilities:			
Accounts payable	\$ 7	\$ 7	\$14
Due to other funds	3	4	7
TOTAL	<u>\$10</u>	<u>\$11</u>	<u>\$21</u>
Net assets:			
Reserved for employee retirement.....	<u>\$78,691</u>	<u>\$79,692</u>	<u>\$158,383</u>

Statement of Changes in Plan Net Assets

	.....Employee Retirement Funds.....		
	Police Benefit Plan	Firemen's Benefit Plan	Total
Additions:			
Contributions:			
Employer	\$ 607	\$ 598	\$ 1,205
Plan members	387	380	767
Total contribution	<u>994</u>	<u>978</u>	<u>1,972</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	3,323	2,222	5,545
Interest and dividends.....	1,862	2,318	4,180
Miscellaneous	1	7	8
Total investment income	<u>5,186</u>	<u>4,547</u>	<u>9,733</u>
Investment expense.....	<u>(485)</u>	<u>(469)</u>	<u>(954)</u>
Net investment income	<u>4,701</u>	<u>4,078</u>	<u>8,779</u>
Total	<u>5,695</u>	<u>5,056</u>	<u>10,751</u>

	.....Employee Retirement Funds.....		
	Police Benefit Plan	Firemen's Benefit Plan	Total
Deductions:			
Benefits	\$ 5,005	\$ 4,156	\$ 9,161
Administration	44	47	91
Total	<u>5,049</u>	<u>4,203</u>	<u>9,252</u>
Transfer.....	(13)	13	
Net increase	633	866	1,499
Net assets held in trust for pension benefits, July 1, 2005.....	<u>78,058</u>	<u>78,826</u>	<u>156,884</u>
Net assets held in trust for pension benefits, June 30, 2006	<u>\$78,691</u>	<u>\$79,692</u>	<u>\$158,383</u>

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

	<u>Fire</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	140	175
Current employees:		
Vested.....	108	76
Non-vested.....	—	<u>27</u>
Total	<u>248</u>	<u>278</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, 2006, these required contributions were \$234 and \$650 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.....	\$ 234	\$ 650
Interest on net pension obligation	(67)	(34)
Adjustment to annual required contribution	<u>58</u>	<u>29</u>
Annual pension cost.....	225	645
Contributions made.....	<u>(599)</u>	<u>(607)</u>
Increase (decrease) in net pension obligation	(374)	38
Net pension obligation (asset), July 1, 2005	<u>(890)</u>	<u>(455)</u>
Net pension obligation, June 30, 2006.....	<u><u>\$(1,264)</u></u>	<u><u>\$(417)</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, 2005	March 1, 2005
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll- Closed	Level Percentage of Payroll- Closed
Remaining Amortization Period	28 years	28 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

<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 (Asset)</u>
6/30/2004	\$232	\$1,009	435%	\$(820)
6/30/2005	222	292	132	(890)
6/30/2006	225	599	266	(1,264)

Police Plan

<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 (Asset)</u>
6/30/2004	\$639	\$713	113%	\$(451)
6/30/2005	638	642	100	(455)
6/30/2006	645	607	94	(417)

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (c)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as % of Covered Payroll (c/d)</u>
02/28/2001	68,937	62,921	(6,016)	6,526	(92.2)
03/01/2003	76,915	65,434	(11,481)	7,426	(154.6)
03/01/2005	78,249	70,151	(8,098)	6,502	(124.5)

Police Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (c)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as % of Covered Payroll (c/d)</u>
02/28/2001	68,608	64,741	(3,867)	6,727	(57.5)
03/01/2003	69,758	67,116	(2,642)	7,084	(37.3)
03/01/2005	77,963	71,971	(5,992)	6,640	(90.2)

*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
6/30/2004	234	431
6/30/2005	234	125
6/30/2006	234	256

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
6/30/2004	650	110
6/30/2005	650	99
6/30/2006	650	93

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 fourteen (14) retirees, twenty-seven (27) 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 \$831. The “pay-as-you-go” Plan does not have a net pension obligation as of June 30, 2006.

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>
6/30/2004	\$1,004	\$1,004	100%	N/A
6/30/2005	898	898	100	N/A
6/30/2006	831	831	100	N/A

Pension Plan Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
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

*latest actuarial valuation date

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
06/30/2001	\$1,262	100
06/30/2002	1,165	100
06/30/2003	1,107	100
06/30/2004	1,004	100
06/30/2005	898	100
06/30/2006	831	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 7.25% of all teachers’ annual salaries and transmits the funds to the State Teachers’ Retirement Board. For the year ended June 30, 2006 the certified employees of the City contributed \$4,207 to this plan and the total payroll for certified employees covered by this plan for the year was \$58,023.

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, 2006 the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,355 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.

13 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.

Required Supplementary
Information

CITY OF NEW BRITAIN, CONNECTICUTGENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

....BUDGETED AMOUNTS.....

	ORIGINAL	FINAL	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
General Property Taxes:				
Current Taxes	\$ 90,983	\$ 90,983	\$ 90,478	\$ (505)
Prior Year Levy	2,300	2,300	2,292	(8)
Interest and Liens	1,100	1,141	1,141	
Supplemental Motor Vehicle	1,200	1,260	1,260	
Miscellaneous	10	10	4	(6)
Total general property taxes	95,593	95,694	95,175	(519)
Intergovernmental Revenues (State):				
State Education for the Blind	259	150	136	(14)
H.E.W. Private Schools	156	156	115	(41)
Special School Transportation	541	650	497	(153)
Elementary & Secondary Transportation	2,302	2,453	2,453	
Special Education	1,500	2,288	2,288	
Education Equalization	63,626	63,626	63,621	(5)
Miscellaneous	1	1		(1)
State Infraction Distribution	3	3		(2)
Principal Subsidy	4,089	4,089	4,089	
Interest Subsidy	1,272	1,272	1,272	
DCA Tax Abatements	33	33	27	(6)
Town Aid Road Fund	386	386	384	(2)
Veterans Exemption Reimbursement		53	53	
Tax Relief for the Elderly		586	586	
State Property Tax Relief	4,581	4,581	4,582	1
Telephone Access Line Tax Relief	440	440	285	(155)
Civil Defense	22	22	3	(19)
Off Track Betting	275	275	247	(28)
State Pilot Hospital Colleges	3,903	3,903	3,911	8
State Pilot Model Housing	150	218	218	
Manufacturers in Distress	100	152	152	
Boat License Distribution	13	13	13	
Disability Exemption		13	13	
Manufacturing Equipment Tax Reimbursement	900	979	979	
Legalized Gaming Distribution	3,600	3,600	3,528	(72)
Total	88,152	89,942	89,453	(489)
Intergovernmental Revenues (Other than State):				
In Lieu of Taxes	15	15	7	(8)
Total intergovernmental revenues	88,167	89,957	89,460	(497)

(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:				
Building Structures and Equipment	\$ 866	\$ 996	\$ 973	\$ (23)
All Other License	59	59	50	(9)
Protection	47	143	144	1
Health	34	34	52	18
Disposal	1,846	1,846	1,715	(131)
Planning and Zoning	6	6	12	6
Total licenses and permits	2,858	3,084	2,946	(138)
Charges for Services:				
City Hall Commissions Rent	149	149	169	20
Town Clerk	1,412	2,089	2,133	44
Recreation	711	721	734	13
Public Safety	917	1,014	1,018	4
Parking	1,781	1,781	1,815	34
Public Works - Project Management	302	302	225	(77)
Health	19	19	25	6
Public Works - Rights of Way	21	21	44	23
Parking Tickets	380	380	309	(71)
Assessor	4	4	6	2
Senior Center	14	26	23	(3)
Total charges for services	5,710	6,506	6,501	(5)
Total licenses, fees and charges for services	8,568	9,590	9,447	(143)
Other Revenue:				
Investment Income	1,700	2,812	3,066	254
Miscellaneous	204	308	542	234
Sale of Real Estate Property	1,536	1,536	572	(964)
Board of Education	128	354	341	(13)
Total other revenue	3,568	5,010	4,521	(489)
Total revenues	195,896	200,251	198,603	(1,648)
Other Financing Sources:				
Transfers in	7,110	7,197	7,180	(17)
TOTAL	<u>\$203,006</u>	<u>\$207,448</u>	205,783	<u>\$ (1,665)</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			7,355	
Total revenues and other financing sources as reported on the statement of revenues, expenditures,				
and changes in fund balances - governmental funds - Exhibit IV			<u>\$213,138</u>	

CITY OF NEW BRITAIN, CONNECTICUTGENERAL FUND

SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2006

(thousands)				
....BUDGETED AMOUNTS.....				VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
General Government:				
Legislative.....	\$ 154	\$ 230	\$ 218	\$ 12
Boards and Commissions.....	20	95	92	3
Judicial.....	63	138	137	1
Elections.....	367	445	401	44
Mayor's Office.....	365	440	437	3
Planning and Zoning.....	217	300	294	6
Finance.....	2,843	2,940	2,970	(30)
Recording and Reporting.....	645	728	707	21
Legal.....	1,565	1,648	1,647	1
Central Services.....	186	262	231	31
Total general government.....	6,425	7,226	7,134	92
Public Safety:				
Police.....	15,451	16,663	16,482	181
Fire.....	14,839	14,987	14,818	169
Lighting.....	723	798	757	41
Building.....	753	830	684	146
Civil Preparedness.....	140	220	138	82
Central Emergency Dispatch.....	1,760	1,837	1,777	60
Total public safety.....	33,666	35,335	34,656	679
Public Works:				
Bureau of Engineering.....			1	(1)
Administration.....	569	651	645	6
Street Services.....	3,651	3,770	3,722	48
Public Buildings.....	3,208	453	965	(512)
Capital Project.....	885	978	924	54
Signals and Control.....	383	470	408	62
Waste Disposal.....	5,669	5,747	5,728	19
Total public works.....	14,365	12,069	12,393	(324)
Parks and Recreation:				
Administration.....	373	466	388	78
Forestry.....	246	314	251	63
Horticulture.....	318	384	305	79
Maintenance.....	2,697	2,790	2,763	27
Special Projects.....	18	93	22	71
Recreation Department.....	846	926	883	43
Willow Brook Sports Complex.....	79	76	76	
Willow Brook Food Concessions.....	103	182	100	82
City Supported Agencies.....	2,871	2,871	2,871	
Cultural Organizations.....	33	33	33	
Total parks and recreation.....	7,584	8,135	7,692	443

(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)
Health and Social Services:				
Rights and Opportunities Commission.....	\$ 99	\$ 174	\$ 94	\$ 80
Civil Service Commission.....	410	487	415	72
Nursing.....	470	545	427	118
Environmental Control.....	447	524	388	136
Administration.....	228	303	227	76
Social Services.....	45	130	54	76
Senior Center.....	591	680	614	66
Handicap Services.....	126	204	154	50
Veterans Services.....	74	76	75	1
Total health and human services.....	2,490	3,123	2,448	675
Education.....	111,898	112,153	112,111	42
Total expenditures.....	176,428	178,041	176,434	1,607
Other financing uses:				
Transfers out:				
Insurance Reserve.....	100	100	310	(210)
Capital Non-Recurring.....		2,423	2,434	(11)
Debt Service.....	25,027	25,158	23,953	1,205
Grants and Contributions.....	1,451	1,725	1,877	(152)
Total other financing uses.....	26,578	29,406	28,574	832
TOTAL	<u>\$203,006</u>	<u>\$207,447</u>	205,008	<u>\$2,439</u>
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.....			7,355	
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.....			(2,171)	
Total expenditures and other financing sources as reported on the statement of revenues, expenditures, changes in fund balances - governmental funds - Exhibit IV			<u>\$210,192</u>	

Combining and Individual Fund Statements and Schedules

General Fund

GENERAL FUND

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specific funds. The General Fund accounts for the normal recurring activities of the City 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, CONNECTICUTGENERAL FUNDCOMPARATIVE BALANCE SHEET
JUNE 30, 2006 AND 2005

		2006	2005
	(thousands)		
<u>A S S E T S</u>			
Cash and cash equivalents		\$15,900	\$14,652
Property taxes receivable (net of allowance for uncollectible accounts)		8,313	8,393
Accounts receivable		639	1,017
Due from other governments		22,678	26,448
Due from other funds		<u>18,379</u>	<u>14,766</u>
TOTAL		<u>\$65,909</u>	<u>\$65,276</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		\$15,449	\$16,481
Due to other funds		8,400	5,620
Deferred revenue		<u>30,090</u>	<u>34,151</u>
Total liabilities		<u>53,939</u>	<u>56,252</u>
Fund balance:			
Reserve for encumbrances		2,990	1,035
Unreserved, undesignated		<u>8,980</u>	<u>7,989</u>
Total fund balance		<u>11,970</u>	<u>9,024</u>
TOTAL		<u>\$65,909</u>	<u>\$65,276</u>

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF TAX COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

GRAND LIST YEAR	MILL RATE	UNCOLLECTED TAXES JULY 1, 2005	.....NET ADDITIONS	LAWFUL..... DEDUCTIONS	TRANSFERS TO SUSPENSE	ADJUSTED AMOUNT COLLECTIBLE	.....COLLECTIONS..... TAXES	INTEREST	LIEN FEES	TOTAL	UNCOLLECTED TAXES JUNE 30, 2006
2004	45.89	\$ 95,248	\$471	\$1,203		\$94,516	\$91,538	\$506	\$15	\$92,059	\$2,978
2003	46.90	3,070	11	365	\$ 59	2,657	1,661	370	9	2,040	996
2002	46.93	1,092	2	15	6	1,073	381	135	22	538	692
2001	54.76	759	1	6	6	748	121	70	7	198	627
2000	50.88	597		5	3	589	40	27	3	70	549
1999	49.98	488		5	3	480	14	13	2	29	466
1998	49.42	429	1	5	3	422	12	12	4	28	410
1997	49.48	392		4	3	385	13	16	2	31	372
1996	49.58	394		4	3	387	12	17	3	32	375
1995	49.83	376	4	6	4	370	8	13	2	23	362
1994	50.85	291	4	5	4	286	4	8	1	13	282
1993	50.85	242	3	4	3	238	3	7	1	11	235
1992	49.36	222	3	3	3	219	2	6	1	9	217
1991	49.54	239	3	5	3	234	2	6	1	9	232
1990	48.15	289	13	16	14	272	2	6	1	9	270
TOTAL		<u>\$104,128</u>	<u>\$516</u>	<u>\$1,651</u>	<u>\$117</u>	<u>\$102,876</u>	<u>\$93,813</u>	<u>\$1,212</u>	<u>\$74</u>	95,099	<u>\$9,063</u>
Suspense collections										<u>2</u>	
Total collections										<u>\$95,101</u>	

Nonmajor
Governmental Funds

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
Park Security and Policing	Rental fees	To pay for a park security guard
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
Sewer Use	User fees and investment earnings	Operation of the sewer systems
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
Board of Education In-Residence Student	Various funding sources	Educational services provided to out of town students
Larvicide Grant	State grant	Preventing the spread of the West Niles Virus
Board of Education State & Federal Grants	State and Federal grants	Education Programs
Lead Poisoning Prevention	State grant	Prevent lead poisoning in City youth
Hurricane Relief	Employee donations	To account for employee donations to hurricane victims
FEMA Grant	Federal grant	Disaster relief
Substance Abuse (TCE) Grant	Federal grant	Drug rehabilitation programs
Police Explorers Program	Various funding sources	To introduce young men and women to the field of law enforcement
Martin Luther King Brick Sale	Donations	Account for the sale of bricks
Preventive Health Block Grant	State grant	To create awareness of health issues in high school students
Smoking Cessation Grant	State grants	Provides support and counseling to encourage the cessation of smoking
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
National Recreation Trails Grant	Federal grant	Beautification of City parks
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
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
American Legion Baseball	Various donations	To account for donations to American Legion Baseball
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
Local Property Tax Relief Program	Various funding sources	Tax abatement for low income seniors and veterans
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
COPS Ahead Homeland Security Grant	Federal grant	Police overtime to provide homeland security
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
Mayor's Golf Tournament	Fees and charges for service	City golf tournament for the benefit of local charities
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	Fees and charges for services	Operations of the City's Senior Center
Mobile Data Communication	State, Federal and Local funding	Enhance the City's Emergency Response System
Drug Enforcement Training	State grant	Reduction of drug trafficking and drug use
Housing Inspectors DMD	State, Federal and Local funding	Account for the salaries of two housing inspectors
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
Fieldtrips	Various funding sources	School field trips
Youth Build Program	Federal grant	Training at-risk youth in construction principles & practices for future employment opportunities.
Willow Street Grant	Federal grant	Demolition of housing units transferred to the City
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
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

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET
JUNE 30, 2006

	(thousands)							
	.....SPECIAL REVENUE.....							
	STANLEY QUARTER PARK	LEAD PAINT REDUCTION PROGRAM	PARK SECURITY AND POLICING	CEMETERY	DOG	WILLOWBROOK PARK POOL	SEWER USE	NEW BRITAIN MARKETING COLLABORATIVE
<u>A S S E T S</u>								
Cash and cash equivalents	\$333			\$ 165			\$1,630	
Investments	2			940				
Accounts receivable	4			11	\$17		3,700	
Loans receivable								
Due from other governments								
Due from other funds		\$168	\$21		16	\$1	1,514	\$54
Inventory								
TOTAL.....	<u>\$339</u>	<u>\$168</u>	<u>\$21</u>	<u>\$1,116</u>	<u>\$33</u>	<u>\$1</u>	<u>\$6,844</u>	<u>\$54</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	\$ 16	\$124		\$ 5	\$22		\$ 20	
Due to other funds	260			164				
Deferred revenue		44						
Total liabilities	<u>276</u>	<u>168</u>		<u>169</u>	<u>22</u>		<u>20</u>	
Fund balance (deficit):								
Reserved for encumbrances	38			1	1		31	
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated	64			101			724	
Unreserved, undesignated	(39)		\$21	845	10	\$1	6,069	\$54
Total fund balance (deficit)	<u>63</u>		<u>21</u>	<u>947</u>	<u>11</u>	<u>1</u>	<u>6,824</u>	<u>54</u>
TOTAL.....	<u>\$339</u>	<u>\$168</u>	<u>\$21</u>	<u>\$1,116</u>	<u>\$33</u>	<u>\$1</u>	<u>\$6,844</u>	<u>\$54</u>

(Continued) - 1.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2006

(thousands)

	.....SPECIAL REVENUE.....							
	LOCAL CAPITAL IMPROVEMENT	BOE IN-RESIDENCE STUDENT	LARVACIDE GRANT	BOE STATE AND FEDERAL GRANTS	LEAD POISONING PREVENTION	HURRICANE RELIEF	FEMA GRANT	SUBSTANCE ABUSE (TCE) GRANT
<u>A S S E T S</u>								
Cash and cash equivalents				\$3,018				
Investments								
Accounts receivable		\$42						
Loans receivable								
Due from other governments	\$201			1,150	\$36			
Due from other funds			\$4				\$79	
Inventory								
TOTAL.....	<u>\$201</u>	<u>\$42</u>	<u>\$4</u>	<u>\$4,168</u>	<u>\$36</u>	<u>\$ -0-</u>	<u>\$79</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				\$ 743	\$ 1			
Due to other funds	\$ 354	\$42		1,351	31			
Deferred revenue				1,503				
Total liabilities	<u>354</u>	<u>42</u>		<u>3,597</u>	<u>32</u>			
Fund balance (deficit):								
Reserved for encumbrances	391				2		\$ 214	
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	(544)		\$4	571	2		(135)	
Total fund balance (deficit)	<u>(153)</u>		<u>4</u>	<u>571</u>	<u>4</u>		<u>79</u>	
TOTAL.....	<u>\$ 201</u>	<u>\$42</u>	<u>\$4</u>	<u>\$4,168</u>	<u>\$36</u>	<u>\$ -0-</u>	<u>\$ 79</u>	<u>\$- 0 -</u>

(Continued) - 2.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 2006

(thousands)

	.....SPECIAL REVENUE.....							
	POLICE EXPLORERS	MARTIN LUTHER KING BRICK SALE	PREVENTATIVE HEALTH BLOCK GRANT	SMOKING CESSATION GRANT	EXERCISE THE RIGHT CHOICE	EXERCISE THE RIGHT CHOICE II	GRASSROOTS TENNIS GRANT	NATIONAL RECREATION TRAILS GRANT
<u>A S S E T S</u>								
Cash and cash equivalents								
Investments								
Accounts receivable								
Loans receivable								
Due from other governments								\$16
Due from other funds	\$12	\$7	\$16	\$1		\$46		
Inventory								
TOTAL.....	<u>\$12</u>	<u>\$7</u>	<u>\$16</u>	<u>\$1</u>	<u>\$ -0-</u>	<u>\$46</u>	<u>\$-0-</u>	<u>\$16</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			\$16		\$ 1	\$ 3		
Due to other funds					77			\$16
Deferred revenue								
Total liabilities			16		78	3		16
Fund balance (deficit):								
Reserved for encumbrances					2	8		
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	\$12	\$7		\$1	(80)	35		
Total fund balance (deficit)	12	7		1	(78)	43		
TOTAL.....	<u>\$12</u>	<u>\$7</u>	<u>\$16</u>	<u>\$1</u>	<u>\$ -0-</u>	<u>\$46</u>	<u>\$-0-</u>	<u>\$16</u>

(Continued) - 3.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)					
	.....SPECIAL REVENUE.....					
	IMMUNIZATION ACTION PLAN	BULLE T PROOF VEST GRANT	OVAL GROVE WELFARE TO WORK	BIOTERRORISM GRANT	SYSTEM OF CARE GRANT	HISTORICAL RECORDS PRESERVATION
						21 ST CENTURY GRANT
<u>A S S E T S</u>						
Cash and cash equivalents						
Investments						
Accounts receivable					\$ 6	\$ 1
Loans receivable						
Due from other governments	\$14					
Due from other funds				\$2	10	50
Inventory						\$74
TOTAL.....	<u>\$14</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$2</u>	<u>\$16</u>	<u>\$51</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				\$ 2	\$ 3
Due to other funds	13					
Deferred revenue						
Total liabilities	<u>14</u>				<u>2</u>	<u>3</u>
Fund balance (deficit):						
Reserved for encumbrances				\$ 12		4
Reserved for inventories						
Reserved for trust purposes						
Unreserved, designated						
Unreserved, undesignated				(10)	14	51
Total fund balance (deficit)				<u>2</u>	<u>14</u>	<u>51</u>
TOTAL.....	<u>\$14</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 2</u>	<u>\$16</u>	<u>\$74</u>

(Continued) - 4.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	AMERICAN LEGION BASEBALL	CENTRALIZED AND DISTRIBUTION SERVICES	LOCAL PROPERTY TAX RELIEF PROGRAM	CONSERVATION ON RACE	VICTIM SERVICES COORDINATOR GRANT	COPS AHEAD HOMELAND SECURITY GRANT	FEDERAL OMNIBUS APPROPRIATION
<hr/>							
<u>A S S E T S</u>							
Cash and cash equivalents							
Investments							
Accounts receivable							
Loans receivable							
Due from other governments					\$16		
Due from other funds	\$5	\$69	\$370	\$3		\$22	\$50
Inventory							
TOTAL.....	<u>\$5</u>	<u>\$69</u>	<u>\$370</u>	<u>\$3</u>	<u>\$16</u>	<u>\$22</u>	<u>\$50</u>
<hr/>							
L I A B I L I T I E S							
A N D							
<u>F U N D B A L A N C E</u>							
<hr/>							
Liabilities:							
Accounts payable					\$ 5		\$ 1
Due to other funds					5		
Deferred revenue							
Total liabilities					10		1
Fund balance (deficit):							
Reserved for encumbrances		\$14			3		
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	\$5	55	\$370	\$3	3	\$22	49
Total fund balance (deficit)	5	69	370	3	6	22	49
TOTAL.....	<u>\$5</u>	<u>\$69</u>	<u>\$370</u>	<u>\$3</u>	<u>\$16</u>	<u>\$22</u>	<u>\$50</u>

(Continued) - 5.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	INDEPENDENT LIVING	AIDS OUTREACH	YSB CARE UNIT	JUVENILE JUSTICE CENTER	STD CONTROL PROGRAM	SUMMER FOOD	RECREATION DONATION
<u>A S S E T S</u>							
Cash and cash equivalents							
Investments							
Accounts receivable							
Loans receivable							
Due from other governments					\$1		
Due from other funds	\$17	\$6	\$2	\$46	1		\$40
Inventory							
TOTAL.....	<u>\$17</u>	<u>\$6</u>	<u>\$2</u>	<u>\$46</u>	<u>\$2</u>	<u>\$ -0-</u>	<u>\$40</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	\$3	\$2	\$35			
Due to other funds							
Deferred revenue							
Total liabilities	<u>1</u>	<u>3</u>	<u>2</u>	<u>35</u>			
Fund balance (deficit):							
Reserved for encumbrances							\$ 1
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	16	3		11	\$2		39
Total fund balance (deficit)	<u>16</u>	<u>3</u>		<u>11</u>	<u>2</u>		<u>40</u>
TOTAL.....	<u>\$17</u>	<u>\$6</u>	<u>\$2</u>	<u>\$46</u>	<u>\$2</u>	<u>\$ -0-</u>	<u>\$40</u>

(Continued) - 6.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	RECREATION AMUSEMENT	WEED AND SEED	MAYOR'S GOLF TOURNAMENT	HEALTH PER CAPITA	HIGHWAY SAFETY GRANT	DRUG INVESTIGATION	SENIOR CITIZENS CENTER
<u>A S S E T S</u>							
Cash and cash equivalents							
Investments							
Accounts receivable							\$ 3
Loans receivable							
Due from other governments							
Due from other funds	\$24	\$108	\$7	\$62		\$110	20
Inventory							
TOTAL.....	<u>\$24</u>	<u>\$108</u>	<u>\$7</u>	<u>\$62</u>	<u>\$-0-</u>	<u>\$110</u>	<u>\$23</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		\$ 6			\$ 6	\$ 1	
Due to other funds					43		
Deferred revenue		102					
Total liabilities		108			49	1	
Fund balance (deficit):							
Reserved for encumbrances		1				4	\$ 1
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated	\$ 4					78	
Unreserved, undesignated	20	(1)	\$7	\$62	(49)	27	22
Total fund balance (deficit)	24		7	62	(49)	109	23
TOTAL.....	<u>\$24</u>	<u>\$108</u>	<u>\$7</u>	<u>\$62</u>	<u>\$-0-</u>	<u>\$110</u>	<u>\$23</u>

(Continued) - 7.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	MOBILE DATA COMMUNICATION	DRUG ENFORCEMENT TRAINING	HOUSING INSPECTORS DMD	MAYOR'S FUN DAY	STATE NARCOTICS TASK FORCE	YSB PROGRAM ACTIVITY	SCHOOL LUNCH PROGRAM
<u>A S S E T S</u>							
Cash and cash equivalents							\$185
Investments							
Accounts receivable							
Loans receivable							
Due from other governments							583
Due from other funds	\$417	\$17		\$3	\$75	\$2	
Inventory							47
TOTAL.....	<u>\$417</u>	<u>\$17</u>	<u>\$ -0-</u>	<u>\$3</u>	<u>\$75</u>	<u>\$2</u>	<u>\$815</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							\$285
Due to other funds			\$ 1				135
Deferred revenue							
Total liabilities			1				420
Fund balance (deficit):							
Reserved for encumbrances	\$ 12						
Reserved for inventories							47
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	405	\$17	(1)	\$3	\$75	\$2	348
Total fund balance (deficit)	417	17	(1)	3	75	2	395
TOTAL.....	<u>\$417</u>	<u>\$17</u>	<u>\$ -0-</u>	<u>\$3</u>	<u>\$75</u>	<u>\$2</u>	<u>\$815</u>

(Continued) - 8.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	SCHOOL RENTAL ACCOUNT	HIGH SCHOOL ATHLETIC	ADULT EDUCATION	SUMMER SCHOOL MUSIC	FIELDTRIPS	YOUTH BUILD PROGRAM	WILLOW STREET GRANT
<u>A S S E T S</u>							
Cash and cash equivalents	\$11	\$193	\$84	\$87	\$16	\$427	\$20
Investments							
Accounts receivable	2	50					
Loans receivable							
Due from other governments							13
Due from other funds			1				
Inventory							
TOTAL.....	<u>\$13</u>	<u>\$243</u>	<u>\$85</u>	<u>\$87</u>	<u>\$16</u>	<u>\$427</u>	<u>\$33</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							
Due to other funds	\$18	\$ 59				\$371	\$33
Deferred revenue						70	
Total liabilities	<u>18</u>	<u>59</u>				<u>441</u>	<u>33</u>
Fund balance (deficit):							
Reserved for encumbrances							
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	(5)	184	\$85	\$87	\$16	(14)	
Total fund balance (deficit)	<u>(5)</u>	<u>184</u>	<u>85</u>	<u>87</u>	<u>16</u>	<u>(14)</u>	
TOTAL.....	<u>\$13</u>	<u>\$243</u>	<u>\$85</u>	<u>\$87</u>	<u>\$16</u>	<u>\$427</u>	<u>\$33</u>

(Continued) - 9.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	COMMUNITY AND NEIGHBORHOOD DEVELOPMENT	URBAN ACTION GRANT	NEW BRITAIN INDUSTRIAL PARK	BUSINESS OUTREACH	EMERGENCY SHELTER GRANT	COMMUNITY DEVELOPMENT BLOCK GRANT	HOME PROJECT
<u>A S S E T S</u>							
Cash and cash equivalents	\$22	\$1	\$16	\$66		\$1,302	\$1,128
Investments							
Accounts receivable		1					23
Loans receivable						2,110	1,575
Due from other governments						403	
Due from other funds						576	1
Inventory							
TOTAL.....	<u>\$22</u>	<u>\$2</u>	<u>\$16</u>	<u>\$66</u>	<u>\$ -0-</u>	<u>\$4,391</u>	<u>\$2,727</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	\$22			\$ 93		\$ 9	\$ 8
Due to other funds				83	\$ 20	158	9
Deferred revenue				10		2,110	1,575
Total liabilities	<u>22</u>			<u>186</u>	<u>20</u>	<u>2,277</u>	<u>1,592</u>
Fund balance (deficit):							
Reserved for encumbrances							
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated		\$2	\$16	(120)	(20)	2,114	1,135
Total fund balance (deficit)		<u>2</u>	<u>16</u>	<u>(120)</u>	<u>(20)</u>	<u>2,114</u>	<u>1,135</u>
TOTAL.....	<u>\$22</u>	<u>\$2</u>	<u>\$16</u>	<u>\$ 66</u>	<u>\$ -0-</u>	<u>\$4,391</u>	<u>\$2,727</u>

(Continued) - 10.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)							
	.....SPECIAL REVENUE.....							
	LEAD GRANT	STATE HOME PROGRAMS	CHFA BROAD STREET DEMOLITION	REDEVELOPMENT COMMISSION	BROWNFIELD PILOT	RENTAL	C.B. ERWIN WALNUT HILL PARK	DARIUS MILLER WALNUT HILL
<u>A S S E T S</u>								
Cash and cash equivalents	\$ 81	\$ 2	\$160	\$6	\$36	\$47		\$ 184
Investments							\$302	1,044
Accounts receivable								
Loans receivable	999							
Due from other governments		90						
Due from other funds								1
Inventory								
TOTAL.....	<u>\$1,080</u>	<u>\$92</u>	<u>\$160</u>	<u>\$6</u>	<u>\$36</u>	<u>\$47</u>	<u>\$302</u>	<u>\$1,229</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	\$ 2			\$12				
Due to other funds	21	\$89						
Deferred revenue	1,052		\$160		\$35			
Total liabilities	<u>1,075</u>	<u>89</u>	<u>160</u>	<u>12</u>	<u>35</u>			
Fund balance (deficit):								
Reserved for encumbrances								\$ 985
Reserved for inventories								32
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	5	3		(6)	1	\$47	\$302	212
Total fund balance (deficit)	<u>5</u>	<u>3</u>		<u>(6)</u>	<u>1</u>	<u>47</u>	<u>302</u>	<u>1,229</u>
TOTAL.....	<u>\$1,080</u>	<u>\$92</u>	<u>\$160</u>	<u>\$ 6</u>	<u>\$36</u>	<u>\$47</u>	<u>\$302</u>	<u>\$1,229</u>

(Continued) - 11.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2006

	(thousands)					
	.....SPECIAL REVENUE.....					
	C.B. STANLEY WALNUT HILL	PARKS AND RECREATION	DARIUS MILLER F/B/O FAIRVIEW CEMETERY	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>A S S E T S</u>						
Cash and cash equivalents		\$12		\$ 9,232		\$ 9,232
Investments	\$1,465		\$239	3,992		3,992
Accounts receivable				3,860		3,860
Loans receivable				4,684		4,684
Due from other governments				2,523		2,523
Due from other funds				4,130	\$ (577)	3,553
Inventory				47		47
TOTAL.....	<u>\$1,465</u>	<u>\$12</u>	<u>\$239</u>	<u>\$28,468</u>	<u>\$ (577)</u>	<u>\$27,891</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				\$ 1,448		\$ 1,448
Due to other funds				3,353	\$ (577)	2,776
Deferred revenue				6,661		6,661
Total liabilities				11,462	(577)	10,885
Fund balance (deficit):						
Reserved for encumbrances				740		740
Reserved for inventories				47		47
Reserved for trust purposes	\$1,463		\$239	2,687		2,687
Unreserved, designated				1,003		1,003
Unreserved, undesignated	2	\$12		12,529		12,529
Total fund balance (deficit)	<u>1,465</u>	<u>12</u>	<u>239</u>	<u>17,006</u>		<u>17,006</u>
TOTAL.....	<u>\$1,465</u>	<u>\$12</u>	<u>\$239</u>	<u>\$28,468</u>	<u>\$ (577)</u>	<u>\$27,891</u>

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	STANLEY QUARTER PARK	LEAD PAINT REDUCTION PROGRAM	PARK SECURITY AND POLICING	CEMETERY	DOG	WILLOWBROOK PARK POOL	SEWER USE NEW BRITAIN MARKETING COLLABORATIVE
Revenues:							
Intergovernmental revenue							
Revenues from the use of money				\$152			
Licenses, fees, and charges for goods and services	\$1,589		\$21	245	\$ 35		\$5,706
Other revenues							
Total revenues.....	1,589		21	397	35		5,706
Expenditures:							
General government							
Public safety					131		
Public works				394			4,431
Health and welfare							
Parks, recreation, and libraries	1,641						\$ 28
Education							
Total expenditures.....	1,641			394	131		28
Excess (deficiency) of revenues over expenditures	(52)		21	3	(96)		1,275 (28)
Other financing sources (uses):							
Transfers in					94		30
Transfers out	(168)			(10)			(903)
Total other financing sources (uses)	(168)			(10)	94		(903) 30
Net change in fund balances	(220)		21	(7)	(2)		372 2
Fund balance (deficit), beginning of year .	283	-0-		954	13	\$1	6,452 52
Fund balance (deficit), end of year	\$ 63	\$-0-	\$21	\$947	\$ 11	\$1	\$6,824 \$ 54

(Continued) - 1.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)							
	.....SPECIAL REVENUE.....							
	LOCAL CAPITAL IMPROVEMENT	BOE IN-RESIDENCE STUDENT	LARVACIDE GRANT	BOE STATE AND FEDERAL GRANTS	LEAD POISONING PREVENTION	HURRICANE RELIEF	FEMA GRANT	SUBSTANCE ABUSE (TCE) GRANT
Revenues:								
Intergovernmental revenue	\$ 641			\$18,300	\$48			
Revenues from the use of money								
Licenses, fees, and charges for goods and services		\$179						
Other revenues				318		\$ 3		
Total revenues.....	641	179		18,618	48	3		
Expenditures:								
General government								
Public safety	748							
Public works								
Health and welfare					42	6		\$ 4
Parks, recreation, and libraries								
Education		179		18,618				
Total expenditures.....	748	179		18,618	42	6		4
Excess (deficiency) of revenues over expenditures	(107)				6	(3)		(4)
Other financing sources (uses):								
Transfers in						3	\$79	
Transfers out					(2)			
Total other financing sources (uses)					(2)	3	79	
Net change in fund balances	(107)				4		79	(4)
Fund balance (deficit), beginning of year .	(46)		\$4	571				4
Fund balance (deficit), end of year	<u>\$(153)</u>	<u>\$-0-</u>	<u>\$4</u>	<u>\$ 571</u>	<u>\$ 4</u>	<u>\$-0-</u>	<u>\$79</u>	<u>\$-0-</u>

(Continued) - 2.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)							
	.....SPECIAL REVENUE.....							
	POLICE EXPLORERS	MARTIN LUTHER KING BRICK SALE	PREVENTATIVE HEALTH BLOCK GRANT	SMOKING CESSATION GRANT	EXERCISE THE RIGHT CHOICE	EXERCISE THE RIGHT CHOICE II	GRASSROOTS TENNIS GRANT	NATIONAL RECREATION TRAILS GRANT
Revenues:								
Intergovernmental revenue			\$15		\$ 104	\$403		\$16
Revenues from the use of money								
Licenses, fees, and charges for goods and services	\$ 3							
Other revenues						4	\$15	
Total revenues.....	3		15		104	407	15	16
Expenditures:								
General government								
Public safety	8							
Public works								
Health and welfare			14					
Parks, recreation, and libraries					260	388	15	16
Education								
Total expenditures.....	8		14		260	388	15	16
Excess (deficiency) of revenues over expenditures	(5)		1		(156)	19		
Other financing sources (uses):								
Transfers in					27			
Transfers out			(1)					
Total other financing sources (uses)			(1)		27			
Net change in fund balances	(5)				(129)	19		
Fund balance (deficit), beginning of year .	17	\$7	-0-	\$1	51	24	-0-	-0-
Fund balance (deficit), end of year	\$12	\$7	\$-0-	\$1	\$ (78)	\$ 43	\$-0-	\$-0-

(Continued) - 3.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	IMMUNIZATION ACTION PLAN	BULLET PROOF VEST GRANT	OVAL GROVE WELFARE TO WORK	BIOTERRORISM GRANT	SYSTEM OF CARE GRANT	HISTORICAL RECORDS PRESERVATION	21 ST CENTURY GRANT
Revenues:							
Intergovernmental revenue	\$77			\$102	\$107	\$12	\$ 286
Revenues from the use of money							
Licenses, fees, and charges for goods and services						23	
Other revenues				3			10
Total revenues.....	77			105	107	35	296
Expenditures:							
General government						12	
Public safety							
Public works							
Health and welfare	83			119			
Parks, recreation, and libraries					107		458
Education							
Total expenditures.....	83			119	107	12	458
Excess (deficiency) of revenues over expenditures	(6)			(14)		23	(162)
Other financing sources (uses):							
Transfers in		\$ 4			10		
Transfers out			\$ (2)	(8)	(1)		
Total other financing sources (uses)		4	(2)	(8)	9		
Net change in fund balances	(6)	4	(2)	(22)	9	23	(162)
Fund balance (deficit), beginning of year .	6	(4)	2	24	5	28	233
Fund balance (deficit), end of year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$ 2</u>	<u>\$ 14</u>	<u>\$51</u>	<u>\$ 71</u>

(Continued) - 4.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

.....SPECIAL REVENUE.....							
	AMERICAN LEGION BASEBALL	CENTRALIZED AND DISTRIBUTION SERVICES	LOCAL PROPERTY TAX RELIEF PROGRAM	CONSERVATION ON RACE	VICTIM SERVICES COORDINATOR GRANT	COPS AHEAD HOMELAND SECURITY GRANT	FEDERAL OMNIBUS APPROPRIATION
Revenues:							
Intergovernmental revenue					\$16		\$67
Revenues from the use of money							
Licenses, fees, and charges for goods and services				\$1			
Other revenues	\$8	\$ 1					
Total revenues.....	8	1		1	16		67
Expenditures:							
General government		74					
Public safety					16		53
Public works							
Health and welfare			\$ 50				
Parks, recreation, and libraries	3			1			
Education							
Total expenditures.....	3	74	50	1	16		53
Excess (deficiency) of revenues over expenditures	5	(73)	(50)				14
Other financing sources (uses):							
Transfers in		73	70				
Transfers out			(550)				
Total other financing sources (uses)		73	(480)				
Net change in fund balances	5		(530)				14
Fund balance (deficit), beginning of year .	-0-	69	900	3	6	\$22	35
Fund balance (deficit), end of year	\$5	\$ 69	\$ 370	\$3	\$ 6	\$22	\$49

(Continued) - 5.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	INDEPENDENT LIVING	AIDS OUTREACH	YSB CARE UNIT	JUVENILE JUSTICE CENTER	STD CONTROL PROGRAM	SUMMER FOOD	RECREATION DONATION
Revenues:							
Intergovernmental revenue	\$72	\$83	\$ 72	\$308	\$12		
Revenues from the use of money							
Licenses, fees, and charges for goods and services	3						\$32
Other revenues		1	8				
Total revenues.....	75	84	80	308	12		32
Expenditures:							
General government							
Public safety							
Public works							
Health and welfare	76	88	321	334	15		25
Parks, recreation, and libraries							
Education							
Total expenditures.....	76	88	321	334	15		25
Excess (deficiency) of revenues over expenditures	(1)	(4)	(241)	(26)	(3)		7
Other financing sources (uses):							
Transfers in	16		216	38		\$ 1	
Transfers out		(3)		(1)	(1)		
Total other financing sources (uses)	16	(3)	216	37	(1)	1	
Net change in fund balances	15	(7)	(25)	11	(4)	1	7
Fund balance (deficit), beginning of year .	1	10	25		6	(1)	33
Fund balance (deficit), end of year	<u>\$16</u>	<u>\$ 3</u>	<u>\$ -0-</u>	<u>\$ 11</u>	<u>\$ 2</u>	<u>\$-0-</u>	<u>\$40</u>

(Continued) - 6.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

.....SPECIAL REVENUE.....							
	RECREATION AMUSEMENT	WEED AND SEED	MAYOR'S GOLF TOURNAMENT	HEALTH PER CAPITA	HIGHWAY SAFETY GRANT	DRUG INVESTIGATION	SENIOR CITIZENS CENTER
<hr/>							
Revenues:							
Intergovernmental revenue		\$846		\$67	\$106	\$144	
Revenues from the use of money							
Licenses, fees, and charges for goods and services	\$25		\$30				\$75
Other revenues						2	
<hr/>							
Total revenues.....	25	846	30	67	106	146	75
<hr/>							
Expenditures:							
General government							
Public safety		843			170	175	
Public works							
Health and welfare				33			
Parks, recreation, and libraries	28		28				77
Education							
<hr/>							
Total expenditures.....	28	843	28	33	170	175	77
<hr/>							
Excess (deficiency) of revenues over expenditures	(3)	3	2	34	(64)	(29)	(2)
<hr/>							
Other financing sources (uses):							
Transfers in					44		
Transfers out		(3)		(7)			
<hr/>							
Total other financing sources (uses)		(3)		(7)	44		
<hr/>							
Net change in fund balances	(3)		2	27	(20)	(29)	(2)
<hr/>							
Fund balance (deficit), beginning of year .	27	-0-	5	35	(29)	138	25
<hr/>							
Fund balance (deficit), end of year	\$24	\$-0-	\$ 7	\$62	\$ (49)	\$109	\$23

(Continued) - 7.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	MOBILE DATA COMMUNICATION	DRUG ENFORCEMENT TRAINING	HOUSING INSPECTORS DMD	MAYOR'S FUN DAY	STATE NARCOTICS TASK FORCE	YSB PROGRAM ACTIVITY	SCHOOL LUNCH PROGRAM
Revenues:							
Intergovernmental revenue	\$106						\$3,156
Revenues from the use of money							
Licenses, fees, and charges for goods and services				\$13			662
Other revenues	23					\$ 30	
Total revenues.....	129			13		30	3,818
Expenditures:							
General government							
Public safety	131	\$ 3					
Public works							
Health and welfare			\$49				
Parks, recreation, and libraries				11		28	
Education							3,779
Total expenditures.....	131	3	49	11		28	3,779
Excess (deficiency) of revenues over expenditures	(2)	(3)	(49)	2		2	39
Other financing sources (uses):							
Transfers in			48				
Transfers out						(21)	
Total other financing sources (uses)			48			(21)	
Net change in fund balances	(2)	(3)	(1)	2		(19)	39
Fund balance (deficit), beginning of year .	419	20		1	\$75	21	356
Fund balance (deficit), end of year	<u>\$417</u>	<u>\$17</u>	<u>\$ (1)</u>	<u>\$ 3</u>	<u>\$75</u>	<u>\$ 2</u>	<u>\$ 395</u>

(Continued) - 8.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	SCHOOL RENTAL ACCOUNT	HIGH SCHOOL ATHLETIC	ADULT EDUCATION	SUMMER SCHOOL MUSIC	FIELDTRIPS	YOUTH BUILD PROGRAM	WILLOW STREET GRANT
Revenues:							
Intergovernmental revenue						\$112	\$ 4
Revenues from the use of money					\$ 1		
Licenses, fees, and charges for goods and services	\$ 42	\$ 145	\$33	\$12			
Other revenues					48		
Total revenues.....	42	145	33	12	49	112	4
Expenditures:							
General government							
Public safety							
Public works							
Health and welfare						112	4
Parks, recreation, and libraries							
Education	116	277	27	2	33		
Total expenditures.....	116	277	27	2	33	112	4
Excess (deficiency) of revenues over expenditures	(74)	(132)	6	10	16		
Other financing sources (uses):							
Transfers in		167					
Transfers out							
Total other financing sources (uses)		167					
Net change in fund balances	(74)	35	6	10	16		
Fund balance (deficit), beginning of year .	69	149	79	77	-0-	(14)	-0-
Fund balance (deficit), end of year	\$ (5)	\$ 184	\$85	\$87	\$16	\$ (14)	\$-0-

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)						
	.....SPECIAL REVENUE.....						
	COMMUNITY AND NEIGHBORHOOD DEVELOPMENT	URBAN ACTION GRANT	NEW BRITAIN INDUSTRIAL PARK	BUSINESS OUTREACH	EMERGENCY SHELTER GRANT	COMMUNITY DEVELOPMENT BLOCK GRANT	HOME PROJECT
Revenues:							
Intergovernmental revenue					\$ 76	\$2,345	\$ 667
Revenues from the use of money							
Licenses, fees, and charges for goods and services							
Other revenues						382	
Total revenues.....					76	2,727	667
Expenditures:							
General government							
Public safety							
Public works							
Health and welfare					78	2,826	680
Parks, recreation, and libraries							
Education							
Total expenditures.....					78	2,826	680
Excess (deficiency) of revenues over expenditures					(2)	(99)	(13)
Other financing sources (uses):							
Transfers in							
Transfers out						(47)	
Total other financing sources (uses)						(47)	
Net change in fund balances					(2)	(146)	(13)
Fund balance (deficit), beginning of year .	\$-0-	\$2	\$16	\$ (120)	(18)	2,260	1,148
Fund balance (deficit), end of year	\$-0-	\$2	\$16	\$ (120)	\$ (20)	\$2,114	\$1,135

(Continued) - 10.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)							
	.....SPECIAL REVENUE.....							
	LEAD GRANT	STATE HOME PROGRAMS	CHFA BROAD STREET DEMOLITION	REDEVELOPMENT COMMISSION	BROWNFIELD PILOT	RENTAL	C.B. ERWIN WALNUT HILL PARK	DARIUS MILLER WALNUT HILL
Revenues:								
Intergovernmental revenue	\$864	\$98						
Revenues from the use of money							\$ 26	\$ 84
Licenses, fees, and charges for goods and services						\$ 6		
Other revenues	5				\$1			
Total revenues.....	869	98			1	6	26	84
Expenditures:								
General government								
Public safety								
Public works								
Health and welfare	864	98						
Parks, recreation, and libraries							16	23
Education								
Total expenditures.....	864	98					16	23
Excess (deficiency) of revenues over expenditures	5				1	6	10	61
Other financing sources (uses):								
Transfers in								
Transfers out								
Total other financing sources (uses)								
Net change in fund balances	5				1	6	10	61
Fund balance (deficit), beginning of year .	-0-	3	\$-0-	\$ (6)	-0-	41	292	1,168
Fund balance (deficit), end of year	\$ 5	\$ 3	\$-0-	\$ (6)	\$1	\$47	\$302	\$1,229

(Continued) - 11.

CITY OF NEW BRITAIN, CONNECTICUTNONMAJOR GOVERNMENTAL FUNDSCOMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)					
	.....SPECIAL REVENUE.....					
	C.B. STANLEY WALNUT HILL	PARKS AND RECREATION	DARIUS MILLER F/B/O FAIRVIEW CEMETERY	TOTAL	INTERFUND ELIMINATIONS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:						
Intergovernmental revenue				\$29,332		\$29,332
Revenues from the use of money	\$ 129		\$ 16	408		408
Licenses, fees, and charges for goods and services				8,880		8,880
Other revenues				862		862
Total revenues.....	129		16	39,482		39,482
Expenditures:						
General government				86		86
Public safety				1,530		1,530
Public works				5,573		5,573
Health and welfare				5,896		5,896
Parks, recreation, and libraries	75		13	3,241		3,241
Education				23,031		23,031
Total expenditures.....	75		13	39,357		39,357
Excess (deficiency) of revenues over expenditures	54		3	125		125
Other financing sources (uses):						
Transfers in				920	\$ (69)	851
Transfers out				(1,728)	69	(1,659)
Total other financing sources (uses)				(808)		(808)
Net change in fund balances	54		3	(683)		(683)
Fund balance (deficit), beginning of year .	1,411	\$12	236	17,689	-0-	17,689
Fund balance (deficit), end of year	<u>\$1,465</u>	<u>\$12</u>	<u>\$239</u>	<u>\$17,006</u>	<u>\$-0-</u>	<u>\$17,006</u>

Capital Projects Fund

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, CONNECTICUTCAPITAL PROJECTS FUND

SCHEDULE OF EXPENDITURES - ACTUAL VS. APPROPRIATIONS (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2006
 (thousands)

PROJECT DESCRIPTION	AMENDED BUDGET	CURRENT YEAR EXPENDITURES AND TRANSFERS	CUMULATIVE EXPENDITURES	ENCUMBERED	AVAILABLE BUDGET
Capital Equipment Reserve.....	\$ 13,713	\$ 3,023	\$ 8,886	\$ 668	\$ 4,159
Capital and Nonrecurring.....	28,930	2,654	24,731	392	3,807
Subway.....	855,042	553	6,118		848,924
Lincoln, Northend, Vance.....	43,800	10,401	42,099	758	943
New Britain High School.....	16,595	1,025	1,041	197	15,357
Replace school roofs.....	5,379	38	38	9	5,332
City Hall Renovation.....	33,491	265	33,641	1	(151)
MERF Pension.....	1,500	54	1,448		52
2007 Revaluation.....	1,200	27	27	7	1,166
Broad, Beaver, Main and North.....	6,595	280	5,368	865	362
Main Street Reconstruction.....	3,250	9	2,944	24	282
Arch Street Walkway.....	4,020	160	3,556	17	447
Police Headquarters Renovation.....	11,410	3	3		11,407
EMS Ambulance.....	2,775	892	2,911		(136)
Golf Driving Range.....	1,100	52	1,152		(52)
Storm Water System Improvements.....	4,750	73	122	31	4,597
Environmental Remediation.....	7,707	1,457	3,771	283	3,653
Local Capital Improvements.....	950	12	328		622
Fafnir Booth Street Industrial Park.....	8,100	56	7,660	18	422
St Clair, Lester, East Street.....	2,200	28	382	79	1,739
Hart Street Extension.....	5,700	203	996	173	4,531
Broad Street Reconstruction.....	13,300	325	2,755	216	10,329
NB Machine Industrial Park.....	3,600	711	2,443	65	1,092
Fafnir Smart Park Expansion.....	2,900	27	1,465	21	1,414
Willow Street Project.....	2,325				2,325
Bridge Program.....	5,775	1	1		5,774
Pinnacle Heights.....	7,946				7,946
Sewer I & I Improvements.....	17,775	2,782	9,883	1,846	6,046
Total	<u>\$1,111,828</u>	24,821	<u>\$163,769</u>	<u>\$5,670</u>	<u>\$942,389</u>
Interfund elimination.....		(145)			
Total current year expenditures and transfers		<u>\$24,966</u>			

Internal Service Funds

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, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING BALANCE SHEET
JUNE 30, 2006

	(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	\$ 280	\$3,310	\$ 979	\$ 109	\$ 4,678
Investments	2,848		14,528	1,357	18,733
Due from other funds		5,046			5,046
Accounts receivable		5	400		405
Total assets.....	<u>\$3,128</u>	<u>\$8,361</u>	<u>\$15,907</u>	<u>\$1,466</u>	<u>\$28,862</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		\$ 418	\$ 12	\$ 14	\$ 444
Due to other funds	\$2,615		1,129	6	3,750
Claim reserves		2,276	15,935	1,113	19,324
Total liabilities	2,615	2,694	17,076	1,133	23,518
Net assets	513	5,667	(1,169)	333	5,344
Total liabilities and net assets.....	<u>\$3,128</u>	<u>\$8,361</u>	<u>\$15,907</u>	<u>\$1,466</u>	<u>\$28,862</u>

CITY OF NEW BRITAIN, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

	(thousands)				
	SPECIAL RESERVE FUND	HEALTH INSURANCE FUND	WORKERS' COMPENSATION	GENERAL ACCIDENT CASUALTY AND LIABILITY	TOTAL
Operating revenues:					
Charges to other funds		\$18,353	\$ 777	\$ 44	\$19,174
Other revenues		9,364	1,231	161	10,756
Total operating revenues		27,717	2,008	205	29,930
Operating expenses:					
Claims incurred		25,224	1,525	179	26,928
Administrative costs	\$ 16	880	281	6	1,183
Total operating expenses	16	26,104	1,806	185	28,111
Operating income (loss)	(16)	1,613	202	20	1,819
Non-operating revenues (expenses):					
Revenues from the use of money	105		457	65	627
(Increase) decrease in actuarial claims reserve			1,678		1,678
Total non-operating revenues (expenses)	105		2,135	65	2,305
Net income before transfers	89	1,613	2,337	85	4,124
Other financing sources (uses):					
Transfers from other funds	310				310
Transfers to other funds	(4,000)	(415)			(4,415)
Total other financing sources (uses)	(3,690)	(415)			(4,105)
Change in net assets	(3,601)	1,198	2,337	85	19
Net assets (deficit), beginning of year	4,114	4,469	(3,506)	248	5,325
Net assets (deficit), end of year	\$ 513	\$ 5,667	\$ (1,169)	\$333	\$ 5,344

CITY OF NEW BRITAIN, CONNECTICUTINTERNAL SERVICE FUNDSCOMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	SPECIAL RESERVE FUND	HEALTH INSURANCE FUND	WORKERS' COMPENSATION	GENERAL ACCIDENT CASUALTY AND LIABILITY	TOTAL
Cash flows from (to) operating activities:					
Cash received from charges to other funds		\$ 13,845	\$ 777	\$ 44	\$ 14,666
Cash received from other operating activities	\$ 3,690	9,472	831	166	14,159
Cash paid for premiums and other operating expenses	(16)	(951)	(157)	(37)	(1,161)
Cash payments for claims made		(24,801)	(1,525)	(179)	(26,505)
Net cash provided (used) by operating activities	3,674	(2,435)	(74)	(6)	1,159
Cash flows from (to) non-capital financing activities:					
Cash received from other funds	310				310
Cash paid to other funds	(4,000)	(415)			(4,415)
Net cash provided (used) by non-capital financing activities	(3,690)	(415)			(4,105)
Cash flows from (to) investing activities:					
Interest income	167		641	79	887
Purchase of investments	(140)		(479)	(111)	(730)
Net cash provided by investing activities	27		162	(32)	157
Net increase (decrease) in cash and cash equivalents	11	(2,850)	88	(38)	(2,789)
Cash and cash equivalents, beginning of year	269	6,160	891	147	7,467
Cash and cash equivalents, end of year	\$ 280	\$ 3,310	\$ 979	\$ 109	\$ 4,678
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (16)	\$ 1,613	\$ 202	\$ 20	\$ 1,819
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in accounts receivable		108	(400)	5	(287)
(Increase) decrease in due from other funds	1,075	(4,508)			(3,433)
Increase (decrease) in accounts payable and accrued expenses		352	(92)	(22)	238
Increase (decrease) in due to other funds	2,615		216	(9)	2,822
Total adjustments	3,690	(4,048)	(276)	(26)	(660)
Net cash provided (used) by operating activities	\$3,674	\$ (2,435)	\$ (74)	\$ (6)	\$ 1,159
Non-cash investment activities:					
Net increase (decrease) in the fair value of investments	\$ (62)	\$ - 0 -	\$ (184)	\$ (14)	\$ (260)

Fiduciary Funds

FIDUCIARY FUNDS

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

Pension Trust 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, 2006

(thousands)

	FIREMEN'S PENSION FUND	POLICE BENEFIT FUND	TOTAL
<u>A S S E T S</u>			
Cash and cash equivalents	\$10,664	\$ 6,289	\$ 16,953
Investments	69,035	72,408	141,443
Due from other funds	4	4	8
TOTAL	<u>\$79,703</u>	<u>\$78,701</u>	<u>\$158,404</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
Due to other funds	4	3	7
Total liabilities	11	10	21
Net assets held in trust for pension benefits	<u>79,692</u>	<u>78,691</u>	<u>158,383</u>
TOTAL	<u>\$79,703</u>	<u>\$78,701</u>	<u>\$158,404</u>

CITY OF NEW BRITAIN, CONNECTICUTPENSION TRUST FUNDSCOMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	FIREMEN'S PENSION FUND	POLICE BENEFIT FUND	TOTAL
Additions:			
Contributions:			
Employer	\$ 598	\$ 607	\$ 1,205
Employee	380	387	767
Total contributions	978	994	1,972
Investment income:			
Net appreciation fair value of investments	2,222	3,323	5,545
Interest and dividends	2,318	1,862	4,180
Miscellaneous	7	1	8
Total investment income	4,547	5,186	9,733
Less investment expense	(469)	(485)	(954)
Net investment income	4,078	4,701	8,779
Total additions.....	5,056	5,695	10,751
Deductions:			
Benefits	4,156	5,005	9,161
Administration	47	44	91
Total deductions.....	4,203	5,049	9,252
Transfers	13	(13)	
Net increase	866	633	1,499
Net assets held in trust for pension benefits, July 1, 2005	78,826	78,058	156,884
Net assets held in trust for pension benefits, June 30, 2006	<u>\$79,692</u>	<u>\$78,691</u>	<u>\$158,383</u>

CITY OF NEW BRITAIN, CONNECTICUTAGENCY FUNDSCOMBINING BALANCE SHEET
AS OF JUNE 30, 2006

	(thousands)	CONTRACTOR'S BOND FUND	STUDENT ACTIVITY FUNDS	TOTAL
<hr/>				
<u>A S S E T S</u>				
Cash and cash equivalents		\$242	\$109	\$351
Investments		438	74	512
		<hr/>		
TOTAL.....		<u>\$680</u>	<u>\$183</u>	<u>\$863</u>
L I A B I L I T I E S				
A N D				
<u>F U N D B A L A N C E</u>				
Liabilities:				
Due to beneficiaries.....		\$680	\$183	\$863
Fund balance		-0-	-0-	-0-
		<hr/>		
TOTAL.....		<u>\$680</u>	<u>\$183</u>	<u>\$863</u>
<hr/>				

CITY OF NEW BRITAIN, CONNECTICUTAGENCY FUNDSCOMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

(thousands)

	BALANCE JULY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2006
<u>CONTRACTOR'S BOND FUND</u>				
Assets:				
Cash and cash equivalents.	\$142	\$100		\$242
Investments.....	438	72	\$72	438
Due from other funds.....	5		5	
TOTAL	<u>\$585</u>	<u>\$172</u>	<u>\$77</u>	<u>\$680</u>
Liabilities:				
Due to beneficiaries.....	<u>\$585</u>	<u>\$172</u>	<u>\$77</u>	<u>\$680</u>
<u>STUDENT ACTIVITY FUNDS</u>				
Assets:				
Cash and cash equivalents.	\$109	\$701	\$701	\$109
Investments.....	73	2	1	74
TOTAL	<u>\$182</u>	<u>\$703</u>	<u>\$702</u>	<u>\$183</u>
Liabilities:				
Due to beneficiaries.....	<u>\$182</u>	<u>\$703</u>	<u>\$702</u>	<u>\$183</u>
<u>TOTAL ALL FUNDS</u>				
Assets:				
Cash and cash equivalents.	\$251	\$801	\$701	\$351
Investments.....	511	74	73	512
Due from other funds.....	5		5	-0-
TOTAL	<u>\$767</u>	<u>\$875</u>	<u>\$779</u>	<u>\$863</u>
Liabilities:				
Due to other funds.....	<u>\$767</u>	<u>\$875</u>	<u>\$779</u>	<u>\$863</u>

Capital Assets Used in the Operation of Governmental Funds

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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

The City's capitalization policy requires the recording of capital assets 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 FUNDS

COMPARATIVE SCHEDULE BY SOURCE

JUNE 30, 2006 AND 2005

	2006	2005
<hr/>		
(thousands)		
<hr/>		
Governmental funds capital assets:		
Land.....	\$ 24,038	\$ 23,628
Buildings.....	183,669	182,497
Equipment.....	16,605	16,343
Vehicles.....	14,524	13,259
Infrastructure.....	86,403	85,300
Construction in progress.....	<u>58,966</u>	<u>41,975</u>
TOTAL	<u>\$384,205</u>	<u>\$363,002</u>
Investment in governmental funds capital assets by source:		
Capital Projects Funds:		
General obligation bonds and notes.....	\$217,620	\$197,224
State grants.....	141,396	140,747
General Fund revenues.....	15,007	14,878
Special Revenue Fund revenues.....	4,771	4,742
Gifts.....	<u>5,411</u>	<u>5,411</u>
TOTAL	<u>\$384,205</u>	<u>\$363,002</u>

CITY OF NEW BRITAIN, CONNECTICUTCAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

SCHEDULE BY FUNCTION AND ACTIVITY

AS OF JUNE 30, 2006

(thousands)

FUNCTION AND ACTIVITY	LAND AND BUILDINGS	EQUIPMENT	VEHICLES	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government.....	\$ 80,164	\$ 1,172	\$ 400	\$ 170		\$ 81,906
Public Safety.....	592	3,771	5,263			9,626
Public Works.....	1,321	1,170	6,478	85,990	\$15,628	110,587
Health and Social Services.....		262	87			349
Parks and Recreation.....	10,850	1,552	1,997	243		14,642
Education.....	114,780	8,678	299		43,338	167,095
TOTAL	<u>\$207,707</u>	<u>\$16,605</u>	<u>\$14,524</u>	<u>\$86,403</u>	<u>\$58,966</u>	<u>\$384,205</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, 2006

(thousands)

FUNCTION AND ACTIVITY	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2005	TRANSFERS IN AND ADDITIONS	TRANSFERS OUT AND DELETIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS JUNE 30, 2006
General Government	\$ 81,664	\$ 1,444	\$1,202	\$ 81,906
Public Safety	9,620	128	122	9,626
Public Works	102,089	8,538	40	110,587
Health and Social Services	307	42		349
Park and Recreation	13,903	837	98	14,642
Education	155,419	11,772	96	167,095
	<hr/>			<hr/>
TOTAL	\$363,002	\$22,761	\$1,558	\$384,205
	<hr/>			<hr/>

Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended (1) to assist users in understanding the socioeconomic environment and (2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TABLE 1

CITY OF NEW BRITAIN, CONNECTICUTNET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS

(thousands)

	FISCAL YEAR.....				
	2006	2005	2004	2003	2002
Governmental activities:					
Invested in capital assets, net of related debt.....	\$103,955	\$ 87,181	\$103,464	\$ 75,845	\$ 70,578
Restricted.....	2,687	2,589	2,535	2,821	3,054
Unrestricted.....	(27,256)	(27,525)	(55,164)	(47,686)	(49,647)
Total governmental activities net assets.....	79,386	62,245	50,835	30,980	23,985
Business-type activities:					
Invested in capital assets, net of related debt.....	23,391	21,575	17,857	19,161	16,638
Unrestricted.....	18,377	14,821	16,159	8,882	4,887
Total business-type activities net assets.....	41,768	36,396	34,016	28,043	21,525
Primary government:					
Invested in capital assets, net of related debt.....	127,346	108,756	121,321	95,006	87,216
Restricted.....	2,687	2,589	2,535	2,821	3,054
Unrestricted.....	(8,879)	(12,704)	(39,005)	(38,804)	(44,760)
Total primary government net assets.....	\$121,154	\$ 98,641	\$ 84,851	\$ 59,023	\$ 45,510

Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

CITY OF NEW BRITAIN, CONNECTICUTCHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS

(thousands)

	.....FISCAL YEAR.....				
	2006	2005	2004	2003	2002
Expenses:					
Governmental activities:					
General government	\$ 8,041	\$ 6,413	\$ 4,862	\$ 5,706	\$ 7,707
Public safety	37,152	35,492	34,679	29,398	27,217
Public works	20,445	21,083	17,741	22,828	19,245
Health and welfare	8,373	9,153	10,107	10,286	7,966
Parks, recreation and libraries	11,609	12,334	12,638	13,169	11,802
Education	143,287	139,567	136,052	129,607	129,493
Interest on long-term debt	10,568	12,092	12,226	12,299	13,601
Total governmental activities expenses	239,475	236,134	228,305	223,293	217,031
Business-type activities:					
Water	9,309	9,031	7,112	5,794	6,328
Total business-type activities expenses	9,309	9,031	7,112	5,794	6,328
Total primary government expenses	<u>\$248,784</u>	<u>\$245,165</u>	<u>\$235,417</u>	<u>\$229,087</u>	<u>\$223,359</u>
Program revenues:					
Governmental activities:					
Charges for services	\$ 25,090	\$ 21,248	\$ 19,535	\$ 15,356	\$ 19,287
Operating grants and contributions	115,998	106,747	93,361	94,877	92,470
Capital grants and contributions	1,094	1,099	17,844	6,200	8,039
Total governmental activities program revenues	142,182	129,094	130,740	116,433	119,796
Business-type activities:					
Charges for services	14,433	10,999	10,770	9,029	7,436
Capital grants and contributions			2,184	3,153	372
Total business-type activities revenues	14,433	10,999	12,954	12,182	7,808
Total primary government program revenues	156,615	140,093	143,694	128,615	127,604
Net (expense) revenue:					
Governmental activities	(97,293)	(107,040)	(97,565)	(106,860)	(97,235)
Business-type activities	5,124	1,968	5,842	6,388	1,480
Total primary government net expense	<u>\$ (92,169)</u>	<u>\$ (105,072)</u>	<u>\$ (91,723)</u>	<u>\$ (100,472)</u>	<u>\$ (95,755)</u>

(Continued) - 1.

CITY OF NEW BRITAIN, CONNECTICUT
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS

(thousands)		.....FISCAL YEAR.....				
		2006	2005	2004	2003	2002
General revenues and other changes in net assets:						
Governmental activities:						
Property taxes		\$ 95,192	\$ 98,000	\$ 97,783	\$ 84,956	\$ 78,945
Grants and contributions not restricted to specific purposes		14,603	14,776	20,496	21,807	18,587
Unrestricted investment earnings		4,437	2,900	2,252	3,229	3,117
Miscellaneous		202	2,774	966	3,863	1,716
Total governmental activities		<u>114,434</u>	<u>118,450</u>	<u>121,497</u>	<u>113,855</u>	<u>102,365</u>
Business-type activities:						
Unrestricted investment earnings		579	412	131	110	207
Miscellaneous		(5)			20	(156)
Total business type activities		<u>574</u>	<u>412</u>	<u>131</u>	<u>130</u>	<u>51</u>
Total primary government		<u>\$115,008</u>	<u>\$118,862</u>	<u>\$121,628</u>	<u>\$113,985</u>	<u>\$102,416</u>
Changes in net assets:						
Governmental activities		\$17,141	\$11,410	\$23,932	\$ 6,995	\$5,130
Business-type activities		<u>5,698</u>	<u>2,380</u>	<u>5,973</u>	<u>6,518</u>	<u>1,531</u>
Total primary government		<u>\$22,839</u>	<u>\$13,790</u>	<u>\$29,905</u>	<u>\$13,513</u>	<u>\$6,661</u>

Notes:

- (1) Schedule prepared on the accrual basis of accounting.
- (2) The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

TABLE 3

CITY OF NEW BRITAIN, CONNECTICUTFUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	(thousands)									
	.....FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund:										
Reserved	\$ 2,990	\$1,035	\$1,424	\$1,274	\$1,417	\$1,017	\$ 767	\$ 619	\$ 568	\$ 744
Unreserved	8,980	7,989	6,586	5,742	5,177	4,724	2,667	1,808	1,788	2,752
Total general fund	<u>\$11,970</u>	<u>\$9,024</u>	<u>\$8,010</u>	<u>\$7,016</u>	<u>\$6,594</u>	<u>\$5,741</u>	<u>\$3,434</u>	<u>\$2,427</u>	<u>\$2,356</u>	<u>\$3,496</u>
All other governmental funds:										
Reserved	\$ 9,144	\$ 13,783	\$ 19,250	\$ 13,922	\$ 20,414	\$ 7,447	\$ 4,757	\$ 5,250	\$ 23,425	\$ 9,577
Unreserved, reported in:										
Special revenue funds	13,532	14,466	13,158	9,433	12,115	11,256	7,962	11,156	6,836	5,195
Capital projects funds	(21,132)	(34,221)	(24,828)	(13,392)	(20,638)	(1,219)	4,441	(6,362)	(30,373)	(3,918)
Total all other governmental funds	<u>\$ 1,544</u>	<u>\$ (5,972)</u>	<u>\$ 7,580</u>	<u>\$ 9,963</u>	<u>\$ 11,891</u>	<u>\$17,484</u>	<u>\$17,160</u>	<u>\$10,044</u>	<u>\$ (112)</u>	<u>\$10,854</u>

Note: Schedule prepared on the modified accrual basis of accounting.

CITY OF NEW BRITAIN, CONNECTICUT
 CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

		(thousands)									
		.....FISCAL YEAR.....									
		2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues:											
Property taxes	\$	95,175	\$ 96,828	\$ 97,808	\$ 84,084	\$ 78,331	\$ 75,872	\$ 73,547	\$ 73,268	\$ 72,951	\$ 73,976
Intergovernmental		134,949	126,563	135,058	125,259	123,946	110,884	102,561	112,264	91,959	87,196
Licenses, fees and charges for goods and services		18,927	17,121	16,730	14,761	14,218	12,726	13,184	12,235	11,632	12,068
Income on investments		4,065	1,585	1,315	2,023	1,726	2,992	3,352	2,680	3,350	2,125
Miscellaneous		2,401	2,932	3,605	9,631	6,040	7,155	5,099	2,923	1,611	1,949
Total revenues		255,517	245,029	254,516	235,758	224,261	209,629	197,743	203,370	181,503	177,314
Expenditures:											
General government		7,151	5,641	4,957	4,781	3,746	3,769	3,808	5,235	3,618	3,639
Public safety		36,118	33,526	33,908	31,328	24,817	24,431	23,694	22,096	21,013	19,861
Public works		17,518	17,193	18,932	17,070	15,382	13,374	13,459	12,745	12,130	15,122
Social services		8,325	9,104	10,442	10,799	7,522	4,184	4,523	3,866	4,552	4,491
Education		141,081	147,599	133,807	126,155	117,298	108,147	102,049	95,316	89,389	83,272
Parks and recreation		10,873	11,503	12,060	12,092	10,564	7,549	7,361	7,124	6,686	6,708
Nondepartmental fixed						9,527	9,087	8,315	9,182	13,082	15,794
Other						335	4,524	6,570	4,447	3,379	4,069
Capital outlay		22,711	9,521	18,049	12,553	17,403	9,664	11,778	28,188	22,579	21,789
Debt and sundry		24,841	25,851	25,624	25,640	25,499	26,554	25,347	22,368	16,361	15,292
Total expenditures		268,618	259,938	257,779	240,418	232,093	211,283	206,904	210,567	192,789	190,037
Excess of revenue over (under) expenditures		(13,101)	(14,909)	(3,263)	(4,660)	(7,832)	(1,654)	(9,161)	(7,197)	(11,286)	(12,723)
Other financing sources (uses):											
Transfers in		36,507	35,963	31,977	40,015	34,615	36,866	34,455	27,240	23,114	17,845
Transfers out		(32,397)	(36,288)	(32,327)	(39,790)	(35,129)	(32,909)	(41,874)	(26,790)	(23,509)	(21,345)
Proceeds from the issuance of notes		19,453	2,696	2,318	2,929			24,680	17,235		22,700
Total other financing sources (uses)		23,563	2,371	1,968	3,154	(514)	3,957	17,261	17,685	(395)	19,200
Net change in fund balances	\$	10,462	\$(12,538)	\$(1,295)	\$(1,506)	\$(8,346)	\$ 2,303	\$ 8,100	\$ 10,488	\$(11,681)	\$6,477
Debt service as a percentage of noncapital expenditures											
		10.1%	10.3%	10.7%	11.3%	11.9%	13.2%	13.0%	12.3%	9.6%	9.1%

Note: Schedule prepared on the modified accrual basis of accounting.

CITY OF NEW BRITAIN, CONNECTICUTASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

(thousands)

FISCAL YEAR	.....REAL PROPERTY.....						TOTAL ASSESSED VALUE	(5) LESS BAA	TOTAL TAXABLE ASSESSED VALUE	(6) TOTAL DIRECT TAX RATE	(7) ESTIMATED ACTUAL TAXABLE VALUE	(8) TAXABLE ASSESSED VALUE AS A PERCENTAGE OF ACTUAL TAXABLE VALUE
	(3) RESIDENTIAL	(4) COMMERCIAL	INDUSTRIAL	PERSONAL PROPERTY	MOTOR VEHICLE	LESS TAX-EXEMPT PROPERTY						
2006	\$1,224,954,120	\$1,118,595,390	\$75,775,410	\$180,517,478	\$227,343,072	\$771,387,100	\$2,055,798,370	\$199,658	\$2,055,598,712	45.89	\$2,936,569,589	70%
2005	\$1,220,758,860	\$1,114,808,760	\$72,800,030	\$184,991,249	\$214,854,609	\$781,664,870	\$2,026,548,638	\$976,387	\$2,025,572,251	46.90	\$2,893,674,644	70%
2004	\$1,220,012,760	\$1,095,622,760	\$75,704,690	\$201,694,280	\$230,495,041	\$751,501,774	\$2,072,027,757	\$17,722,644	\$2,054,305,113	46.93	\$2,934,721,590	70%
2003	\$860,539,620	\$834,129,950	\$53,451,080	\$177,021,746	\$226,141,707	\$633,048,714	\$1,518,235,389	\$120,238	\$1,518,115,151	54.76	\$2,168,735,930	70%
2002	\$859,756,110	\$830,540,710	\$53,444,520	\$173,055,330	\$220,605,348	\$628,911,303	\$1,508,490,715	\$629,871	\$1,507,860,844	50.88	\$2,154,086,920	70%
2001	\$858,024,955	\$806,392,860	\$49,408,040	\$171,106,626	\$209,552,224	\$609,430,856	\$1,485,053,849	\$759,068	\$1,484,294,781	49.98	\$2,120,421,116	70%
2000	\$859,329,150	\$793,549,830	\$50,026,640	\$169,105,700	\$194,086,476	\$599,089,801	\$1,467,007,995	\$263,394	\$1,466,744,601	49.42	\$2,095,349,430	70%
1999	\$858,982,400	\$765,865,700	\$49,599,170	\$164,100,120	\$183,846,166	\$567,070,796	\$1,455,322,760	\$1,018,591	\$1,454,304,169	49.48	\$2,077,577,384	70%
1998	\$858,744,450	\$771,870,240	\$52,306,220	\$187,552,649	\$158,835,090	\$568,864,284	\$1,460,444,365	\$466,702	\$1,459,977,663	49.58	\$2,085,682,376	70%
1997	\$860,281,530	\$768,371,950	\$59,152,720	\$161,974,990	\$183,987,458	\$553,781,255	\$1,479,987,393	\$11,531,680	\$1,468,455,713	49.83	\$2,097,793,876	70%

Source: City of New Britain Office of Tax Assessor

Note:

- (1) The October 1, 2002 Grand List was a revaluation year.
(2) The 2006 fiscal is the 2004 Grand List, 2005 is 2003 and so on.
(3) Residential also includes land and use assessment(I.E. farm, forest, open space)
(4) Commercial also includes public utility, exempt properties and apartment buildings
(5) less BAA (Board of Assessment Appeals) changes
(6) Total Direct Tax Rate = mill rate.
(7) Total Taxable Assessed Value / .70 = Actual Taxable Value
(8) Taxable Assessed Value as a Percentage of Actual Value = Assessments are 70% of Value

CITY OF NEW BRITAIN, CONNECTICUTPRINCIPAL PROPERTY TAXPAYERS
2004 AND 1995

TAXPAYER	.....OCTOBER 1, 2004.....			.....OCTOBER 1, 1995.....		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF NET TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF NET TAXABLE ASSESSED VALUE
Stanley Works	\$ 35,295,861	1	1.72%	\$ 47,188,854	1	3.21%
CT Light & Power	25,185,011	2	1.23	13,162,926	3	0.89
Brittany Farms Assoc.	17,910,690	3	0.87	7,028,080	5	0.47
CPS Properties	13,604,640	4	0.66			
Creed Monarch	12,448,746	5	0.61	4,707,800	8	0.32
Inland Southeast New Britain LLC	11,824,680	6	0.58			
NB-BTMC LLC	11,459,070	7	0.56			
CT Natural Gas Corp	11,325,450	8	0.55	18,736,080	2	1.27
Investment Associates	8,778,000	9	0.43	9,284,085	4	0.63
HSC Community Services	8,332,590	10	0.41			
Newbrite Associates LTD Partnership				5,817,000	6	0.39
CT Housing Finance Authority				5,676,850	7	0.38
Dixwell Associates				4,489,310	9	0.30
Cold Metal Products				4,225,500	10	0.28
TOTAL	<u>\$156,164,738</u>		<u>7.62%</u>	<u>\$120,316,485</u>		<u>8.14%</u>

Source: City of New Britain, Office of Tax Assessor

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

(thousands)

COLLECTED WITHIN THE
...FISCAL YEAR OF THE LEVY...

..TOTAL COLLECTIONS TO DATE.

FISCAL YEAR ENDED JUNE 30,	TAX RATE IN MILLS	TAXES LEVIED FOR THE FISCAL YEAR	AMOUNT	PERCENTAGE OF LEVY	COLLECTION IN SUBSEQUENT YEARS	AMOUNT	PERCENTAGE OF LEVY
2006	45.89	\$94,516	\$91,538	96.85%		\$ 2,978	96.85%
2005	46.90	96,045	92,975	96.80	\$2,074	95,049	98.96
2004	46.93	96,709	93,815	97.01	2,202	96,017	99.28
2003	54.76	84,038	80,822	96.17	2,589	83,411	99.25
2002	50.88	77,444	74,664	96.41	2,231	76,895	99.29
2001	49.98	74,903	72,236	96.44	2,201	74,437	99.38
2000	49.42	72,836	70,322	96.55	2,104	72,426	99.44
1999	49.48	72,166	69,680	96.56	2,114	71,794	99.48
1998	49.58	72,134	69,749	96.69	2,010	71,759	99.48
1997	49.83	73,212	70,110	95.76	2,740	72,850	99.51

Source: Tax Collector's Report; Comprehensive Annual Financial Report

TABLE 8

CITY OF NEW BRITAIN, CONNECTICUT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

(thousands, except per capita)

FISCAL YEAR	....GOVERNMENTAL ACTIVITIES...		BUSINESS-TYPE .ACTIVITIES.		RATIO OF DEBT TO TAXABLE ASSESSED VALUE	DEBT PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	WATER	TOTAL PRIMARY GOVERNMENT		
2006	\$179,630		\$44,577	\$224,207	10.92%	\$3,121
2005	174,240	\$ 23	33,811	208,074	10.27	2,896
2004	187,030	46	35,044	222,120	10.72	3,105
2003	199,585	67	11,679	211,331	13.92	2,954
2002	209,200	104	17,563	226,867	15.05	3,171
2001	220,955	130	180	221,265	14.91	3,160
2000	232,900	156	360	233,416	15.91	3,311
1999	218,680	182	560	219,422	15.09	3,093
1998	214,200	208	760	215,168	14.74	3,033
1997	117,380	260	960	118,600	8.08	1,640

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF DEBT LIMITATION

JUNE 30, 2006

(thousands)

Total tax collections (including interest and lien fees) received by Treasurer for year ended June 30, 2006.....						\$95,101*
Reimbursement for revenue loss (year ended June 30, 2005:						
Veterans exemption.....						53
Disability exemption.....						13
Tax relief for the elderly (C.G.S. 7-129d) and disability exemptions.....						586
Manufacturing equipment exemption.....						979
Boat registration reimbursement.....						13
						<u>13</u>
BASE for debt limitation computation						<u>\$96,745</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension	
Debt limitation:						
2-1/4 times base	\$217,676					
4-1/2 times base		\$435,353				
3-3/4 times base			\$362,794			
3-1/4 times base				\$314,421		
3 times base					\$290,235	
Total debt limitation	<u>217,676</u>	<u>435,353</u>	<u>362,794</u>	<u>314,421</u>	<u>290,235</u>	
Indebtedness:						
Bonds payable	133,075	46,555	270			
Notes payable	18,320	1,925				
Bonds authorized - unissued.....	<u>66,513</u>	<u>60,265</u>	<u>15,457</u>			
Total indebtedness	<u>217,908</u>	<u>108,745</u>	<u>15,727</u>			
Less: self-liquidating indebtedness:						
Sewer: bonds payable ...	270					
Statutory exclusion- Pension obligation Bond.....	<u>96,680</u>					
School construction grants.....		<u>61,681</u>				
Total self-liquidating indebtedness	<u>96,950</u>	<u>61,681</u>				
Total indebtedness less self-liquidating indebtedness	<u>120,958</u>	<u>47,064</u>	<u>15,727</u>			
Debt limitation in excess of outstanding and authorized debt	<u>\$ 96,718</u>	<u>\$388,289</u>	<u>\$347,067</u>	<u>\$314,421</u>	<u>\$290,235</u>	

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation (\$677,215).

*Budgetary basis

CITY OF NEW BRITAIN, CONNECTICUTLEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	.....FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limitation.....	\$677,215	\$689,717	\$697,571	\$596,015	\$555,940	\$538,327	\$533,434	\$530,892	\$525,314	\$535,466
Total net debt applicable to limit.....	183,749	192,481	217,058	301,558	246,866	140,900	143,828	193,453	207,779	171,633
Legal debt margin.....	<u>\$493,466</u>	<u>\$497,236</u>	<u>\$480,513</u>	<u>\$294,457</u>	<u>\$309,074</u>	<u>\$397,427</u>	<u>\$389,606</u>	<u>\$337,439</u>	<u>\$317,535</u>	<u>\$363,833</u>
Total net debt applicable to the limit as a percentage of debt limit.....	<u>27.13%</u>	<u>27.91%</u>	<u>31.12%</u>	<u>50.60%</u>	<u>44.41%</u>	<u>26.17%</u>	<u>26.96%</u>	<u>36.44%</u>	<u>39.55%</u>	<u>32.05%</u>

Source: Comprehensive Annual Financial Reports - Schedule Of Debt Limitation

Note: See Table 9 for calculation of current year debt limitation.

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

CALENDAR YEAR	POPULATION (1)	PER CAPITA INCOME (2)	MEDIAN AGE (3)	SCHOOL ENROLLMENT (4)	UNEMPLOYMENT RATE (5)
2006	71,840	\$23,379	33.9	10,950	5.50%
2005	71,840	23,379	33.9	10,947	7.50
2004	71,538	23,379	33.9	11,024	7.90
2003	71,538	23,379	33.9	10,803	7.10
2002	71,538	23,379	33.9	10,718	6.20
2001	70,010	23,379	33.9	10,558	5.70
2000	70,492	23,379	33.9	10,295	3.90
1999	70,948	N/A	N/A	10,216	5.50
1998	70,948	N/A	N/A	9,957	5.20
1997	72,315	N/A	N/A	9,654	7.70

(1) Source: State of Connecticut

(2) Source: State of Connecticut

(3) Source: U.S. Census Bureau

(4) Source: New Britain Board of Education

(5) Source: Connecticut Department of Economic and Community Development

TABLE 12

CITY OF NEW BRITAIN, CONNECTICUTPRINCIPAL EMPLOYERS
2006 AND 1997

		.....2006.....			.....1997.....		
EMPLOYER	NATURE OF BUSINESS	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
New Britain General Hospital	Hospital	2,300	1	7.31%	2,300	1	7.17%
City of New Britain	Government	1,975	2	6.28	1,774	3	5.53
Central CT State University	University	1,512	3	4.81	1,469	4	4.58
The Hospital for Special Care	Hospital	1,370	4	4.36	800	6	2.50
Tilcon CT	Construction	920	5	2.93	850	5	2.65
State of CT	Government	900	6	2.86	675	7	2.11
The Stanley Works	Manufacturing	700	7	2.23	1,800	2	5.61
Grove Hill Medical Center	Medical Services	440	8	1.40	510	8	1.59
Dattco	Bus Transportation	379	9	1.21			
TD Banknorth, N.A., CT	Banking	375	10	1.19			
Moore Medical	Medical Supplies				300	9	0.94
Parker Skinner Value					250	10	0.78
TOTAL		<u>10,871</u>		<u>34.57%</u>	<u>10,728</u>		<u>33.46%</u>
Total Employment		<u>31,445</u>			<u>32,061</u>		

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Source: City of New Britain, Municipal Development Agency

TABLE 13

CITY OF NEW BRITAIN, CONNECTICUTFULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Administration, financial and other	108	137	128	65	84	77	76	88	106	N/A
Police	151	141	164	197	197	194	N/A	189	194	N/A
Fire	135	142	130	141	139	138	132	135	141	N/A
Health and welfare	13	19	14	19	24	27	35	37	20	N/A
Parks and recreation	68	70	53	67	61	59	58	55	54	N/A
Public works, engineering, garage	77	70	64	76	70	71	69	65	56	N/A
Water	53	57	48	50	48	50	47	47	48	N/A
Education	<u>1,352</u>	<u>1,339</u>	<u>1,335</u>	<u>1,302</u>	<u>1,331</u>	<u>1,286</u>	<u>1,278</u>	<u>1,264</u>	<u>1,204</u>	<u>1,161</u>
TOTAL	<u>1,957</u>	<u>1,975</u>	<u>1,936</u>	<u>1,917</u>	<u>1,954</u>	<u>1,902</u>	<u>1,695</u>	<u>1,880</u>	<u>1,823</u>	<u>1,161</u>

CITY OF NEW BRITAIN, CONNECTICUT
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

FUNCTION/PROGRAM	FISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government:										
Building permits issued	2,442	1,968	2,178	2,081	2,190	1,939	N/A	N/A	N/A	N/A
Building inspections conducted	4,483	3,672	3,970	4,157	6,959	4,641	N/A	N/A	N/A	N/A
Police:										
Calls for service	59,646	55,284	54,197	56,849	56,849	53,883	55,543	54,455	52,800	NA
Physical arrests	6,828	6,732	6,878	7,222	7,517	6,870	7,000	7,228	6,700	NA
Parking violations	26,367	28,126	28,225	28,420	25,250	20,022	7,917	7,701	6,427	7,266
Traffic violations	6,997	5,975	5,116	4,305	4,390	3,191	3,740	2,500	3,000	NA
Fire:										
Emergency responses	6,320	6,082	2,997	2,976	N/A	N/A	N/A	N/A	N/A	N/A
Fires extinguished	279	296	357	303	N/A	N/A	N/A	N/A	N/A	N/A
Inspections	312	307	343	361	N/A	N/A	N/A	N/A	N/A	N/A
Refuse collection:										
Refuse collected (tons per day)	193	197	199	184	170	185	193	188	180	175
Recyclables collected (tons per day)	11	11	11	12	12	12	12	11	12	12
Other public works:										
Street resurfacing (miles)	9	12	5	4	4	4	8	0	21	12
Potholes repaired	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Parks and recreation:										
Athletic field permits issued	2,597	2,447	2,859	2,827	3,052	2,994	2,703	2,408	N/A	N/A
Community center admissions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Library:										
Volumes in collection	246,891	243,723	254,773	259,773	260,969	255,067	261,530	251,065	240,857	240,896
Total volumes borrowed	312,662	315,649	373,335	346,906	323,881	303,292	309,200	322,819	341,156	N/A
Water:										
New connections	94	86	299	299	420	350	942	959	N/A	N/A
Water main breaks	16	24	29	26	24	22	3	19	N/A	N/A
Average daily consumption (thousands of gallons)	10,000	11,161	10,293	9,898	9,876	10,539	10,691	10,453	N/A	N/A
Peak daily consumption (thousands of gallons)	12,745	15,700	13,700	14,500	16,360	14,130	14,730	14,840	N/A	N/A
Wastewater:										
Average daily sewage treatment (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transit:										
Total route miles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Passengers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CITY OF NEW BRITAIN, CONNECTICUTCAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

FUNCTION/PROGRAMFISCAL YEAR.....									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	3	3	3	3	3	3	3	3	3	3
Patrol units	30	30	30	30	30	30	30	30	30	30
Fire stations	6	6	6	6	6	6	6	6	6	6
Refuse collection:										
Collection trucks	17	15	15	15	15	15	15	15	15	15
Other public works:										
Streets (miles)	163	163	163	163	163	163	163	163	163	163
Highways (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Streetlights	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Traffic signals	70	70	70	70	70	70	70	70	70	70
Parks and recreation:										
Acreage	12	12	12	12	12	12	12	12	12	12
Playgrounds	8	8	8	8	8	8	8	8	8	8
Baseball/softball diamonds ...	15	15	15	15	15	15	15	15	15	15
Soccer/football fields	9	9	9	9	9	9	9	9	9	9
Water:										
Water mains (miles)	269	269	269	269	269	269	269	269	269	269
Fire hydrants	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991
Storage capacity										
(thousands of gallons)	2,742,921	2,742,921	2,742,921	2,742,921	2,742,921	2,742,921	2,742,921	2,742,921	2,742,921	2,742,921
Wastewater:										
Sanitary sewers (miles)	180	180	180	180	180	180	180	180	180	180
Storm sewers (miles)	152	152	152	152	152	152	152	152	152	152

Single Audit Section



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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Britain the ("City") as of and for the year ended June 30, 2006, which collectively comprise City's basic financial statements and have issued our report thereon dated December 8, 2006. 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 and Other Matters

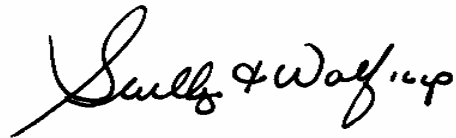
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We 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 8, 2006.

This report is intended solely 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 "Sully & Wolf, LLP". The signature is written in a cursive, flowing style.

December 8, 2006



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, 2006. 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

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.

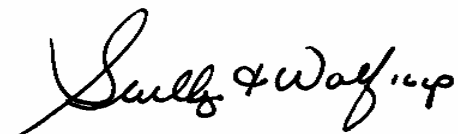
We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance 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. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

A material weakness is a reportable 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 caused by error or fraud 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 that none of the reportable conditions described above are material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 solely 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.

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

December 8, 2006

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	EXPENDITURES
Environmental Protection Agency		
Direct program:		
Water Filtration Project	66.454	\$ <u>273,968</u>
U.S. Department of Housing and Urban Development		
Direct programs:		
Multi-Family Property Disposition	14.199	3,900
Community Development Block Grant	14.218	2,826,050
Emergency Shelter Grant	14.231	73,742
Home Program	14.239	679,775
Youth Build Program	14.243	111,652
Lead Hazard Control	14.900	863,519
Passed through the State of Connecticut Department of Economic and Community Development:		
State Home Program	14.239	<u>98,415</u>
Total U.S. Department of Housing		<u>4,657,053</u>
U.S. Department of Agriculture		
Passed through the State Department of Education:		
Snack Program - Early Childhood Program	10.556	56,591
School Breakfast Program	10.553	546,149
National School Lunch Program	10.555	2,268,809
Summer Seamless Waiver Program	10.559	7,637
Passed through the State Department of Administrative Services:		
Food Distribution Program	10.550	<u>159,974</u>
Total U.S. Department of Agriculture		<u>3,039,160</u>
U.S. Department of Justice		
Direct programs:		
Weed and Seed	16.595	222,758
Local Law Enforcement Block Grant	16.592	52,458
Passed through the State of Connecticut Office of Policy and Management:		
RAP Program	16.540	<u>30,000</u>
Total U.S. Department of Justice		<u>305,216</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 Commerce		
Direct Program:		
Economic Development.....	11.303	\$ <u>620,233</u>
U.S. Department of Transportation		
Passed through the State Department of Transportation:		
Surface Transportation Program:	20.205	
Project: Broad, Beaver, Main and North Street Reconstruction.....		159,704
Bridge System Replacement and Rehabilitation.....		32,792
Alcohol Traffic Safety Grants	20.601	119,911
National Recreation Trails Grant	20.219	<u>15,699</u>
Total U.S. Department of Transportation.....		<u>328,106</u>
U.S. Department of Education		
Direct Program:		
Twenty-First Century Community Learning Centers.....	84.287	26,000
Passed through the State Department of Education:		
Twenty-First Century Community Learning Centers.....	84.287	<u>670,472</u>
Total		<u>696,472</u>
Passed through the State Office of Policy and Management:		
Safe and Drug-Free Schools	84.186	<u>104,244</u>
Passed through the State Department of Education:		
Education Consolidation and Improvement Act (P.L. 100-297) Title I:	84.010	
Project Nos.:		
12060-20679-2005		1,765,150
12060-20679-2005		58,661
12060-20679-2006		3,031,543
12060-20679-2006		<u>76,169</u>
Total		<u>4,931,523</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 III Part A - English Language Acquisition:	84.365	
Project Nos.:		
12060-20868-2005.....		\$ 55,622
12060-20868-2006.....		<u>109,460</u>
Total		<u>165,082</u>
Carl D. Perkins Act Vocational Education (VOED)		
(P.L. 98-524):	84.048	
Project No. 12060-20742-2006		<u>282,678</u>
Drug-Free Schools and Communities Act (P.L. 99-570):	84.186	
Drug-Free Schools Act:		
Project Nos.:		
12060-20873-2005		37,190
12060-20873-2006		<u>35,684</u>
Total		<u>72,874</u>
Education for Homeless Children and Youth:	84.196	
Project No. 12060-20770-2006.....		<u>30,230</u>
Title II Part A - Teachers:	84.367	
Project Nos.:		
12060-20858-2005.....		220,580
12060-20858-2006.....		<u>731,310</u>
Total		<u>951,890</u>
Title V - Innovative Education Strategies:	84.298	
Project Nos.:		
12060-20909-2005.....		83,090
12060-20909-2006.....		<u>49,905</u>
Total		<u>132,995</u>
Title III Emergency Immigrant Education Program:	84.365	
Project Nos.:		
12060-20868-2005.....		16,417
12060-20868-2006.....		<u>41,413</u>
Total		<u>57,830</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.):		
Quality Enhancement Grant:	84.336	
Project No. 12060-90242-2006.....		\$ <u>56,235</u>
Title I Migrant - Consortium Incentive:	84.011	
Project Nos.:		
12060-20972-2005.....		678
12060-20972-2006.....		<u>102,927</u>
Total		<u>103,605</u>
Title I Part B - Reading First:	84.357	
Project No. 12060-20854-2005.....		<u>260,969</u>
Adult Education:	84.007	
Project Nos.:		
12060-20784-2006.....		45,150
12060-20784-2006.....		<u>34,668</u>
Total		<u>79,818</u>
IDEA Part B - Individual with Disabilities:	84.027	
Project Nos.:		
12060-20977-2005.....		1,606,242
12060-20977-2005.....		11,012
12060-20977-2005.....		23,156
12060-20977-2006.....		<u>926,377</u>
Total		<u>2,566,787</u>
Preschool Grants Program:	84.173	
Project Nos.:		
12060-20983-2005.....		40,364
12060-20983-2006.....		<u>76,767</u>
Total		<u>117,131</u>
Mathematics and Science Partnership Program:	84.366	
Project No. 12060-21592-2005.....		<u>59,515</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 II Part D – Enhancement through Technology:	84.318	
Project Nos.:		
12060-20826-2005.....		\$ 54,461
12060-20826-2005.....		31,244
12060-20826-2006.....		<u>54,110</u>
Total		<u>139,815</u>
Comprehensive School Reform:	84.332	
Project No. 12060-20790-2004.....		<u>11,624</u>
Total U.S. Department of Education		<u>10,821,317</u>
U.S. Department of Health and Human Services		
Passed through the State Department of Public Health:		
Immunization Action Plan Program	93.268	53,710
Bioterrorism	93.283	175,356
HIV Prevention	93.940	41,358
Behavioral Risk.....	93.991	21,267
Vaccines.....	93.268	25,878
Venereal Disease Control	93.977	1,300
Passed through Department of Children and Families:		
Independent Living Skills	93.674	<u>32,156</u>
Total U.S. Department of Health and Human Services		<u>351,025</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 Homeland Security		
Direct Program:		
Assistance to Firefighters.....	97.044	\$ 216,630
Passed through the United Way of America:		
Federal Emergency Management.....	97.036	2,714
Passed through the State of Connecticut Department of		
Emergency Management and Homeland Security:		
Civil Defense.....	97.067	3,267
Disaster Grants - Public Assistance	97.036	<u>197,164</u>
Total U.S. Department of Homeland Security		<u>419,775</u>
TOTAL.....		<u>\$20,815,853</u>

See Notes to Schedules

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – unqualified

Internal control over financial reporting:

- Material weaknesses identified? ☐ yes ☒ no
- Reportable conditions identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness identified? ☐ yes ☒ no
- Reportable condition identified that is not considered to be a material weaknesses? ☒ yes ☐ none reported

Type of auditors' report issued on compliance for major programs – unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

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

Federal Grantor and Program	Federal CFDA Number	Expenditures
U.S. Department of Housing and Community Development:		
Community Development Block Grant	14.218	\$2,826,050
Home Program	14.239	\$778,190
Lead Hazard Control	14.900	\$863,519
U.S. Department of Commerce:		
Economic Development	11.303	\$620,233
U.S. Department of Transportation:		
Surface Transportation Program	20.205	\$192,496

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

Federal Grantor and Program	Federal CFDA Number	Expenditures
U.S. Department of Education: Education Consolidation and Improvement Act (P.L. 100-297) Title I	84.010	\$4,931,523
Title II Part A - Teachers Special Education Cluster: IDEA Part B - Individuals with Disabilities	84.367	\$951,890
Preschool Grants Program	84.027	\$2,566,787
	84.173	\$117,131
U.S. Department of Homeland Security: Assistance to Firefighters	97.044	\$216,630

- Dollar threshold used to distinguish between type A and type B programs - \$624,476.
- The City qualified as a low-risk auditee? _____ yes X no

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 8, 2006, on internal control over financial reporting and on compliance and other matters 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 no reportable conditions.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING #06-1 Reporting

Grantor: U.S. Department of Housing and Urban Development

CFDA Number: 14.218 - Community Development Block Grant

Criteria: Expenditure reports are required to be supported by the general ledger.

Condition: Total expenditures reported on the CDBG Financial Summary, a section of the Consolidated Annual Performance and Evaluation Report, did not agree to the general ledger by \$14,165.

Effect: No effect can be determined.

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

Cause: The City has not implemented policies and procedures which provide for compliance with specific reporting guidelines.

Recommendation: We recommend implementing policies and procedures that provide for filing expenditure reports using the general ledger as the basis for reporting.

FINDING #06-2 Reporting

Grantor: U.S. Department of Housing and Urban Development

CFDA Number: 14.239 - HOME Program

Criteria: Expenditure reports are required to be supported by the general ledger

Condition: Total expenditures reported on the Consolidated Annual Performance and Evaluation Report did not agree to the general ledger by \$112,979.

Cause: The City has not implemented policies and procedures which provide for compliance with specific reporting guidelines.

Effect: No effect can be determined

Recommendation: We recommend implementing policies and procedures that provide for filing expenditure reports using the general ledger as the basis for reporting.

IV. STATUS OF PRIOR YEAR FINDINGS

FINDING #05-1 Reporting

Grantor: U.S. Department of Housing and Urban Development

CFDA Number: 14.218 - Community Development Block Grant

Criteria: Expenditure reports are required to be supported by the general ledger.

Condition: Total expenditures reported on the CDBG Financial Summary, a section of the Consolidated Annual Performance and Evaluation Report, did not agree to the general ledger by \$48,003.

Effect: No effect can be determined.

Cause: The City has not implemented policies and procedures which provide for compliance with specific reporting guidelines.

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

Recommendation: We recommend implementing policies and procedures that provide for filing expenditure reports using the general ledger as the basis for reporting.

Current Status: Our testing in the current year revealed that the CDBG Financial Summary remains unsupported by the general ledger and as a result this finding is repeated in the current year as Finding #06-1.

FINDING #05-2 Reporting

Grantor: U.S. Department of Housing and Urban Development

CFDA Number: 14.239 - HOME Program

Criteria: Expenditure reports are required to be supported by the general ledger

Condition: Total expenditures reported on the Consolidated Annual Performance and Evaluation Report did not agree to the general ledger by \$52,462.

Cause: The City has not implemented policies and procedures which provide for compliance with specific reporting guidelines.

Effect: No effect can be determined

Recommendation: We recommend implementing policies and procedures that provide for filing expenditure reports using the general ledger as the basis for reporting.

Current Status: Our testing in the current year revealed that the HOME expenditures in the Consolidated Annual Performance and Evaluation Report remain unsupported by the general ledger and as a result this finding is repeated in the current year as Finding #06-2.

CITY OF NEW BRITAIN, CONNECTICUT
FEDERAL FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2006

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 \$159,974 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, 2006. 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, 2006.

Internal Control Over Compliance

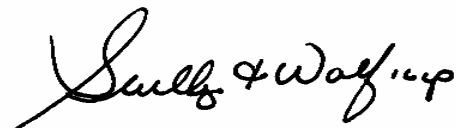
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the internal control over compliance with 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 applicable requirements of laws, regulations, contracts and grants caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2006 and have issued our report thereon dated December 8, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 8, 2006

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006**

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
Department of Education		
General Improvements to School Buildings	12052-SDE64370-40316	\$ 5,448
Technology Infrastructure	12052-SDE64370-40312	70,250
Priority School District	11000-SDE64370-17043- 82052	2,078,921
Extended School Hours Program in Priority Schools.....	11000-SDE64370-17043- 82054	188,335
Summer School Accountability in Priority Schools.....	11000-SDE64370-17043- 82055	223,508
Bilingual Education.....	11000-SDE64370-17042	158,808
School Readiness and Child Day Care in Priority Schools	11000-SDE64370-17043- 82056	2,704,958
State Match - Food Service	11000-SDE64370-16072	56,291
Early Reading Success in Priority Schools.....	11000-SDE64370-17043- 82053	1,185,915
Adult Education	11000-SDE64370-17030	1,172,364
Youth Service Bureau	11000-SDE64370-17052	72,244
Family Resource Centers	11000-SDE64370-16110	204,500
Magnet School Transportation	11000-SDE64370-17057	38,400
Open Choice.....	11000-SDE64370-17053	4,000
Health Services	11000-SDE64370-17034	<u>114,569</u>
Total Department of Education.....		<u>8,278,511</u>
Office of Policy and Management		
Local Capital Improvement	11000-OPM20600-40254	747,951
Manufacturer's (PILOT) Grant.....	11000-OPM20600-17031	978,836
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	545,602
Property Tax Relief on Distressed Municipalities	11000-OPM20600-17016	152,078
Property Tax Relief for Veterans	11000-OPM20600-17024	52,719
Property Tax Relief for Elderly Homeowners Freeze Program.....	11000-OPM20600-17021	51,140

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

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
Office of Policy and Management (cont.)		
Drug Enforcement Program.....	11000-OPM20600-17028	\$ 3,166
Property Tax Relief for the Disabled	11000-OPM21090-17011	<u>13,057</u>
Total Office of Policy and Management		<u>2,544,549</u>
Department of Children and Families		
Passed through Wheeler Clinic:		
Systems of Care Grant.....	11000-DCF91110-12243	107,197
Child Welfare Support Services	11000-DCF91178-16120	<u>39,014</u>
Total Department of Children and Families		<u>146,211</u>
Connecticut State Library		
Historical Preservation Grant	12060-CSL66094-35150	<u>12,000</u>
Department of Transportation		
Town Aid Road Grant - Transportation Fund..	12001-DOT57131-17036	297,826
Local Bridge Program - Federal Match	21010-DOT57191-42313	8,198
STP Areas - 88-162.....	13033-DOT57141-21140	26,597
Municipal Grant Agreements Transportation Fund:		
Project:		
Broad, Beaver, Main and North Street Reconstruction - 88-150	13033-DOT57141-21140	<u>39,926</u>
Total Department of Transportation		<u>372,547</u>
Board of Education and Services for the Blind		
Education of Handicapped Blind Children.....	11000-ESB65020-12060	<u>136,202</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	<u>612,981</u>

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

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
Office of the State Comptroller		
Mashantucket Pequot/Mohegan Fund.....	12009-OSC15910-17005	\$ 3,527,733
State-Owned Property.....	11000-OSC15910-17004	4,581,520
Boat Grant.....	12027-OSC15910-40211	13,433
Private Colleges and General Hospitals.....	11000-OSC15910-17006	<u>3,911,423</u>
Total Office of the State Comptroller....		<u>12,034,109</u>
State Department of Economic and Community Development		
Urban Action Grant:	13019-ECD46000-41236-093	
	13019-ECD46000-41240-094	
Project:		
New Britain Machine Industrial Park.....		711,525
Tax Abatement Program.....	11000-ECD46400-17008-038	26,816
State (PILOT) Model Housing	11000-ECD46400-17012-039	<u>218,485</u>
Total State Department of Economic and Community Development		<u>956,826</u>
State Department of Public Health		
STD Control.....	11000-DPH48500-17013	14,217
HIV Prevention.....	11000-DPH48500-12236	41,538
Health Per Capita Grant	11000-DPH48500-17009	67,278
Child Lead Poisoning	11000-DPH48500-12227	43,869
Immunization Action Plan	11000-DPH48500-10020	29,769
Behavioral Risk	11000-DPH48500-10020	1,926
School Based Health Clinics	11000-DPH48500-17019	<u>132,063</u>
Total State Department of Public Health		<u>330,660</u>
State Department of Special Revenue		
Off Track Betting	34004-DSR18307-40001	246,650
Bingo payments	34003-DSR18309-42350	<u>818</u>
Total State Department of Special Revenue		<u>247,468</u>

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

STATE GRANTOR PASS-THROUGH GRANTOR PROGRAM TITLE	STATE GRANT PROGRAM CORE-CT NUMBER	EXPENDITURES
State Department of Public Safety		
State Asset Forfeitures	12060-DPS32155-35142	\$ 61,366
Telecommunications.....	12060-DPS32740-35190	<u>105,850</u>
Total State Department of Public Safety		<u>167,216</u>
Judicial Department		
Victim Services Coordinator	12060-JUD95810-20785	16,603
Juvenile Justice Center.....	11000-JUD96114-12105-017	<u>308,322</u>
Total Judicial Department		<u>324,925</u>
Total State Financial Assistance before exempt programs		<u>26,164,205</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	63,620,659
Transportation of School Children	11000-SDE64370-17027	2,414,900
Nonpublic School Transportation	11000-SDE64370-17049	497,403
Special Education: Agency Placement and Excess Costs	11000-SDE64370-17047	2,287,521
School Building Grants:		
Principal Subsidy	11000-SDE64370-17002	4,088,642
Interest Subsidy	11000-SDE64370-17014	1,271,721
School Construction Grants	13010-SDE64370-40901	<u>719,252</u>
Total Exempt programs		<u>74,900,098</u>
TOTAL		<u>\$101,064,303</u>

See Notes to Schedules

CITY OF NEW BRITAIN, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued – unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes X no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness identified? _____ yes X no
- Reportable conditions identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditors' 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:

State Grantor and <u>Program</u>	State CORE-CT <u>Number</u>	<u>Expenditures</u>
Department of Education:		
Priority School	11000-SDE64370-17043-82052	\$2,078,921
School Readiness and Child Day Care		
In Priority Schools	11000-SDE64370-17043-82056	\$2,704,958
Early Reading Success In Priority		
Schools	11000-SDE64370-17043-82053	\$1,185,915
Adult Education	11000-SDE64370-17030	\$1,172,364

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

Office of Policy and Management:		
Local Capital Improvement	11000-OPM20600-40254	\$747,951
Manufacturers PILOT Grant	11000-OPM20600-17031	\$978,836
Property Tax Relief for Elderly Homeowners	11000-OPM20600-17018	\$545,602
Department of Transportation:		
Town Aid Road	12001-DOT57131-17036	\$297,826
Office of the State Comptroller:		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	\$3,527,733
State-Owned Property	11000-OSC15910-17004	\$4,581,520
Private Colleges and General Hospitals	11000-OSC15910-17006	\$3,911,423
Department of Economic and Community Development:		
Urban Action Grant	13019-ECD46000-41236-093	
	13019-ECD46000-41240-094	\$711,525
Department of Social Services:		
Medicaid	11000-DSS60000-16020	\$612,981
Judicial Department:		
Juvenile Justice Center	11000-JUD96114-12105-017	\$308,322

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated December 8, 2006, on internal control over financial reporting and on compliance and other matters 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 no reportable conditions.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to state financial assistance.

CITY OF NEW BRITAIN, CONNECTICUT
STATE FINANCIAL ASSISTANCE PROGRAMS

NOTES TO SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006:

Clean Water Fund	
Outstanding balance, July 1, 2005	\$36,997,943
Issued	- 0 -
Payments	<u>(2,084,820)</u>
Outstanding balance, June 30, 2006	<u>\$34,913,123</u>