

City of New Britain Connecticut



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

**CITY OF NEW BRITAIN
CONNECTICUT**

FISCAL YEAR ENDED JUNE 30, 2007



Robert Curry, Director of Finance

Prepared by Finance Department

CITY OF NEW BRITAIN, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT

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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

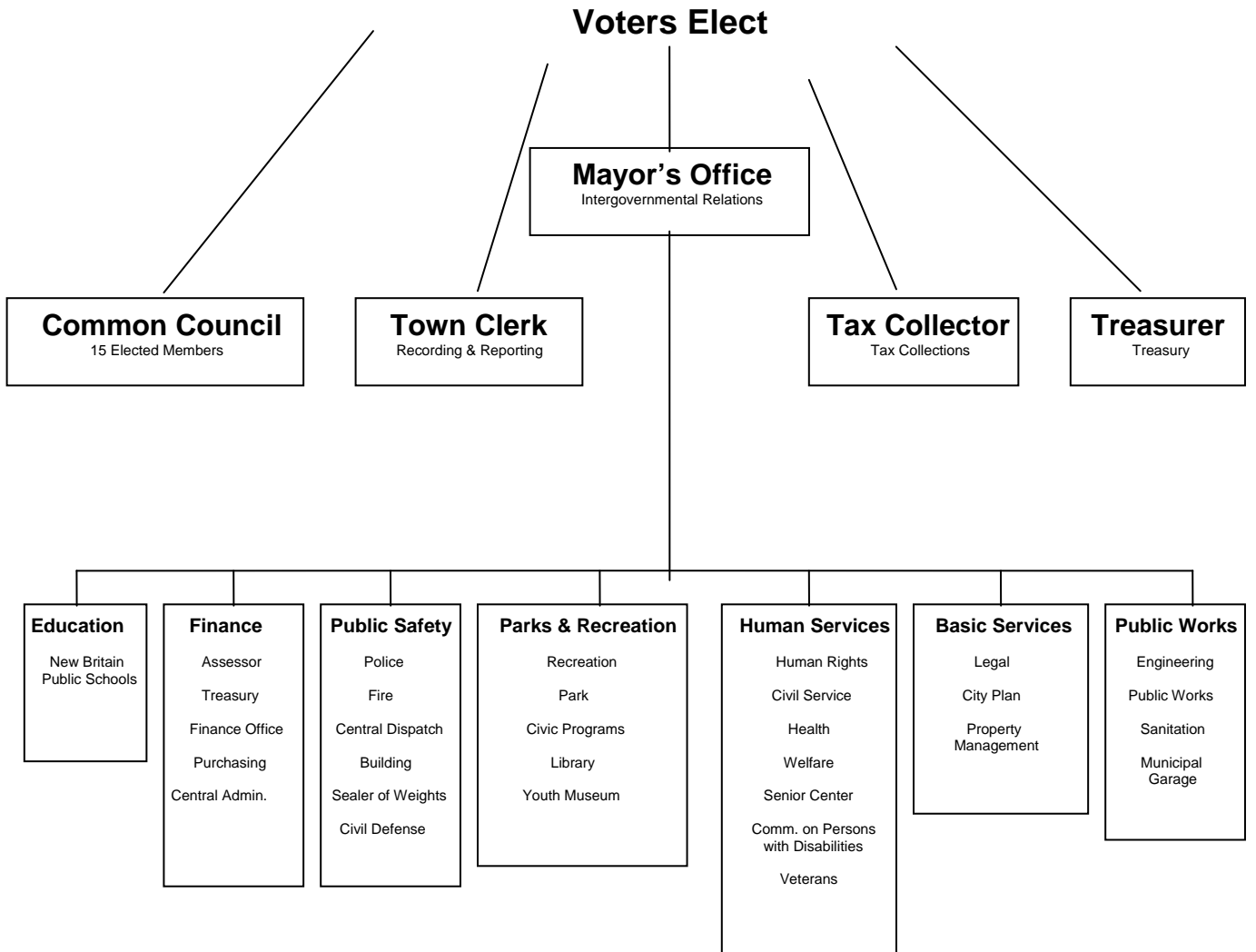
Corporation Counsel	Joseph Skelly
Town Clerk	Peter J. Denuzze
Tax Collector	Fred J. Menditto
Assessor	Michael Konik
Director of Finance	Robert Curry
Director of Health	Eugene Ciccone
Director of Personnel	Karen Levine
Director of Parks and Recreation	William A. DeMaio
Acting Director of Public Works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

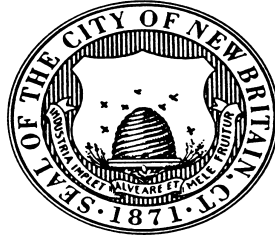
Frances Wolski, President
Peter Kockol, Vice President
Clarence Woods, Secretary
Brian K. Riley
Sharon Beloin-Saavedra
Paul Carver
Marilyn Krackzowsky
Louisa Leal
James Sanders
Charles Tillett Jr.
Dr. Doris Kurtz, Superintendent of Schools

ORGANIZATIONAL CHART

ORGANIZATION OF CITY GOVERNMENT



CITY OF NEW BRITAIN, CONNECTICUT



December 31, 2007

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, 2007.

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 Blum, Shapiro & Company, P.C. 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, 2007 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, 2007, 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.

At the approximate geographic center of Connecticut, New Britain is just a two hour drive from either New York or Boston. The Route 9 expansion with its intersection with Route 72 in the center of downtown provides direct access to Interstates 91 and 84, putting New Britain on the beltway between the state’s major north/south and east/west interstates.

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. Called the New Britain Downtown District, it 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. Over the past decade, older homes in the community have been renovated by their owners using a variety of specialty loan and grant programs. New Britain, through its Housing Authority, offers more than eight hundred housing units to its senior citizens. 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.

New Britain has nine major parks: A.W. Stanley, Stanley Quarter, Washington, Chesley, Osgood, Martha Hart, Hungerford, Walnut Hill and Willow Brook. The City owns and operates the A.W. Stanley Golf Course, a 27 hole municipal facility. Stanley Quarter Park is New England’s largest public skate park with multi levels, two quarter pipes, stairs and grinding rails and pyramids. Some of the amenities offered by these parks include aqua cycles, fun-yaks, a children’s fishing pond, soccer fields, playgrounds, jogging tracks, and outdoor ice skating.

The Stanley Works, a Fortune 500 company, maintains 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.

The City’s 15-acre site Smart Park is home to Tenergy-Christ, Inc., a worldwide leader in water purification systems as well as the Celebration Foods plant under construction. Continued growth of New Britain’s corporations, such as Okay Industries, Inc., Acme-Monaco Corporation, Siracusa Moving

and Storage, Guidas, Dattco, and Papa's Dodge major expansion could increase both employment and tax revenue.

Since 1983, New Britain has been home to a Double-A baseball team, known as the New Britain Rock Cats. The team plays in New Britain's Willowbrook Park Sports Complex, which is just one parcel that makes up the City's 1,200 acres of parkland.

Residents have a variety of medical facilities to call upon, including the four hundred thirty-six bed Hospital of Central Connecticut (formerly New Britain General Hospital, the 7th largest in the state), the two hundred bed Hospital for Special Care for rehabilitation and elderly care, and numerous modern clinics providing out-patient services. The Hospital of Central Connecticut has recently begun phase III of the expansion of its emergency and clinical facilities and its affiliated nursing facility, the Jerome Home, is moving rapidly towards completion of a 64-unit assisted living addition. Central Connecticut State University (CCSU) has been located in New Britain since 1849. It offers Schools of Technology, Arts and Sciences, Education and Graduate Studies. CCSU's School of Business is the largest in Connecticut. CCSU is a metropolitan university, serving students as well as local businesses with unique cooperative resources. The University's Institute for Industrial and Engineering Technology (IIET), housed in downtown New Britain, was created in 1991 and offers local businesses an array of resources to help them stay on the leading edge of technological advances and opportunities.

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 the Charter, which was initially 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 Assessment Appeals.

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.

- An example of this philosophy is the \$16 million investment in a new plant by Carvel/Celebration Foods at the former Fafnir Bearing site. This project will create in excess of 250 new jobs. The funding is a successful private- city-state partnership and redevelopment of a former Brownfield site

- The State has recently transferred title of a sixty acre parcel formerly used as the Pinnacle Heights Housing Project. The demolition has begun and once complete this sixty acre parcel of land will be available for development.
- A preliminary agreement has been signed to produce a master plan of development for New Britain's downtown which will bring an infusion of private investment.
- A former vacant hotel in the City's central business district has been transformed into a modern LaQuinta Inn and is also home to a national restaurant, Famous Dave's Barbeque.
- The recent sale of over \$1.5 million in surplus city properties including:
The former DMV building to Big Sky for a \$1.5 million fitness facility
A Broad Street parcel to Farmington Savings Bank.
A Broad Street parcel to Polam Federal Credit Union.
Franklin Square space that became attractive historical Housing.
An Arch Street parcel to the Friendship Center for supportive housing services for the homeless.
Ben Franklin School to HRA for their Headstart expansion.

Other developments will also bring new life and vitality to the City's downtown with the opening of a new Hole in the Wall Theater on Main Street. Along with Trinity-on-Main these two cultural centers will bring more and more people downtown. City Hall also sponsors Art in the Heart of the City which showcases work from local artists.

There have been several major public works projects have been recently started:

- The start of Phase 2 of the Broad Street reconstruction. This \$3.7 million project will improve one of the City's busiest commercial districts.
- The Hart Street extension project is a \$4.2 million project that will facilitate the flow of east west traffic at the southern edge of the central business.
- A \$17 million road reconstruction project to repave city streets over a five year period.
- The Clean Cart trash initiative which will save thousands in pickup and tipping fees in addition to mitigating litter.

On the education front the City has recently:

- Completed a \$16 million addition at New Britain High School that includes a Freshman Academy, new access road, lecture hall, and public art.
- The completion of a solar roof project at New Britain High School which is the largest of type in the State. This new roof offers continued energy savings over its life.
- The new ABC building or Alternative Behavior Center which will students with special needs rather than sending them out of district.

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 judgments 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 \$178,900 of general obligation bonds, and \$180 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, 2007, the City's net general obligation of \$178,900 was well below the legal limit of \$688 debt per capita equaled \$3.06.

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 \$150,000 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 2007 annual budget \$800,000 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.

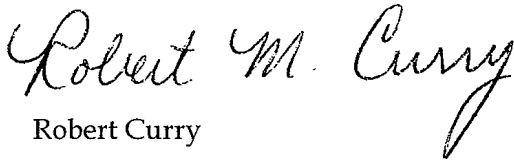
Acknowledgements

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.

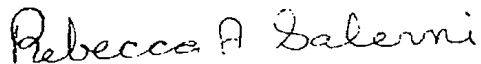
The preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance Department staff. I would like to express my appreciation to the staff of the finance department and to all those who have contributed to this report. Special appreciation is conveyed to the representatives from Blum, Shapiro & Company, P.C. 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New Britain Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



A handwritten signature in black ink, appearing to read "Ronald J. Hoover".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emen".

Executive Director

Financial Section



Report of Independent Accountants

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, 2007, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on pages 13 through 21 and 64 through 67 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 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 conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

December 31, 2007

CITY OF NEW BRITAIN, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

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, 2007. 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 \$1.2 million, or nearly 3%, net assets of our governmental activities increased by \$12.9 million, or 16.1%.
- In its governmental activities, the City had revenues of \$257 million and expenses of \$244 million; thus increasing the net assets of governmental activities by \$13 million.
- In the City's business-type activities, revenues were \$12.2 million while expenses were \$11 million; thus increasing the net assets of the business-type funds by \$1.2 million.
- The General Fund reported a fund balance this year of \$11 million.
- The tax collection rate of the current levy was 96.5%.

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

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other 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 (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities – such as the City's Self-Insurance Internal Service Fund.
- *Fiduciary funds (Exhibits 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 \$121.1million to \$135.2 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	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 121,413	\$ 122,040	\$ 19,260	\$ 19,053	\$ 140,673	\$ 141,093
Capital assets:						
Capital assets not being depreciated	102,764	83,004	4,821	8,120	107,585	91,124
Capital assets being depreciated, net	124,701	128,643	63,242	59,851	187,943	188,494
Total assets	<u>348,878</u>	<u>333,687</u>	<u>87,323</u>	<u>87,024</u>	<u>436,201</u>	<u>420,711</u>
Long-term debt outstanding	208,740	210,409	43,893	44,577	252,633	254,986
Other liabilities	47,943	43,892	405	679	48,348	44,571
Total liabilities	<u>256,683</u>	<u>254,301</u>	<u>44,298</u>	<u>45,256</u>	<u>300,981</u>	<u>299,557</u>
Net assets:						
Invested in capital assets, net of debt	121,481	103,955	25,320	23,391	146,801	127,346
Restricted	2,734	2,687			2,734	2,687
Unrestricted (deficit)	<u>(32,020)</u>	<u>(27,256)</u>	<u>17,705</u>	<u>18,377</u>	<u>(14,315)</u>	<u>(8,879)</u>
Total net assets	<u>\$ 92,195</u>	<u>\$ 79,386</u>	<u>\$ 43,025</u>	<u>\$ 41,768</u>	<u>\$ 135,220</u>	<u>\$ 121,154</u>

Net assets of the City's governmental activities increased by 12.9% (\$92.1 million compared to \$79.4 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 \$(32) million at June 30, 2007.

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

- Conservative spending;
- Increase in capital assets;
- Not using contingency.

The net assets of business-type activities increased by nearly 3% (\$43 million compared to \$42 million) in 2007.

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

- Conservative Spending;
- Increase in capital spending.

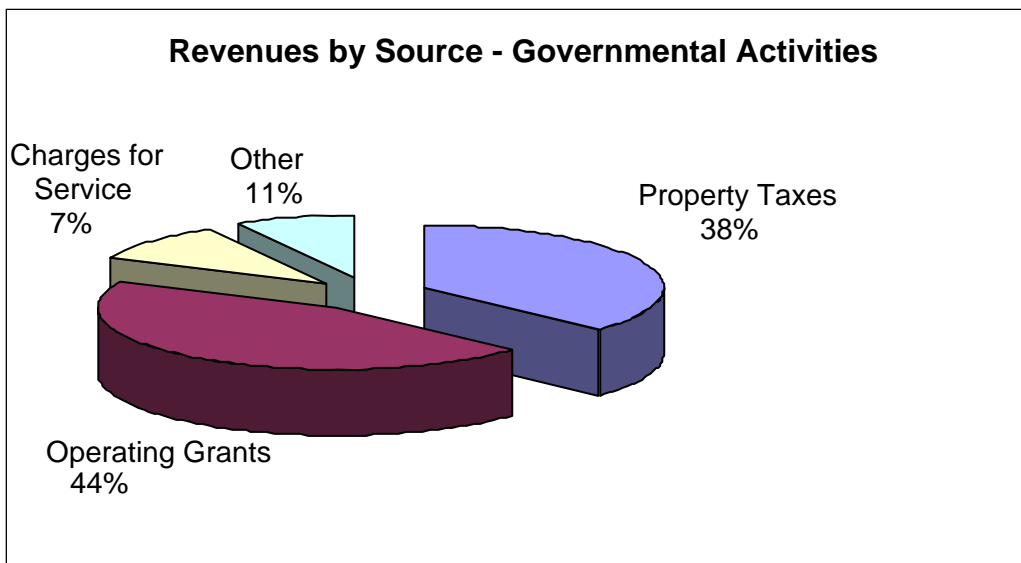
Table 2
CHANGES IN NET ASSETS
(In Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 18,427	\$ 25,090	\$ 11,616	\$ 14,433	\$ 30,043	\$ 39,523
Operating grants and contributions	113,388	115,998			113,388	115,998
Capital grants and contributions	2,193	1,094			2,193	1,094
General revenues:						
Property taxes	97,941	95,192			97,941	95,192
Grants and contributions not restricted to specific purposes	17,292	14,603			17,292	14,603
Unrestricted investment earnings	6,289	4,437	675	579	6,964	5,016
Other general revenues	1,166	197			1,166	197
Total revenues	<u>256,696</u>	<u>256,611</u>	<u>12,291</u>	<u>15,012</u>	<u>268,987</u>	<u>271,623</u>
Program expenses:						
General government	12,165	8,041			12,165	8,041
Public safety	33,434	37,152			33,434	37,152
Public works	22,746	20,445			22,746	20,445
Health and welfare	6,786	8,373			6,786	8,373
Parks, recreation and libraries	10,097	11,609			10,097	11,609
Education	147,860	143,287			147,860	143,287
Interest on long-term debt	10,799	10,568			10,799	10,568
Water			11,034	9,309	11,034	9,309
Total program expenses	<u>243,887</u>	<u>239,475</u>	<u>11,034</u>	<u>9,309</u>	<u>254,921</u>	<u>248,784</u>
Increase in net assets before transfers	12,809	17,136	1,257	5,703	14,066	22,839
Transfers		5		(5)		
Increase in Net Assets	<u>\$ 12,809</u>	<u>\$ 17,141</u>	<u>\$ 1,257</u>	<u>\$ 5,698</u>	<u>\$ 14,066</u>	<u>\$ 22,839</u>

The City's total revenues were \$269 million. The total cost of all programs and services was \$255 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 (38%), operating grants (44%) and charges for services (7%) are the major revenue sources contributing 89% of the City's revenues.



Expenses for governmental activities were \$244 million of which 55% were supported by program revenues, and 45% were supported from general revenues. Expenses for education (61%), public safety (13%), public works (9%), and parks and recreation (3%) made up 92% of the total governmental expenses.

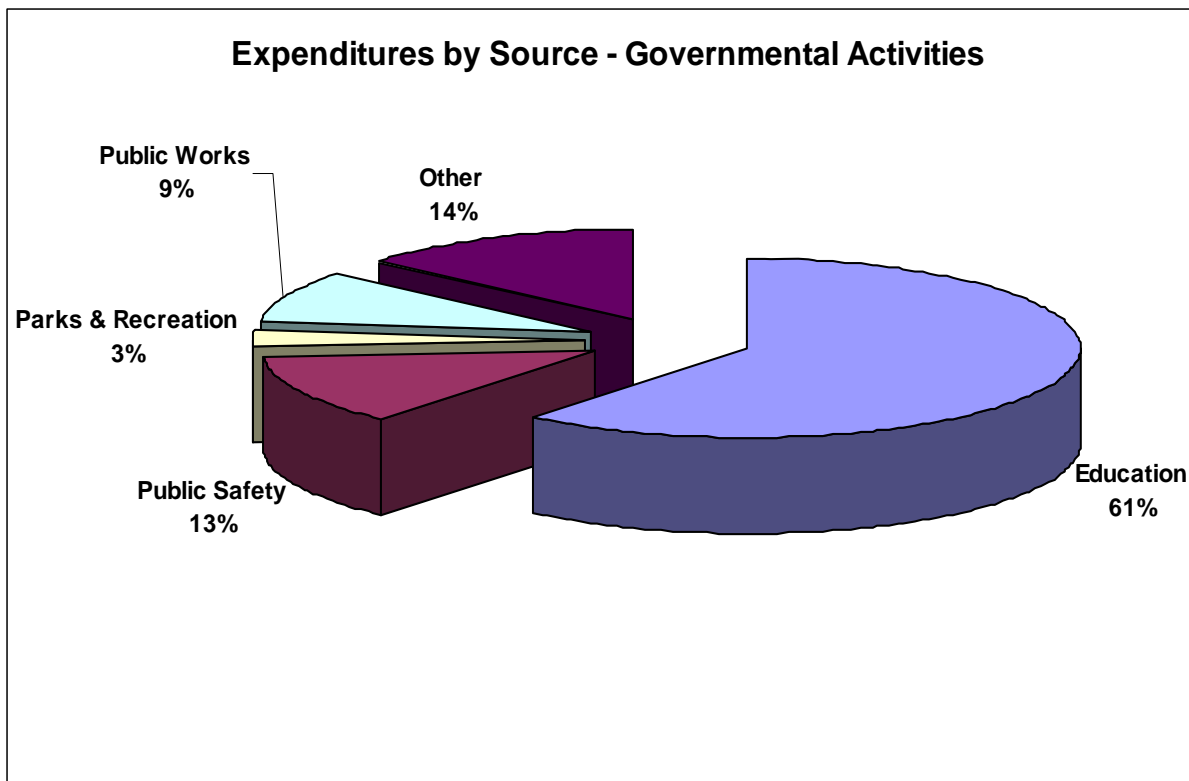
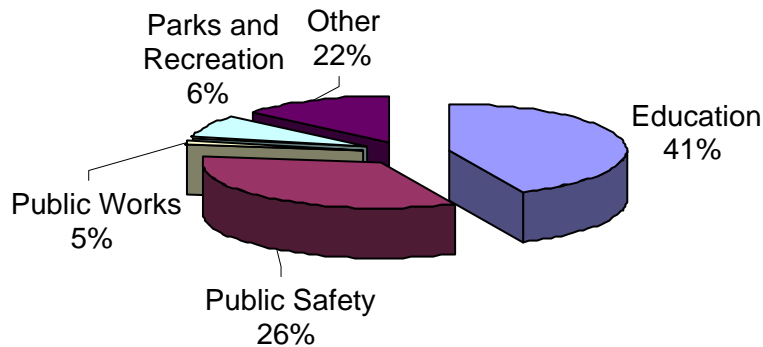


Table 3 presents the cost of each of the City’s four largest programs - education, public safety, public works, and parks and recreation - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Education	\$ 147,860	\$ 143,287	\$ 46,569	\$ 40,772
Public safety	33,434	37,152	29,863	33,585
Public works	22,746	20,445	5,564	675
Parks and recreation	10,097	11,609	6,453	7,719
All others	29,750	26,982	21,430	14,542
Totals	\$ <u>243,887</u>	\$ <u>239,475</u>	<u>109,879</u>	\$ <u>97,293</u>

Net Program Costs - Governmental Activities



Business-Type Activities

Revenues and expenses of the City’s business-type activities amounted to \$12.2 million and \$11 million, respectively. Net assets increased by nearly 3% (from \$42 million to \$43 million). A major factor for this increase was conservative spending.

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 \$11.2 million, which is a decrease from last year’s total of \$13 million. Included in this year’s total change in fund balance, is a decrease of \$1 million in the General Fund, a decrease of nearly \$400 thousand in the City’s other governmental funds and a decrease of \$1.5 million in the capital projects fund. The decrease in the capital projects fund balance can be attributed to the fact that the City borrowed less than previous years and also received less intergovernmental revenue. Spending on capital projects remained at the same level.

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 \$17.7 million and those for the internal service funds amounted to \$5.5 million. The decrease in unrestricted net assets for the Water Enterprise Fund was \$700 thousand and the increase in net assets for the internal service funds was \$200 thousand. 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 2007 was conservative. Consequently, State funding was higher than originally anticipated by approximately \$ 283 thousand.

The City’s General Fund balance of \$11 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 \$1.9 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, 2007, the City had \$295.5 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 \$15.9 million, or 5.7% over last year.

	Governmental Activities		Business-Type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
	Land	\$ 23,699	\$ 24,038	\$ 2,167	\$ 2,167	\$ 25,866
Construction in progress	79,065	58,966	2,654	5,953	81,719	64,919
Buildings and improvements	85,374	89,436			85,374	89,436
Equipment	2,397	2,285			2,397	2,285
Vehicles	4,462	3,821			4,462	3,821
Infrastructure	32,468	33,101			32,468	33,101
Water filtration assets			63,242	59,851	63,242	59,851
Totals	<u>\$ 227,465</u>	<u>\$ 211,647</u>	<u>\$ 68,063</u>	<u>\$ 67,971</u>	<u>\$ 295,528</u>	<u>\$ 279,618</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 2007-08 capital budget calls for it to spend another \$10 million. More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2007 the City had \$192.9 million in bonds and notes outstanding versus \$193.7 million last year - a decrease of .4% - as shown in Table 5.

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
	General obligation bonds (Backed by the City)	\$ 178,900	\$ 179,630	\$ 14,000	\$ 14,000	\$ 192,900
Less deferred amount: For issuance discounts on refunding	(86)	(109)			(86)	(109)
Total general obligation bonds	178,814	179,521	14,000	14,000	192,814	193,521
Self liquidating bonds and notes (backed by specific tax and free revenues)	180	270			180	270
Totals	\$ <u>178,994</u>	\$ <u>179,791</u>	\$ <u>14,000</u>	\$ <u>14,000</u>	\$ <u>192,994</u>	\$ <u>193,791</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 carry 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 \$688 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 2008 budget tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. Unemployment in the City now stands at 6.7% versus 5.5% a year ago. This compares with the State's unemployment rate of 4.8% and the national rate of 4.5%.

These indicators were taken into account when adopting the General Fund budget for 2007-08. Amounts available for appropriation in the General Fund budget are \$212 million, an increase of 1.4% over the final 2007 budget of \$209 million.

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
(In Thousands)

JUNE 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 37,971	\$ 15,411	\$ 53,382
Investments	24,879		24,879
Receivables, net	54,227	4,567	58,794
Internal balances	718	(718)	-
Due from Fiduciary Fund	1,520		1,520
Inventory	75		75
Prepaid items	2,023		2,023
Capital assets:			
Capital assets not being depreciated	102,764	4,821	107,585
Capital assets being depreciated, net	124,701	63,242	187,943
Total assets	<u>348,878</u>	<u>87,323</u>	<u>436,201</u>
Liabilities:			
Accounts and other payables	25,779	405	26,184
Bond anticipation notes and other interim financing	18,685		18,685
Unearned revenue	1,996		1,996
Unamortized bond premium	1,483		1,483
Noncurrent liabilities:			
Due within one year	22,552	2,394	24,946
Due in more than one year	186,188	41,499	227,687
Total liabilities	<u>256,683</u>	<u>44,298</u>	<u>300,981</u>
Net Assets:			
Invested in capital assets, net of related debt	121,481	25,320	146,801
Restricted for:			
Trust purposes:			
Expendable	2,734		2,734
Unrestricted	(32,020)	17,705	(14,315)
Total Net Assets	<u>\$ 92,195</u>	<u>43,025</u>	<u>135,220</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 12,165	\$ 2,057	\$ 144	\$	\$ (9,964)	\$	\$ (9,964)
Public safety	33,434	2,916	655		(29,863)		(29,863)
Public works	22,746	8,011	7,297	1,874	(5,564)		(5,564)
Health and welfare	6,786	179	4,863		(1,744)		(1,744)
Parks, recreation and libraries	10,097	2,718	926		(6,453)		(6,453)
Education	147,860	2,546	98,426	319	(46,569)		(46,569)
Interest on long-term debt	10,799		1,077		(9,722)		(9,722)
Total Governmental activities	243,887	18,427	113,388	2,193	(109,879)	-	(109,879)
Business-type activities							
Water	11,034	11,616				582	582
Total	\$ 254,921	\$ 30,043	\$ 113,388	\$ 2,193	(109,879)	582	(109,297)
General revenues:							
Property taxes					97,941		97,941
Grants and contributions not restricted to specific programs					17,292		17,292
Unrestricted investment earnings					6,289	675	6,964
Miscellaneous					1,166		1,166
Total general revenues					122,688	675	123,363
Change in net assets					12,809	1,257	14,066
Net Assets at Beginning of Year					79,386	41,768	121,154
Net Assets at End of Year					\$ 92,195	\$ 43,025	\$ 135,220

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2007

(In Thousands)

	<u>General</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 21,144	\$ -	\$ 1,937	\$ 8,880	\$ 31,961
Investments				4,494	4,494
Accounts receivables, net	28,475		5,438	11,276	45,189
Due from other funds	13,679			3,791	17,470
Inventories				75	75
Total Assets	<u>\$ 63,298</u>	<u>\$ -</u>	<u>\$ 7,375</u>	<u>\$ 28,516</u>	<u>\$ 99,189</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 19,885	\$ -	\$ 7	\$ 1,608	\$ 21,500
Due to other funds	5,580		5,735	3,300	14,615
Deferred revenue	26,976			6,199	33,175
Bond anticipation notes payable and other interim financing			18,685		18,685
Total liabilities	<u>52,441</u>	<u>-</u>	<u>24,427</u>	<u>11,107</u>	<u>87,975</u>
Fund balances:					
Reserved	1,861		14,843	3,121	19,825
Unreserved, reported in:					
General Fund	8,996				8,996
Special Revenue Funds				14,288	14,288
Capital Project Funds			(31,895)		(31,895)
Total fund balances	<u>10,857</u>	<u>-</u>	<u>(17,052)</u>	<u>17,409</u>	<u>11,214</u>
Total Liabilities and Fund Balances	<u>\$ 63,298</u>	<u>\$ -</u>	<u>\$ 7,375</u>	<u>\$ 28,516</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					227,465
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds					41,835
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					5,527
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds					<u>(193,846)</u>
Net Assets of Governmental Activities					<u>\$ 92,195</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT

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

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	<u>General</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 96,757	\$	\$	\$	\$ 96,757
Intergovernmental	98,569		6,910	30,524	136,003
Licenses, fees and charges for goods and services	10,523		352	7,280	18,155
Income on investments	3,481		18	681	4,180
Miscellaneous	1,340		41	1,962	3,343
Total revenues	<u>210,670</u>	<u>-</u>	<u>7,321</u>	<u>40,447</u>	<u>258,438</u>
Expenditures:					
Current:					
General government	4,867			68	4,935
Public safety	32,210			973	33,183
Public works	12,843		201	6,280	19,324
Health and welfare	2,024			4,942	6,966
Education	120,623			24,608	145,231
Parks and recreation	7,292			3,105	10,397
Capital outlay			23,549		23,549
Debt and sundry	242	25,243			25,485
Total expenditures	<u>180,101</u>	<u>25,243</u>	<u>23,750</u>	<u>39,976</u>	<u>269,070</u>
Excess (Deficiency) of Revenues over Expenditures	<u>30,569</u>	<u>(25,243)</u>	<u>(16,429)</u>	<u>471</u>	<u>(10,632)</u>
Other Financing Sources (Uses):					
Transfers in	2,692	25,243	2,320	1,154	31,409
Transfers out	(34,374)		(2,008)	(1,222)	(37,604)
Proceeds from the sale of bonds			13,575		13,575
Premium on long term debt issued			952		952
Total other financing sources (uses)	<u>(31,682)</u>	<u>25,243</u>	<u>14,839</u>	<u>(68)</u>	<u>8,332</u>
Net Change in Fund Balances	(1,113)	-	(1,590)	403	(2,300)
Fund Balances at Beginning of Year	11,970	-	(15,462)	17,006	
Fund Balances at End of Year	<u>\$ 10,857</u>	<u>\$ -</u>	<u>\$ (17,052)</u>	<u>\$ 17,409</u>	
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.					17,507
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.					(1,689)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.					(2,449)
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.					157
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. therefore are not reported as expenditures in governmental funds.					1,400
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 the internal service fund is reported with governmental activities (Exhibit VI)					183
Change in Net Assets of Governmental Activities (Exhibit II)					<u>\$ 12,809</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

JUNE 30, 2007
(In Thousands)

	Business-Type Activities Water Enterprise Fund	Governmental Activities Internal Service Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 15,411	\$ 6,010
Investments		20,385
Receivables:		
Due from other funds		2,350
Other (net of allowance for uncollectible)	4,567	405
Total current assets	19,978	29,150
Noncurrent assets:		
Capital assets, net	68,063	
Total assets	88,041	29,150
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	405	617
Compensated absences	185	
Due to other funds	718	2,967
Current portion of notes payable	2,209	
Total current liabilities	3,517	3,584
Noncurrent liabilities:		
Bonds and notes payable	40,534	
Compensated absences	965	
Claim reserves		20,039
Total liabilities	45,016	23,623
Net Assets:		
Invested in capital assets, net of related debt	25,320	
Unrestricted	17,705	5,527
Total Net Assets	\$ 43,025	\$ 5,527

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Water Enterprise Fund</u>	<u>Internal Service Fund</u>
Operating Revenues:		
Charges for services and goods	\$ 11,616	\$
Charges to other funds		15,754
Other		5,428
Total operating revenues	<u>11,616</u>	<u>21,182</u>
Operating Expenses:		
Cost of sales, services and administration	7,830	
Administration and general expense		1,053
Depreciation expense	1,685	
Claims incurred		27,452
Total operating expenses	<u>9,515</u>	<u>28,505</u>
Operating Income	<u>2,101</u>	<u>(7,323)</u>
Nonoperating Revenue and Expenses:		
Income on investments	675	2,028
Increase in actuarial claims reserve		(717)
Interest expense	(1,511)	
Loss on disposal of capital assets	(8)	
Total nonoperating revenue and expenses	<u>(844)</u>	<u>1,311</u>
Change in Net Assets Before Transfers	<u>1,257</u>	<u>(6,012)</u>
Transfers:		
Transfers in		6,195
Total transfers	<u>-</u>	<u>6,195</u>
Change in Net Assets	1,257	183
Net Assets Held in Trust for Pension Benefits at Beginning of Year	<u>41,768</u>	<u>5,344</u>
Net Assets Held in Trust for Pension Benefits at End of Year	<u>\$ 43,025</u>	<u>\$ 5,527</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Water</u>	<u>Internal</u>
	<u>Enterprise Fund</u>	<u>Service Fund</u>
Cash Flows from Operating Activities:		
Cash received from charges to other funds	\$	\$ 18,111
Cash received from customers	11,863	
Cash received from other operating activities		5,428
Cash paid for premiums and other operating expenses	(8,890)	(880)
Cash payments for claims made		(27,898)
Net cash provided by operating activities	<u>2,973</u>	<u>(5,239)</u>
Cash Flows from Noncapital Financing Activities:		
Transfers from other funds		6,195
Transfers to other funds		
Net cash provided by noncapital financing activities	<u>-</u>	<u>6,195</u>
Cash Flows from Capital Financing Activities:		
Acquisition of capital assets	(1,785)	
Payment of loan obligation	(1,834)	
Interest paid on capital debt	(1,511)	
Net cash used in by capital financing activities	<u>(5,130)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Income on investments	675	2,028
Purchase of investments		(1,652)
Net cash provided by investing activities	<u>675</u>	<u>376</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,482)	1,332
Cash and Cash Equivalents at Beginning of Year	<u>16,893</u>	<u>4,678</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,411</u>	<u>\$ 6,010</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating Income	<u>2,101</u>	<u>(7,323)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation	1,685	
Change in assets and liabilities:		
Decrease in accounts receivable	247	
Decrease in due from other funds		2,696
Increase in accounts payable and accrued expenses	876	171
Decrease in due to other funds	(1,991)	(783)
Use of inventory	55	
Total adjustments	<u>872</u>	<u>2,084</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,973</u>	<u>\$ (5,239)</u>
Non-Cash Investment Activities:		
Net increase in fair value of investments	<u>\$ -</u>	<u>\$ 1,183</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

(In Thousands)

	Pension Trust Funds	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 9,502	\$ 343
Investments, at fair value:		
Equities	57,287	
Fixed income	67,950	
Mutual funds	39,088	175
Certificates of deposit		346
Total investments	<u>164,325</u>	<u>521</u>
Total Assets	<u>\$ 173,827</u>	<u>\$ 864</u>
Liabilities:		
Accounts payable	14	
Interfund payable	1,520	
Due to beneficiaries		864
Total Liabilities	<u>1,534</u>	<u>\$ 864</u>
Net Assets:		
Held in Trust for Pension Benefits	<u>\$ 172,293</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET ASSETS
PENSION TRUST FUNDS - FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Additions:	
Contributions:	
Employer	\$ 1,158
Employee	770
Total contributions	<u>1,928</u>
Investment income:	
Net appreciation in fair value of investments	15,231
Interest and dividends	7,028
Miscellaneous	14
Total investment income	<u>22,273</u>
Less investment expense	<u>(634)</u>
Net investment income	<u>21,639</u>
Total additions	<u>23,567</u>
Deductions:	
Benefits	9,557
Administration	100
Total deductions	<u>9,657</u>
Net Increase	13,910
Net Assets at Beginning of Year	<u>158,383</u>
Net Assets at End of Year	<u>\$ 172,293</u>

The accompany notes are an integral part of the financial statements

THE CITY OF NEW BRITAIN, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

(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 \$146 were incurred in 2006-07 related to the City's participation in TROC.

Unreserved, fund balance, of the General Fund, for fiscal year ended June 30, 2007 as reflected in the Committee's financial statements is \$1,048. 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 \$3,182 this year.

Unreserved, fund balance for fiscal year ended June 30, 2007 as reflected in the BRRFOC's financial statements is \$13.8 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 \$38,240.

Jointly Governed Organizations

The Mattabassett District

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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, other than infrastructure 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. The government reports infrastructure on a subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtracking (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

The City has implemented the provisions for GASB 34 and as such as capitalized infrastructure assets in service prior to 1980.

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 \$5,621. 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.

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 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 \$193,846 difference are as follows:

Bonds payable	\$ 179,080
Less: deferred charges on refunding (to be amortized as interest expense)	(86)
Notes payable	4,085
Accrued interest payable	3,663
Compensated absences	5,621
Unamortized bond premium	<u>1,483</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u><u>193,846</u></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 \$41,835 difference are as follows:

Delinquent property taxes receivable	\$ 7,845
Accrued interest on property taxes receivable	8,806
Net pension asset	2,023
Housing loans receivable	4,289
Housing loans allowance for doubtful accounts	(183)
Accrued interest on housing loans	10
School building grants receivable	<u>19,045</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ <u><u>41,835</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes 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 \$17,507 difference are as follows:

Capital outlay	\$ 24,339
Depreciation expense	<u>(6,832)</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>17,507</u></u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.” The details of this \$(1,689) 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>(1,689)</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 \$157 difference are as follows:

Proceeds from the issuance of bonds	\$ (13,575)
Premium on the sale of bonds	(952)
Principal repayments:	
General obligation debt	14,395
Clean water notes	251
Amortization of bond premium	61
Refunding deferral	<u>(23)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>157</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 \$1,400 difference are as follows:

Compensated absences	\$ 1,337
Accrued interest	<u>63</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ <u>1,400</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, 2007:

	<u>Amount</u>
Nonmajor:	
Special Revenue Funds:	
Stanley Quarter Park	\$ 80
Bullet Proof Vest Grant	9
Bioterrorism Grant	10
Highway Safety Grant	90
Mayor's Fun Day	1
School Rental	4
Youth Build Program	14
Business Outreach	120
Emergency Shelter Grant	6
Redevelopment Commission	6
Capital Projects Fund	17,052
Internal Service Funds:	
Workers' Compensation	105
General Accident and Liability	372

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, 2007:

Deposits:	
Demand accounts	\$ 30,714
Certificates of deposit	346
Total deposits	<u>31,060</u>
Petty cash	4
Cash equivalents:	
State Tax Exempt Proceeds Fund (TEPF)	139
State Short-Term Investment Fund (STIF)	17,146
Financial Investors Trust Portfolio Money Market Fund	15,224
Less: Certificates of deposit classified as investments	<u>(346)</u>
Total Cash and Cash Equivalents	\$ <u><u>63,227</u></u>

Deposits

At June 30, 2007, the carrying amount of the City deposits was \$31,060 and the bank balance was \$34,018.

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, 2007 bank balance, \$811 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 \$3,321, based on June 30, 2007 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the City's name). The balance of deposits of \$29,886 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, 2007 the City's cash equivalents amounted to \$32,509. 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, 2007 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*	346	0.08
Corporate bonds	18,483	13.53
U.S. government and agency obligations	61,610	18.64
Other Investments:		
Marketable Equity Securities	68,333	
Pooled open-end mutual fund accounts:		
Mutual Funds	40,953	
	<hr/>	
Total	\$ <u>189,725</u>	

Portfolio weighted average maturity for interest bearing investments	15.10
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*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, 2007, 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</u>	<u>Total</u>
Receivables:					
Interest*	\$	\$	\$	\$ 79	\$ 79
Taxes	9,418				9,418
Water				4,389	4,389
Sewer			2,707		2,707
Accounts	631	5,438	508	416	6,993
Housing loans			4,289		4,289
Intergovernmental	131		4,177		4,308
Intergovernmental - School Building Grants	19,045				19,045
Gross receivables	<u>29,225</u>	<u>5,438</u>	<u>11,681</u>	<u>4,884</u>	<u>51,228</u>
Less: allowance for uncollectibles	<u>750</u>		<u>183**</u>	<u>317</u>	<u>1,250</u>
Net Total Receivables	<u>\$ 28,475</u>	<u>\$ 5,438</u>	<u>\$ 11,498</u>	<u>\$ 4,567</u>	<u>\$ 49,978</u>

* Accrued interest on property taxes, long-term housing loans and sewer receivables in the amount of \$9,057 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>183</u>
Total	<u>\$ 1,250</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	\$ 7,845	\$
Housing loans	4,289	
School building grants	19,045	
Grant drawdowns prior to meeting all eligibility requirements	<u> </u>	<u>1,996</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 31,179</u>	<u>\$ 1,996</u>

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 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	\$ 24,038	\$ 77	\$ (416)	\$ 23,699
Construction in progress	<u>58,966</u>	<u>21,138</u>	<u>(1,039)</u>	<u>79,065</u>
Total capital assets, not being depreciated	<u>83,004</u>	<u>21,215</u>	<u>(1,455)</u>	<u>102,764</u>
Capital assets, being depreciated:				
Buildings	183,669		(475)	183,194
Machinery and equipment	16,605	365	(3,944)	13,026
Vehicles	14,524	1,933	(1,269)	15,188
Infrastructure	<u>86,403</u>	<u>1,865</u>	<u> </u>	<u>88,268</u>
Total capital assets being depreciated	<u>301,201</u>	<u>4,163</u>	<u>(5,688)</u>	<u>299,676</u>
Less accumulated depreciation for:				
Buildings	94,233	3,587		97,820
Machinery and equipment	14,320	373	(4,064)	10,629
Vehicles	10,703	374	(351)	10,726
Infrastructure	<u>53,302</u>	<u>2,498</u>	<u> </u>	<u>55,800</u>
Total accumulated depreciation	<u>172,558</u>	<u>6,832</u>	<u>(4,415)</u>	<u>174,975</u>
Total capital assets, being depreciated, net	<u>128,643</u>	<u>(2,669)</u>	<u>(1,273)</u>	<u>124,701</u>
Governmental Activities Capital Assets, Net	<u>\$ 211,647</u>	<u>\$ 18,546</u>	<u>\$ (2,728)</u>	<u>\$ 227,465</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,167	\$	\$	\$ 2,167
Construction in progress	5,953		(3,299)	2,654
Total capital assets, not being depreciated	<u>8,120</u>		<u>(3,299)</u>	<u>4,821</u>
Capital assets, being depreciated:				
Source of supply	5,429			5,429
Pumping plant	2,923			2,923
Water treatment plant	2,539	2,202		4,741
Filter plant	53,146	2,548		55,694
Transmission and distribution	11,354	104	(38)	11,420
General plant and administrative equipment	1,312	230		1,542
Total capital assets, being depreciated	<u>76,703</u>	<u>5,084</u>	<u>(38)</u>	<u>81,749</u>
Less accumulated depreciation for:				
Source of supply	2,237	53		2,290
Pumping plant	1,502	55		1,557
Water treatment	1,704	100		1,804
Filter plant	2,215	1,088		3,303
Transmission and distribution	8,071	195	(30)	8,236
General plant and administrative equipment	1,123	194		1,317
Total accumulated depreciation	<u>16,852</u>	<u>1,685</u>	<u>(30)</u>	<u>18,507</u>
Total capital assets being depreciated, net	<u>59,851</u>	<u>3,399</u>	<u>(8)</u>	<u>63,242</u>
Business-Type Activities Capital Assets, Net	<u>\$ 67,971</u>	<u>\$ 3,399</u>	<u>\$ (3,307)</u>	<u>\$ 68,063</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government	\$ 1,065
Public safety	138
Public works	2,865
Health and social services	2
Parks and recreation	451
Education	<u>2,311</u>

Total Depreciation Expense - Governmental Activities \$ 6,832

Business-type activities:

Enterprise Fund - water depreciation expense business-type activities	<u>\$ 1,685</u>
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Construction Commitments

The City has active construction projects as of June 30, 2007. The following is a summary of capital projects as of June 30, 2007:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>
Public buildings	\$ 49,976	\$ 33,908
Schools	68,230	54,082
Infrastructure	77,203	27,372
Parks and recreation	4,000	2,982
Miscellaneous	103,652	71,182
Total	<u>\$ 303,061</u>	<u>\$ 189,526</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, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 2,967
	Nonmajor Fund	3,300
	Capital Projects Fund	5,735
	Pension Trust Funds	1,520
	Enterprise Fund	157
Nonmajor Fund	General Fund	3,230
	Enterprise Fund	561
Internal Service Fund	General Fund	<u>2,350</u>
Total		<u>\$ 19,820</u>

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

Interfund transfers:

	<u>Transfers In</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Transfer</u>
Transfers out:				
General	\$	\$ 2,008	\$ 684	\$ 2,692
Debt Service	24,821		422	25,243
Capital Projects	2,204		116	2,320
Nonmajor Governmental	1,154			1,154
Internal Service	<u>6,195</u>			<u>6,195</u>
Total	<u>\$ 34,374</u>	<u>\$ 2,008</u>	<u>\$ 1,222</u>	<u>\$ 37,604</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, were outstanding at June 30, 2007:

Description	Fund	Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2007 bond anticipation notes	Capital Projects Fund	4.25%	04/04/2008	\$	\$ 18,685	\$	\$ 18,685
2006 bond anticipation notes	Capital Projects Fund	5%	04/05/2007	20,245		20,245	
				\$ 20,245	\$ 18,685	\$ 20,245	\$ 18,685

9. LONG-TERM DEBT

A schedule of bond indebtedness as of June 30, 2007 is as follows:

General Fund Long-Term Bonded Debt

	Interest Rate (%)	Original Issue	Date of Issue	Date of Maturity	Balance Outstanding
Consolidated School District:					
1988 Series	6.4% - 6.7%	\$ 16,795	04/01/88	04/01/08	\$ 365
1993 Series A	3.8% - 6.0%	13,300	10/01/12	10/01/12	4,420
1993 Series B	3.8 - 6.0%	13,075	04/01/12	04/01/12	3,600
1994 Series	4.0% - 5.0%	17,700	02/01/14	12/01/14	6,195
1996 Series	4.4% - 5.0%	4,325	04/15/11	04/15/11	775
1997 Series	4.4% - 5.1%	13,115	04/15/13	04/15/13	4,050
1999 Series	4.65%	12,425	04/01/15	04/01/15	7,120
2000 Series A	5.0% - 5.3%	5,600	04/01/14	04/01/14	2,975
2003 Series	2.0% - 5.25%	1,550	05/01/14	05/01/14	310
2006 Series	5.0% - 4.125%	11,000	04/15/21	04/15/21	10,266
2007 Series	5.0% - 3.75%	6,600	04/05/07	04/15/22	6,600
Subtotal		115,485			46,676
Public Improvement:					
1988 Series	6.4% - 7.0%	4,300	04/01/88	04/01/08	215
1992 Series	4.6% - 6.5%	8,285	02/01/92	02/01/12	2,000
1993 Series B	3.8% - 6.0%	16,210	02/01/93	04/01/12	4,500
1997 Series	4.4% - 5.1%	8,925	04/15/97	04/15/13	900
1999 Series	4.65	1,300	04/13/99	04/01/13	100
2000 Series B	5.71%	12,080	04/01/00	04/01/20	9,200
2003 Series	3.0% - 5.0%	1,255	04/01/03	04/15/08	240
2006 Series	5.0% - 4.125%	6,460	04/15/06	04/15/21	6,029
2007 Series	5.0% - 3.75%	6,975	04/05/07	04/15/22	6,975
Subtotal		65,790			30,159

	<u>Interest Rate (%)</u>	<u>Original Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance Outstanding</u>
General Obligation Pension Bonds: 1998 Series	5.72% - 6.64%	\$ <u>106,000</u>	02/01/98	02/01/26	\$ <u>94,450</u>
Refunding Bonds of 1989: 1998 Series	4.00% - 5.00%	<u>6,565</u>	06/01/98	04/01/09	<u>1,120</u>
General Obligation Taxable Worker's Compensation Bonds: 2000 Series	Variable	<u>7,000</u>	06/01/00	06/01/10	<u>2,100</u>
Refunding Bonds of 1995: 2003 Series	2.0% - 5.25%	<u>4,070</u>	11/01/02	05/01/14	<u>3,065</u>
MERF Bonds of 2005: 2005 Series	4.93%	<u>1,450</u>	07/28/05	06/01/23	<u>1,330</u>
Total General Fund Debt		\$ <u><u>306,360</u></u>			\$ <u><u>178,900</u></u>
<u>Self Liquidating Long-Term Bonded Debt</u>					
Sewer: 1999 Series	4.65%	\$ <u>900</u>	04/13/99	04/01/13	\$ <u>180</u>
Total Self-Liquidating Debt		\$ <u><u>900</u></u>			\$ <u><u>180</u></u>

The City uses all of the above general long-term bonded debt for the acquisition and construction of capital assets except for the General Obligation Pension Bonds of 1998 and the MERF Bonds of 2005.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007 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	\$ 179,630	\$ 13,575	\$ (14,305)	\$ 178,900	\$ 14,270
Less deferred amounts:					
For issuance discounts on refunding	(109)		23	(86)	
Total general obligation bonds	179,521	13,575	(14,282)	178,814	14,270
Self liquidating bonds	270		(90)	180	90
Total bonds payable	179,791	13,575	(14,372)	178,994	14,360
Notes payable:					
Clean Water notes	4,336		(251)	4,085	251
Compensated absences	6,958	81	(1,418)	5,621	2,365
Risk management	19,324	26,537	(25,822)	20,039	5,576
Governmental Activity Long-Term Liabilities	<u>\$ 210,409</u>	<u>\$ 40,193</u>	<u>\$ (41,863)</u>	<u>\$ 208,739</u>	<u>\$ 22,552</u>
Business-Type Activities:					
Bonds payable	\$ 14,000	\$	\$	\$ 14,000	\$
Notes payable:					
Clean water notes	30,577		(1,834)	28,743	2,209
Compensated absences	225	925		1,150	185
Business-Type Activity Long-Term Liabilities	<u>\$ 44,802</u>	<u>\$ 925</u>	<u>\$ (1,834)</u>	<u>\$ 43,893</u>	<u>\$ 2,394</u>

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, 2007, \$4,184 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	\$ 221,216	\$ 144,386	\$ 76,830
Schools	442,431	35,938	406,493
Sewers	368,693	13,067	355,626
Urban renewal	319,534		319,534
Pension deficit	294,954		294,954

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$688,226).

The indebtedness above includes \$154,889 of authorized bonds which were unissued as of June 30, 2007.

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, 2007 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
2008	\$ 14,270	\$ 90	\$ 251	\$ 10,346	\$ 8	\$ 79	\$ 25,044
2009	13,375	90	251	9,607	4	74	23,401
2010	13,160		251	8,886		69	22,366
2011	12,715		251	8,165		64	21,195
2012	12,830		251	7,482		59	20,622
2013	10,385		251	6,783		54	17,473
2014	8,340		251	6,241		49	14,881
2015	7,335		251	5,770		44	13,400
2016	7,280		251	5,350		39	12,920
2017	7,625		251	4,932		34	12,842
2018	7,980		251	4,476		29	12,736
2019	8,365		250	3,997		24	12,636
2020	8,775		250	3,493		19	12,537
2021	8,180		250	2,959		14	11,403
2022	7,530		250	2,461		9	10,250
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	\$ 178,900	\$ 180	\$ 4,085	\$ 96,068	\$ 12	\$ 665	\$ 279,910

Note: Self Liquidating principal includes sewer debt of \$180.

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, 2007 are as follows:

Year Ending June 30,	Principal Clean Water Notes	Principal Revenue Bonds	Interest Clean Water Notes	Interest Revenue Bonds	Total
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
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	\$ 28,743	\$ 14,000	\$ 5,719	\$ 11,428	\$ 59,890

Interest Rate Swap Agreements

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

Type	Face Value	Interest Rate	Maturity Date
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	\$ 14,000	5.07 %	Variable rate paid to bondholders

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 30, 2007, this swap remains unexercised.

Effective September 21, 2005, the City entered into several interest rate locks with Deutsche Bank (the "Institution"), having the following terms and conditions:

On April 1, 2008, the Institution will begin paying the City a floating rate equal to the BMA Index on the notional amount of the City's anticipated \$10,605 Series 2008 General Obligation Bonds, and the City will pay the Institution a fixed rate of 3.987% compounded weekly and payable monthly.

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 September 14, 2006, and later amended on April 13, 2007, the City entered into a interest rate swap with Deutsche Bank (the "Institution") having the following terms and conditions:

On September 14, 2006, the Institution paid the City \$1,843,240 in the form of an upfront payment under the terms of the interest rate swap agreement. On February 1, 2008, the Institution will begin paying the City a floating rate equal to 78% of the 10-year LIBOR Index on the notional amount of the City's outstanding \$40 million Series 1998 General Obligation Pension Bonds, and the City will pay the Institution a fixed rate of 100% of the 1-month LIBOR Index compounded monthly and payable annually.

The City shall have the option of early termination of the swap agreement, however such termination requires a payment by the City to the Institution.

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	\$ 1,861	\$ 312	\$ 14,843	\$	\$
Inventory		75			
Trust purposes		2,734			
Pension benefits					172,293
Self-insurance				5,527	
Total	<u>\$ 1,861</u>	<u>\$ 3,121</u>	<u>\$ 14,843</u>	<u>\$ 5,527</u>	<u>\$ 172,293</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:

Cemetery Fund	\$ 101
Sewer Fund	707
Conservation on Race	1
Recreation Amusement Fund	4
Darius Miller Walnut Hill	32
Drug Investigation	<u>27</u>
Total	<u>\$ 872</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, 2006 to June 30, 2007. The City has obtained coverage which insures claims in excess of these amounts. When a claim is submitted, the administrator processes and pays the claims from funds accumulated by the City in an internal service fund. The internal service fund is funded annually by the City's General Fund and the Board of Education based upon information provided by the administrator using an actuarial method to determine such information. The charges by the internal service fund to the City's General Fund are to be adjusted over future contract years so that internal service fund revenues and expenses are approximately equal over such period of time. The City's medical claim liability of approximately \$1,920 is reported in the internal service fund at June 30, 2007, 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, 2007 and June 30, 2006 as follows:

	June 30, 2007			June 30, 2006		
	Medical	Workers' Compensation	General Accident Casualty and Liability	Medical	Workers' Compensation	General Accident Casualty and Liability
Beginning of year claim reserve	\$ 2,276	\$ 15,935	\$ 1,113	\$ 1,853	\$ 17,613	\$ 1,113
Current year incurred claims and changes in prior year estimate	25,466	182	889	25,224		179
Claim payments	(25,822)			(24,801)	(1,678)	(179)
End of Year Claim Reserve	\$ 1,920	\$ 16,117	\$ 2,002	\$ 2,276	\$ 15,935	\$ 1,113

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 1/4% 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, 2007, June 30, 2006 and June 30, 2005 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, 2005	\$ 1,742	\$ 1,802	\$ 3,544	\$ 36,026
June 30, 2006	2,621	1,963	4,584	39,250
June 30, 2007	3,078	2,150	5,228	43,012

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	\$ 4,015	\$ 5,487	\$ 9,502
Investments	<u>82,689</u>	<u>81,636</u>	<u>164,325</u>
Total	<u>\$ 86,704</u>	<u>\$ 87,123</u>	<u>\$ 173,827</u>
Liabilities:			
Accounts payable	\$ 7	\$ 7	\$ 14
Due to other funds	<u>796</u>	<u>724</u>	<u>1,520</u>
Total	<u>\$ 803</u>	<u>\$ 731</u>	<u>\$ 1,534</u>
Net assets:			
Reserved for employee retirement	<u>\$ 85,901</u>	<u>\$ 86,392</u>	<u>\$ 172,293</u>

Statement of Changes in Plan Net Assets

	Employee Retirement Funds		
	Police Benefit Plan	Firemen's Benefit Plan	Total
Additions:			
Contributions:			
Employer	\$ 419	\$ 739	\$ 1,158
Plan members	364	406	770
Total contribution	<u>783</u>	<u>1,145</u>	<u>1,928</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	8,547	6,684	15,231
Interest and dividends	3,207	3,821	7,028
Miscellaneous	4	10	14
Total investment income	<u>11,758</u>	<u>10,515</u>	<u>22,273</u>
Investment expense	<u>(310)</u>	<u>(324)</u>	<u>(634)</u>
Net investment income	<u>11,448</u>	<u>10,191</u>	<u>21,639</u>
Total additions	<u>12,231</u>	<u>11,336</u>	<u>23,567</u>

	Employee Retirement Funds		
	Police Benefit Plan	Firemen's Benefit Plan	Total
Deductions:			
Benefits	\$ 4,959	\$ 4,598	\$ 9,557
Administration	51	49	100
Total	<u>5,010</u>	<u>4,647</u>	<u>9,657</u>
Transfer	(11)	11	
Net increase	7,210	6,700	13,910
Net Assets Held in Trust for Pension Benefits, Beginning of Year	<u>78,691</u>	<u>79,692</u>	<u>158,383</u>
Net Assets Held in Trust for Pension Benefits, End of Year	<u>\$ 85,901</u>	<u>\$ 86,392</u>	<u>\$ 172,293</u>

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

	<u>Fire</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	155	174
Current employees:		
Vested	90	82
Non-vested	<u> </u>	<u>11</u>
Total	<u>245</u>	<u>267</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, 2007, these required contributions were \$433 and \$394 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	\$ 433	\$ 394
Interest on net pension obligation	(95)	(31)
Adjustment to annual required contribution	<u>87</u>	<u>28</u>
Annual pension cost	425	391
Contributions made	<u>(739)</u>	<u>(419)</u>
Increase (decrease) in net pension obligation	(314)	(28)
Net Pension Obligation (Asset), Beginning of Year	<u>(1,264)</u>	<u>(417)</u>
Net Pension Obligation, End of Year	\$ <u>(1,578)</u>	\$ <u>(445)</u>

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

	<u>Fire</u>	<u>Police</u>
Actuarial Valuation Date	January 1, 2007	January 1, 2007
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>
6/30/2005	\$ 222	\$ 292	132%	\$ (890)
6/30/2006	225	599	266	(1,264)
6/30/2007	425	739	174	(1,578)

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>
6/30/2005	\$ 638	\$ 642	100%	\$ (455)
6/30/2006	645	607	94	(417)
6/30/2007	391	419	107	(445)

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>
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)
01/01/2007	83,474	74,781	(8,694)	5,698	(152.6)

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>
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)
01/01/2007	83,762	74,590	(9,172)	6,356	(144.3)

Schedule of Employer Contributions

Fire Plan

	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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
6/30/2007	433	174

Police Plan

	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
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
6/30/2007	394	107

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 twelve (12) retirees, twenty-one (21) 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 \$787. The “pay-as-you-go” Plan does not have a net pension obligation as of June 30, 2007.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation
6/30/2005	\$ 898	\$ 898	100%	N/A
6/30/2006	831	831	100	N/A
6/30/2007	787	787	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
06/30/2002	\$ 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
06/30/2007	787	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, 2007 the certified employees of the City contributed \$4,327 to this plan and the total payroll for certified employees covered by this plan for the year was \$59,604.

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, 2007 the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$7,486 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, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
General property taxes	\$ 96,129	\$ 96,129	\$ 95,387	\$ (742)
Interest and liens	1,200	1,200	1,368	168
Miscellaneous	10	10	2	(8)
Total general property taxes	<u>97,339</u>	<u>97,339</u>	<u>96,757</u>	<u>(582)</u>
State Education for the Blind	150	150	87	(63)
H.E.W. Private Schools	90	90	103	13
Special School Transportation	561	561	510	(51)
Elementary & Secondary Transportation	2,395	2,578	2,578	-
Special Education	2,430	2,430	2,141	(289)
Education Equalization	64,119	64,119	64,079	(40)
Priority School District	282	282		(282)
State Infraction Distribution	3	3	13	10
Principal Subsidy	3,573	3,892	3,892	-
Interest Subsidy	1,077	1,077	1,077	-
DCA Tax Abatements	33	33	28	(5)
Town Aid Road Fund	411	411	387	(24)
Veterans Exemption Reimbursement		48	48	-
Tax Relief for the Elderly		565	565	-
State Property Tax Relief	6,301	6,301	6,315	14
Telephone Access Line Tax Relief	400	400	263	(137)
Civil Defense	20	39	39	-
Off Track Betting	260	260	231	(29)
State Pilot Hospital Colleges	3,884	3,884	3,888	4
State Pilot Model Housing	150	208	208	-
Manufacturers in Distress	100	100	85	(15)
Boat License Distribution	13	13		(13)
Bingo	1	1	1	-
Disability Exemption		26	26	-
Manufacturing Equipment Tax Reimbursement	900	900	922	22
Legalized Gaming Distribution	3,632	3,632	3,546	(86)
Miscellaneous	1	1		(1)
Total intergovernmental revenues (State)	<u>90,786</u>	<u>92,004</u>	<u>91,032</u>	<u>(972)</u>
Intergovernmental revenues (Other than State):				
In lieu of taxes	<u>15</u>	<u>51</u>	<u>51</u>	<u>-</u>
Total intergovernmental revenues	<u>90,801</u>	<u>92,055</u>	<u>91,083</u>	<u>(972)</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Licenses and Permits:				
Building Structures and Equipment	\$ 873	\$ 1,261	\$ 1,191	\$ (70)
All Other License	158	158	140	(18)
Protection	79	80	130	50
Health	41	41	46	5
Disposal	2,333	2,626	2,026	(600)
Planning and Zoning	17	17	16	(1)
Total licenses and permits	<u>3,501</u>	<u>4,183</u>	<u>3549</u>	<u>(634)</u>
Charges for Services:				
City Hall Commissions Rent	181	181	149	(32)
Town Clerk	1,958	2,221	2,164	(57)
Recreation	759	774	825	51
Public Safety	895	1,194	1,197	3
Parking	1,748	1,857	1,846	(11)
Public Works - Project Management	307	307	140	(167)
Health	42	42	24	(18)
Public Works - Rights of Way	68	161	151	(10)
Parking Tickets	781	781	390	(391)
Assessor	5	5	6	1
Senior Center	95	95	82	(13)
Total charges for services	<u>6,839</u>	<u>7,618</u>	<u>6974</u>	<u>(644)</u>
Total licenses, fees and charges for services	10,340	11,801	10523	(1,278)
Other Revenue:				
Investment Income	850	3,337	3,481	144
Miscellaneous	268	534	855	321
Sale of Real Estate Property	1,260	1,285	1,382	97
Board of Education	115	170	258	88
Commission on Community & Neighborhood Development	8	8	7	(1)
Total other revenue	<u>2,501</u>	<u>5,334</u>	<u>5983</u>	<u>649</u>
Total revenues	200,981	206,529	204,346	(2,183)
Other Financing Sources:				
Transfers in	<u>1,963</u>	<u>3,011</u>	<u>2,692</u>	<u>(319)</u>
Total budgeted revenues and transfers	<u>\$ 202,944</u>	<u>\$ 209,540</u>	207,038	<u>\$ (2,502)</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				
			7,486	
Cancellation of prior year encumbrances are recognized as budgetary revenue				
			(804)	
Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes				
			(358)	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds Exhibit IV				
			\$ 213,362	

CITY OF NEW BRITAIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General Government:				
Legislative	\$ 99	\$ 93	\$ 93	\$ -
Boards and Commissions	11	6	3	3
Judicial	56	55	55	-
Elections	358	365	360	5
Mayor's Office	347	358	357	1
Planning and Zoning	173	178	176	2
Finance	1,861	1,934	1,924	10
Recording and Reporting	427	438	437	1
Legal	583	581	581	-
Central Services	125	118	111	7
Total	<u>4,040</u>	<u>4,126</u>	<u>4,097</u>	<u>29</u>
Public Safety:				
Police	11,878	12,582	12,557	25
Fire	10,352	12,776	12,737	39
Lighting	750	792	792	-
Building	490	458	456	2
Civil Preparedness	97	127	125	2
Central Emergency Dispatch	1,519	1,451	1,409	42
Total	<u>25,086</u>	<u>28,186</u>	<u>28,076</u>	<u>110</u>
Public Works:				
Administration	381	354	353	1
Street Services	2,918	2,713	2,661	52
Public Buildings	2,606	2,550	2,535	15
Capital Project	706	707	707	-
Signals and Control	222	223	221	2
Waste Disposal	5,284	5,504	5,301	203
Total	<u>12,117</u>	<u>12,051</u>	<u>11,778</u>	<u>273</u>
Parks and Recreation:				
Administration	239	241	239	2
Forestry	175	164	163	1
Horticulture	243	245	242	3
Maintenance	2,106	2,124	2,113	11
Special Projects	4	10	9	1
Recreation Department	737	720	718	2
Willow Brook Sports Complex	152	143	143	-
City Supported Agencies	2,961	2,961	2,961	-
Cultural Organizations	22	22	22	-
Total	<u>6,639</u>	<u>6,630</u>	<u>6,610</u>	<u>20</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Health and Social Services:				
Rights and Opportunities Commission	\$ 91	\$ 61	\$ 60	\$ 1
Civil Service Commission	272	272	270	2
Nursing	279	264	262	2
Environmental Control	214	199	198	1
Administration	159	150	147	3
City Supported Agencies	94	94	94	-
Social Services	15	15	14	1
Senior Center	471	469	467	2
Handicap Services	97	95	94	1
Veterans Services	26	10	10	-
Total	<u>1,718</u>	<u>1,629</u>	<u>1,616</u>	<u>13</u>
General Administrative	<u>6,821</u>	<u>6,752</u>	<u>6,731</u>	<u>21</u>
Debt Service	<u>-</u>	<u>242</u>	<u>242</u>	<u>-</u>
Education	<u>113,431</u>	<u>113,140</u>	<u>113,140</u>	<u>-</u>
Total expenditures	<u>169,852</u>	<u>172,756</u>	<u>172,290</u>	<u>466</u>
Other financing uses:				
Transfers out:				
Insurance Reserve	7,800	8,095	6,195	1,900
Capital Non-Recurring		1,175	1,175	-
Capital Equipment Reserve		111	111	-
Capital Projects		469	469	-
Dog Fund	101	101	101	-
Debt Service	23,889	24,821	24,821	-
BOE Athletic Fund	173	173	173	-
Grants and Contributions	1,129	1,839	1,329	510
Total	<u>33,092</u>	<u>36,784</u>	<u>34,374</u>	<u>2,410</u>
Total	\$ <u>202,944</u>	\$ <u>209,540</u>	206,664	\$ <u>2,876</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut "on-behalf" payments to the Connecticut State Teachers'

Retirement System for City Teachers are not budgeted.

7,486

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.325Total Expenditures and Other Financing Uses as Reported on the Statement of
Revenues, Expenditures, Changes in Fund Balances - Governmental Funds -
Exhibit IV\$ 214,475

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, CONNECTICUT

GENERAL FUND

COMPARATIVE BALANCE SHEET

JUNE 30, 2007 AND 2006
(In Thousands)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 21,144	\$ 15,900
Property taxes receivable (net of allowance for uncollectible accounts)	8,668	8,313
Accounts receivable	631	639
Due from other governments	19,176	22,678
Due from other funds	<u>13,679</u>	<u>18,379</u>
Total Assets	<u>\$ 63,298</u>	<u>\$ 65,909</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$ 19,885	\$ 15,449
Due to other funds	5,580	8,400
Deferred revenues	<u>26,976</u>	<u>30,090</u>
Total liabilities	<u>52,441</u>	<u>53,939</u>
Fund balance:		
Reserved for encumbrances	1,861	2,990
Unreserved, undesignated	<u>8,996</u>	<u>8,980</u>
Total fund balance	<u>10,857</u>	<u>11,970</u>
Total Liabilities and Fund Balance	<u>\$ 63,298</u>	<u>\$ 65,909</u>

CITY OF NEW BRITAIN, CONNECTICUT

GENERAL FUND

SCHEDULE OF TAX COLLECTIONS

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Grand List Year	Mill Rate	Uncollected Taxes July 1, 2006	Net Lawful		Transfers To Suspend	Adjusted Amount Collectible	Collections				Uncollected Taxes June 30, 2007
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2005	45.88	\$ 96,464	\$ 258	\$ 806	\$	\$ 95,916	\$ 92,550	\$ 537	\$ 13	\$ 93,100	\$ 3,366
2004	45.89	2,978	31	36	21	2,952	1,811	371	9	2,191	1,141
2003	46.90	996	13	53	13	943	429	144	23	596	514
2002	46.93	692	6	6	5	687	177	90	18	285	510
2001	54.76	627	8	5	6	624	71	55	13	139	553
2000	50.88	549	3	4	2	546	44	42	9	95	502
1999	49.98	466	3	3	2	464	28	31	6	65	436
1998	49.42	410	2	2	2	408	16	20	4	40	392
1997	49.48	372	1		1	372	13	19	5	37	359
1996	49.58	375	2	1	1	375	15	23	5	43	360
1995	49.83	362	1		1	362	12	24	4	40	350
1994	50.85	282	1	1	1	281	9	18	4	31	272
1993	50.85	235	1		1	235	7	15	3	25	228
1992	49.36	217	1		1	217	7	18	3	28	210
1991	49.54	232		1	1	230	5	30	5	40	225
Total		\$ 105,257	\$ 331	\$ 918	\$ 58	\$ 104,612	\$ 95,194	\$ 1,437	\$ 124	96,755	\$ 9,418
										2	
										\$ 96,757	

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
Youth Community Policing	State grant	Allow police officers and youth to join forces in cleaning up neighborhoods
Lead Poisoning Prevention	State grant	Prevent lead poisoning in City youth
American Savings Grant	The American Savings Foundation	Provides after school programs for the City's youth
FEMA Grant	Federal grant	Disaster relief
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
Learn to Serve, After School Grant	State grant	Provides after school programs for the City's youth
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
Pulmonary Screening	State grant	Screening for pulmonary disease
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, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007
(In Thousands)

	Special Revenue Funds							
	Stanley Quarter Park	Lead Paint Reduction Program	Park Security and Policing	Cemetery	Dog	Willowbrook Park Pool	Sewer Use	New Britain Marketing Collaborative
Assets								
Cash and cash equivalents	\$ 475			\$ 174			\$ 1,317	
Investments	77			1,073				
Accounts receivable	18		3	22	19		2,707	
Loans receivable								
Due from other governments								
Due from other funds		175	43		21		1,361	54
Inventory								
Total Assets	\$ 570	\$ 175	\$ 46	\$ 1,269	\$ 40	\$ -	\$ 5,385	\$ 54
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 30	\$ 131		\$ 5	\$ 24		\$ 30	
Due to other funds	620			261				
Deferred revenue		44						
Total Liabilities	650	175	-	266	24	-	30	-
Fund Balances:								
Reserved for encumbrances	26			6	1		49	
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated				101			707	
Unreserved, undesignated	(106)		46	896	15		4,599	54
Total fund balance	(80)	-	46	1,003	16	-	5,355	54
Total Liabilities and Fund Balances	\$ 570	\$ 175	\$ 46	\$ 1,269	\$ 40	\$ -	\$ 5,385	\$ 54

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	Local Capital Improvement	BOE In-Residence Student	Larvacide Grant	BOE State and Federal Grants	Youth Community Policing	Lead Poisoning Prevention	American Savings Grant	FEMA Grant
Assets								
Cash and cash equivalents	\$	\$	\$	\$ 1,853	\$	\$	\$	\$
Investments								
Accounts receivable								
Loans receivable								
Due from other governments	190			2,873	6			
Due from other funds			4			2	25	6
Inventory								
Total Assets	\$ 190	\$ -	\$ 4	\$ 4,726	\$ 6	\$ 2	\$ 25	\$ 6
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$	\$	\$	\$ 844	\$	\$ 1	\$ 1	\$
Due to other funds	49			1,826	6			
Deferred revenue				1,485				
Total Liabilities	49	-	-	4,155	6	1	1	-
Fund Balances:								
Reserved for encumbrances	107						1	
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated								
Unreserved, undesignated	34		4	571		1	23	6
Total fund balance	141	-	4	571	-	1	24	6
Total Liabilities and Fund Balances	\$ 190	\$ -	\$ 4	\$ 4,726	\$ 6	\$ 2	\$ 25	\$ 6

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	Police Explorers	Martin Luther King Brick Sale	Preventative Health Block Grant	Smoking Cessation Grant	Learn to Serve After School Grant	Exercise The Right Choice	Exercise The Right Choice II
Assets							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$
Investments							
Accounts receivable							
Loans receivable							
Due from other governments						125	
Due from other funds	13	5	16		57		93
Inventory							
Total Assets	\$ 13	\$ 5	\$ 16	\$ -	\$ 57	\$ 125	\$ 93
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$	\$	\$ 16	\$	\$ 2	\$ 3	\$ 3
Due to other funds						110	
Deferred revenue							
Total Liabilities	-	-	16	-	2	113	3
Fund Balances:							
Reserved for encumbrances					11		8
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	13	5			44	12	82
Total fund balance	13	5	-	-	55	12	90
Total Liabilities and Fund Balances	\$ 13	\$ 5	\$ 16	\$ -	\$ 57	\$ 125	\$ 93

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
 (In Thousands)

	<u>Special Revenue Funds</u>					
	<u>Grassroots Tennis Grant</u>	<u>National Recreation Trails Grant</u>	<u>Immunization Action Plan</u>	<u>Bullet Proof Vest Grant</u>	<u>Oval Grove Welfare To Work</u>	<u>Bioterrorism Grant</u>
Assets						
Cash and cash equivalents	\$	\$	\$	\$	\$	\$
Investments						
Accounts receivable						
Loans receivable						
Due from other governments						14
Due from other funds	2		4			
Inventory						
Total Assets	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$	\$	\$ 1	\$ 9	\$	\$ 24
Due to other funds						
Deferred revenue						
Total Liabilities	<u>-</u>	<u>-</u>	<u>1</u>	<u>9</u>	<u>-</u>	<u>24</u>
Fund Balances:						
Reserved for encumbrances						14
Reserved for inventories						
Reserved for trust purposes						
Unreserved, designated						
Unreserved, undesignated	2		3	(9)		(24)
Total fund balance	<u>2</u>	<u>-</u>	<u>3</u>	<u>(9)</u>	<u>-</u>	<u>(10)</u>
Total Liabilities and Fund Balances	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	System Of Care Grant	Historical Records Preservation	21st Century Grant	American Legion Baseball	Centralized and Distribution Services	Local Property Tax Relief Program
Assets						
Cash and cash equivalents	\$	\$	\$	\$	\$	\$
Investments						
Accounts receivable		2				
Loans receivable						
Due from other governments						
Due from other funds	16	72	29	1	125	745
Inventory						
Total Assets	\$ 16	\$ 74	\$ 29	\$ 1	\$ 125	\$ 745
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 2	\$	\$ 1	\$	\$	\$
Due to other funds						
Deferred revenue						
Total Liabilities	2	-	1	-	-	-
Fund Balances:						
Reserved for encumbrances			5		16	
Reserved for inventories						
Reserved for trust purposes						
Unreserved, designated						
Unreserved, undesignated	14	74	23	1	109	745
Total fund balance	14	74	28	1	125	745
Total Liabilities and Fund Balances	\$ 16	\$ 74	\$ 29	\$ 1	\$ 125	\$ 745

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	Conservation On Race	Victim Services Coordinator Grant	COPS Ahead Homeland Security Grant	Federal Omnibus Appropriation	Independent Living	Aids Outreach
Assets						
Cash and cash equivalents	\$	\$	\$	\$	\$	\$
Investments						
Accounts receivable						
Loans receivable						
Due from other governments		1				8
Due from other funds	4	4		39	14	12
Inventory						
Total Assets	\$ 4	\$ 5	\$ -	\$ 39	\$ 14	\$ 20
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$	\$	\$	\$	\$ 6	\$ 3
Due to other funds						
Deferred revenue						
Total Liabilities	-	-	-	-	6	3
Fund Balances:						
Reserved for encumbrances						12
Reserved for inventories						
Reserved for trust purposes						
Unreserved, designated	1					
Unreserved, undesignated	3	5		39	8	5
Total fund balance	4	5	-	39	8	17
Total Liabilities and Fund Balances	\$ 4	\$ 5	\$ -	\$ 39	\$ 14	\$ 20

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	YSB Care Unit	Juvenile Justice Center	STD Control Program	Summer Food	Recreation Donation	Recreation Amusement	Weed And Seed	Mayor's Golf Tournament
Assets								
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$
Investments								
Accounts receivable								
Loans receivable								
Due from other governments								
Due from other funds	2		2		52	28	20	18
Inventory								
Total Assets	\$ 2	\$ -	\$ 2	\$ -	\$ 52	\$ 28	\$ 20	\$ 18
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 2	\$	\$	\$	\$	1	\$	\$
Due to other funds								
Deferred revenue							20	
Total Liabilities	2	-	-	-	-	1	20	-
Fund Balances:								
Reserved for encumbrances					1			
Reserved for inventories								
Reserved for trust purposes								
Unreserved, designated						4		
Unreserved, undesignated			2		51	23		18
Total fund balance	-	-	2	-	52	27	-	18
Total Liabilities and Fund Balances	\$ 2	\$ -	\$ 2	\$ -	\$ 52	\$ 28	\$ 20	\$ 18

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	Health Per Capita	Highway Safety Grant	Drug Investigation	Senior Citizens Center	Mobile Data Communication	Pulmonary Screening
Assets						
Cash and cash equivalents	\$	\$	\$	\$	\$	\$
Investments						
Accounts receivable						
Loans receivable						
Due from other governments						
Due from other funds	72			19	513	7
Inventory						
Total Assets	\$ 72	\$ -	\$ -	\$ 19	\$ 513	\$ 7
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$	\$ 8	\$	\$	\$	\$
Due to other funds		82				
Deferred revenue						
Total Liabilities	-	90	-	-	-	-
Fund Balances:						
Reserved for encumbrances	1		5		49	
Reserved for inventories						
Reserved for trust purposes						
Unreserved, designated			27			
Unreserved, undesignated	71	(90)	(32)	19	464	7
Total fund balance	72	(90)	-	19	513	7
Total Liabilities and Fund Balances	\$ 72	\$ -	\$ -	\$ 19	\$ 513	\$ 7

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	Drug Enforcement Training	Housing Inspectors DMD	Mayor's Fun Day	State Narcotics Task Force	YSB Program Activity	School Lunch Program	School Rental Account
Assets							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$ 158	\$ 51
Investments							3
Accounts receivable							
Loans receivable							
Due from other governments						558	
Due from other funds				36	17		
Inventory						75	
Total Assets	\$ -	\$ -	\$ -	\$ 36	\$ 17	\$ 791	\$ 54
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$	\$	\$	\$ 2	\$	\$ 277	\$ 58
Due to other funds			1				
Deferred revenue							
Total Liabilities	-	-	1	2	-	277	58
Fund Balances:							
Reserved for encumbrances							
Reserved for inventories						75	
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated			(1)	34	17	439	(4)
Total fund balance	-	-	(1)	34	17	514	(4)
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ 36	\$ 17	\$ 791	\$ 54

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	High School Athletic	Adult Education	Summer School Music	Fieldtrips	Youth Build Program	Willow Street Grant	Community and Neighborhood Development
Assets							
Cash and cash equivalents	\$ 109	\$ 89	\$ 77	\$ -	\$ 56	\$ 10	\$ 22
Investments							
Accounts receivable						13	
Loans receivable							
Due from other governments							
Due from other funds	62						
Inventory							
Total Assets	<u>\$ 171</u>	<u>\$ 89</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 23</u>	<u>\$ 22</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 45	\$ -	\$ 22
Due to other funds					25		
Deferred revenue					23		
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70</u>	<u>23</u>	<u>22</u>
Fund Balances:							
Reserved for encumbrances							
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	171	89	77	-	(14)	-	-
Total fund balance	<u>171</u>	<u>89</u>	<u>77</u>	<u>-</u>	<u>(14)</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 171</u>	<u>\$ 89</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 23</u>	<u>\$ 22</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	Urban Action Grant	New Britain Industrial Park	Business Outreach	Emergency Shelter Grant	Community Development Block Grant	Home Project	Lead Grant
Assets							
Cash and cash equivalents	\$ 1	\$ 16	\$ 66	\$ 14	\$ 2,324	\$ 1,465	\$ 69
Investments	1						
Accounts receivable						23	
Loans receivable					1,837	1,308	1,144
Due from other governments					402		
Due from other funds					132	1	
Inventory							
Total Assets	\$ 2	\$ 16	\$ 66	\$ 14	\$ 4,695	\$ 2,797	\$ 1,213
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$	\$	\$ 93	\$	\$ 8	\$ 78	\$ 2
Due to other funds			83	20	218	65	2
Deferred revenue			10		1,841	1,308	1,203
Total Liabilities	-	-	186	20	2,067	1,451	1,207
Fund Balances:							
Reserved for encumbrances							
Reserved for inventories							
Reserved for trust purposes							
Unreserved, designated							
Unreserved, undesignated	2	16	(120)	(6)	2,628	1,346	6
Total fund balance	2	16	(120)	(6)	2,628	1,346	6
Total Liabilities and Fund Balances	\$ 2	\$ 16	\$ 66	\$ 14	\$ 4,695	\$ 2,797	\$ 1,213

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	State Home Programs	CHFA Broad Street Demolition	Redevelopment Commission	Brownfield Pilot	Rental	C.B. Erwin Walnut Hill Park	Darius Miller Walnut Hill
Assets							
Cash and cash equivalents	\$ 1	\$ 160	\$ 6	\$ 38	\$ 48	\$ 4	\$ 219
Investments						331	1,167
Accounts receivable							
Loans receivable							
Due from other governments							
Due from other funds	46						1
Inventory							
Total Assets	\$ 47	\$ 160	\$ 6	\$ 38	\$ 48	\$ 335	\$ 1,387
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$	\$	\$ 12	\$	\$	\$	\$
Due to other funds							
Deferred revenue	44	160		36			
Total Liabilities	44	160	12	36	-	-	-
Fund Balances:							
Reserved for encumbrances							
Reserved for inventories							
Reserved for trust purposes							1,108
Unreserved, designated							32
Unreserved, undesignated	3		(6)	2	48	335	247
Total fund balance	3	-	(6)	2	48	335	1,387
Total Liabilities and Fund Balances	\$ 47	\$ 160	\$ 6	\$ 38	\$ 48	\$ 335	\$ 1,387

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDSJUNE 30, 2007
(In Thousands)

	Special Revenue Funds					Total Nonmajor Governmental Funds
	C.B. Stanley Walnut Hill	Parks and Recreation	Darius Miller F/B/O Fairview Cemetery	Total	Interfund Eliminations	
Assets						
Cash and cash equivalents	\$ 44	\$ 12	\$ 2	\$ 8,880	\$	\$ 8,880
Investments	1,584		261	4,494		4,494
Accounts receivable				2,810		2,810
Loans receivable				4,289		4,289
Due from other governments				4,177		4,177
Due from other funds				3,970	(179)	3,791
Inventory				75		75
Total Assets	<u>\$ 1,628</u>	<u>\$ 12</u>	<u>\$ 263</u>	<u>\$ 28,695</u>	<u>\$ (179)</u>	<u>\$ \$ 28,516</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$	\$	\$	\$ 1,608	\$	\$ 1,608
Due to other funds				3,479	(179)	3,300
Deferred revenue				6,199		6,199
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,286</u>	<u>(179)</u>	<u>11,107</u>
Fund Balances:						
Reserved for encumbrances				312		312
Reserved for inventories				75		75
Reserved for trust purposes	1,626			2,734		2,734
Unreserved, designated				872		872
Unreserved, undesignated	2	12	263	13,416		13,416
Total fund balance	<u>1,628</u>	<u>12</u>	<u>263</u>	<u>17,409</u>	<u>-</u>	<u>17,409</u>
Total Liabilities and Fund Balances	<u>\$ 1,628</u>	<u>\$ 12</u>	<u>\$ 263</u>	<u>\$ 28,695</u>	<u>\$ (179)</u>	<u>\$ 28,516</u>

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds							
	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 Licenses, fees, and charges for goods and services	1,693		31	260	39		3,984	
Other revenues	12			6				
Total Revenues	<u>1,705</u>	<u>-</u>	<u>31</u>	<u>447</u>	<u>39</u>	<u>-</u>	<u>3,984</u>	<u>-</u>
Expenditures:								
General government:								30
Public safety			6					
Public works					135		4,473	
Health and welfare				380				
Parks, recreation, and libraries	1,668							
Education								
Total Expenditures	<u>1,668</u>	<u>-</u>	<u>6</u>	<u>380</u>	<u>135</u>	<u>-</u>	<u>4,473</u>	<u>30</u>
Excess (Deficiency) of Revenues over Expenditures	<u>37</u>	<u>-</u>	<u>25</u>	<u>67</u>	<u>(96)</u>	<u>-</u>	<u>(489)</u>	<u>(30)</u>
Other Financing Sources (Uses)								
Transfers in					101			30
Transfers out	(180)			(11)		(1)	(980)	
Total Other Financing Sources (Uses)	<u>(180)</u>	<u>-</u>	<u>-</u>	<u>(11)</u>	<u>101</u>	<u>(1)</u>	<u>(980)</u>	<u>30</u>
Net Change in Fund Balances	<u>(143)</u>	<u>-</u>	<u>25</u>	<u>56</u>	<u>5</u>	<u>(1)</u>	<u>(1,469)</u>	<u>-</u>
Fund Balances at Beginning of Year	<u>63</u>	<u>-</u>	<u>21</u>	<u>947</u>	<u>11</u>	<u>1</u>	<u>6,824</u>	<u>54</u>
Fund Balances at End of Year	<u><u>(80)</u></u>	<u><u>-</u></u>	<u><u>46</u></u>	<u><u>1,003</u></u>	<u><u>16</u></u>	<u><u>-</u></u>	<u><u>5,355</u></u>	<u><u>54</u></u>

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CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

		Special Revenue Funds						
		Local Capital Improvement	BOE In-Residence Student	Larvacide Grant	BOE State and Federal Grants	Youth Community Policing	Lead Poisoning Prevention	American Savings Grant
Revenues:								
	Intergovernmental revenue	\$ 1,836	\$	\$	\$ 18,794	\$ 6	\$ 49	\$
	Revenues from the use of money Licenses, fees, and charges for goods and services		281					
	Other revenues				1,096			100
	Total Revenues	<u>1,836</u>	<u>281</u>	<u>-</u>	<u>19,890</u>	<u>6</u>	<u>49</u>	<u>100</u>
Expenditures:								
General government:								
	Public safety					6		
	Public works	1,672						
	Health and welfare						52	
	Parks, recreation, and libraries							76
	Education		281		19,890			
	Total Expenditures	<u>1,672</u>	<u>281</u>	<u>-</u>	<u>19,890</u>	<u>6</u>	<u>52</u>	<u>76</u>
	Excess (Deficiency) of Revenues over Expenditures	<u>164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>24</u>
Other Financing Sources (Uses)								
	Transfers in	130						
	Transfers out							
	Total Other Financing Sources (Uses)	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Net Change in Fund Balances	<u>294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>24</u>
	Fund Balances at Beginning of Year	<u>(153)</u>	<u>-</u>	<u>4</u>	<u>571</u>	<u>-</u>	<u>4</u>	<u>-</u>
	Fund Balances at End of Year	<u>\$ 141</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 571</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 24</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	FEMA Grant	Police Explorers	Martin Luther King Brick Sale	Preventative Health Block Grant	Smoking Cessation Grant	Learn to Serve After School Grant	Exercise The Right Choice
Revenues:							
Intergovernmental revenue	\$ 158	\$	\$	\$ 16	\$	\$ 162	\$ 306
Revenues from the use of money Licenses, fees, and charges for goods and services			2				
Other revenues		8				50	
Total Revenues	<u>158</u>	<u>8</u>	<u>2</u>	<u>16</u>	<u>-</u>	<u>212</u>	<u>306</u>
Expenditures:							
General government:							
Public safety	235	7					
Public works							
Health and welfare				16			
Parks, recreation, and libraries			4			157	216
Education							
Total Expenditures	<u>235</u>	<u>7</u>	<u>4</u>	<u>16</u>	<u>-</u>	<u>157</u>	<u>216</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(77)</u>	<u>1</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>90</u>
Other Financing Sources (Uses)							
Transfers in	4						
Transfers out					(1)		
Total Other Financing Sources (Uses)	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(73)	1	(2)	-	(1)	55	90
Fund Balances at Beginning of Year	<u>79</u>	<u>12</u>	<u>7</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>(78)</u>
Fund Balances at End of Year	<u>\$ 6</u>	<u>\$ 13</u>	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55</u>	<u>\$ 12</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	Exercise The Right Choice II	Grassroots Tennis Grant	National Recreation Trails Grant	Immunization Action Plan	Bullet Proof Vest Grant	Oval Grove Welfare To Work	Bioterrorism Grant
Revenues:							
Intergovernmental revenue	\$ 404	\$	\$	\$ 43	\$	\$	\$ 97
Revenues from the use of money Licenses, fees, and charges for goods and services							
Other revenues		10			7		
Total Revenues	<u>404</u>	<u>10</u>	<u>-</u>	<u>43</u>	<u>7</u>	<u>-</u>	<u>97</u>
Expenditures:							
General government:							
Public safety					16		
Public works							
Health and welfare				40			109
Parks, recreation, and libraries	357	8					
Education							
Total Expenditures	<u>357</u>	<u>8</u>	<u>-</u>	<u>40</u>	<u>16</u>	<u>-</u>	<u>109</u>
Excess (Deficiency) of Revenues over Expenditures	<u>47</u>	<u>2</u>	<u>-</u>	<u>3</u>	<u>(9)</u>	<u>-</u>	<u>(12)</u>
Other Financing Sources (Uses)							
Transfers in							
Transfers out							
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net Change in Fund Balances	47	2	-	3	(9)	-	(12)
Fund Balances at Beginning of Year	43	-	-	-	-	-	2
Fund Balances at End of Year	<u>\$ 90</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ (10)</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds					
	System Of Care Grant	Historical Records Preservation	21st Century Grant	American Legion Baseball	Centralized and Distribution Services	Local Property Tax Relief Program
Revenues:						
Intergovernmental revenue	\$	\$ 12	\$ 190	\$	\$	\$
Revenues from the use of money Licenses, fees, and charges for goods and services		27				
Other revenues	104		97		28	
Total Revenues	<u>104</u>	<u>39</u>	<u>287</u>	<u>-</u>	<u>28</u>	<u>-</u>
Expenditures:						
General government:		16			22	
Public safety						
Public works						
Health and welfare	117					
Parks, recreation, and libraries			330	4		
Education						
Total Expenditures	<u>117</u>	<u>16</u>	<u>330</u>	<u>4</u>	<u>22</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(13)</u>	<u>23</u>	<u>(43)</u>	<u>(4)</u>	<u>6</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers in	13				50	375
Transfers out						
Total Other Financing Sources (Uses)	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50</u>	<u>375</u>
Net Change in Fund Balances	-	23	(43)	(4)	56	375
Fund Balances at Beginning of Year	<u>14</u>	<u>51</u>	<u>71</u>	<u>5</u>	<u>69</u>	<u>370</u>
Fund Balances at End of Year	<u>\$ 14</u>	<u>\$ 74</u>	<u>\$ 28</u>	<u>\$ 1</u>	<u>\$ 125</u>	<u>\$ 745</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	Conservation On Race	Victim Services Coordinator Grant	COPS Ahead Homeland Security Grant	Federal Omnibus Appropriation	Independent Living	Aids Outreach	YSB Care Unit
Revenues:							
Intergovernmental revenue	\$	\$ 47	\$	\$ 38	\$ 68	\$ 84	\$ 73
Revenues from the use of money Licenses, fees, and charges for goods and services							
Other revenues	1						12
Total Revenues	1	47	-	38	68	84	85
Expenditures:							
General government:							
Public safety		48	1	48			
Public works							
Health and welfare					92	70	295
Parks, recreation, and libraries							
Education							
Total Expenditures	-	48	1	48	92	70	295
Excess (Deficiency) of Revenues over Expenditures	1	(1)	(1)	(10)	(24)	14	(210)
Other Financing Sources (Uses)							
Transfers in					16		210
Transfers out			(21)				
Total Other Financing Sources (Uses)	-	-	(21)	-	16	-	210
Net Change in Fund Balances	1	(1)	(22)	(10)	(8)	14	-
Fund Balances at Beginning of Year	3	6	22	49	16	3	-
Fund Balances at End of Year	\$ 4	\$ 5	\$ -	\$ 39	\$ 8	\$ 17	\$ -

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	Juvenile Justice Center	STD Control Program	Recreation Donation	Recreation Amusement	Weed And Seed	Mayor's Golf Tournament	Health Per Capita
Revenues:							
Intergovernmental revenue	\$	\$ 14	\$	\$	81	\$	69
Revenues from the use of money Licenses, fees, and charges for goods and services							
Other revenues			37	29		54	
Total Revenues	<u>-</u>	<u>14</u>	<u>37</u>	<u>29</u>	<u>81</u>	<u>54</u>	<u>69</u>
Expenditures:							
General government:							
Public safety					81		
Public works							
Health and welfare	11	14					48
Parks, recreation, and libraries			25	26		43	
Education							
Total Expenditures	<u>11</u>	<u>14</u>	<u>25</u>	<u>26</u>	<u>81</u>	<u>43</u>	<u>48</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(11)</u>	<u>-</u>	<u>12</u>	<u>3</u>	<u>-</u>	<u>11</u>	<u>21</u>
Other Financing Sources (Uses)							
Transfers in							
Transfers out							(11)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11)</u>
Net Change in Fund Balances	(11)	-	12	3	-	11	10
Fund Balances at Beginning of Year	<u>11</u>	<u>2</u>	<u>40</u>	<u>24</u>	<u>-</u>	<u>7</u>	<u>62</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 52</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 18</u>	<u>\$ 72</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

Special Revenue Funds

	Highway Safety Grant	Drug Investigation	Senior Citizens Center	Mobile Data Communication	Pulmonary Screening	Drug Enforcement Training
Revenues:						
Intergovernmental revenue	\$ 126	\$ 123	\$	\$ 97	\$ 7	\$
Revenues from the use of money Licenses, fees, and charges for goods and services			52			
Other revenues	1	8		23		
Total Revenues	<u>127</u>	<u>131</u>	<u>52</u>	<u>120</u>	<u>7</u>	<u>-</u>
Expenditures:						
General government:						
Public safety	220	240		24		
Public works						
Health and welfare						
Parks, recreation, and libraries			56			
Education						
Total Expenditures	<u>220</u>	<u>240</u>	<u>56</u>	<u>24</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(93)</u>	<u>(109)</u>	<u>(4)</u>	<u>96</u>	<u>7</u>	<u>-</u>
Other Financing Sources (Uses)						
Transfers in	52					
Transfers out						(17)
Total Other Financing Sources (Uses)	52	-	-	-	-	(17)
Net Change in Fund Balances	(41)	(109)	(4)	96	7	(17)
Fund Balances at Beginning of Year	(49)	109	23	417	-	17
Fund Balances at End of Year	<u>\$ (90)</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 513</u>	<u>\$ 7</u>	<u>\$ -</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Special Revenue Funds					
	Housing Inspectors DMD	Mayor's Fun Day	State Narcotics Task Force	YSB Program Activity	School Lunch Program	School Rental Account
Revenues:						
Intergovernmental revenue	\$	\$	\$	\$	\$ 3,437	\$
Revenues from the use of money Licenses, fees, and charges for goods and services					684	41
Other revenues	1	10		24		
Total Revenues	<u>1</u>	<u>10</u>	<u>-</u>	<u>24</u>	<u>4,121</u>	<u>41</u>
Expenditures:						
General government:						
Public safety			41			
Public works						
Health and welfare				9		
Parks, recreation, and libraries		14				
Education					4,002	40
Total Expenditures	<u>-</u>	<u>14</u>	<u>41</u>	<u>9</u>	<u>4,002</u>	<u>40</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1</u>	<u>(4)</u>	<u>(41)</u>	<u>15</u>	<u>119</u>	<u>1</u>
Other Financing Sources (Uses)						
Transfers in						
Transfers out						
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	1	(4)	(41)	15	119	1
Fund Balances at Beginning of Year	<u>(1)</u>	<u>3</u>	<u>75</u>	<u>2</u>	<u>395</u>	<u>(5)</u>
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ 34</u>	<u>\$ 17</u>	<u>\$ 514</u>	<u>\$ (4)</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	High School Athletic	Adult Education	Summer School Music	Fieldtrips	Youth Build Program	Willow Street Grant	Community and Neighborhood Development
Revenues:							
Intergovernmental revenue	\$	\$	\$	\$	\$ 45	\$	\$
Revenues from the use of money				1			
Licenses, fees, and charges for goods and services	138	30	12	6			
Other revenues							
Total Revenues	<u>138</u>	<u>30</u>	<u>12</u>	<u>7</u>	<u>45</u>	<u>-</u>	<u>-</u>
Expenditures:							
General government:							
Public safety							
Public works							
Health and welfare					45		
Parks, recreation, and libraries							
Education	324	26	22	23			
Total Expenditures	<u>324</u>	<u>26</u>	<u>22</u>	<u>23</u>	<u>45</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(186)</u>	<u>4</u>	<u>(10)</u>	<u>(16)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)							
Transfers in	173						
Transfers out							
Total Other Financing Sources (Uses)	<u>173</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(13)	4	(10)	(16)	-	-	-
Fund Balances at Beginning of Year	<u>184</u>	<u>85</u>	<u>87</u>	<u>16</u>	<u>(14)</u>	<u>-</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 171</u>	<u>\$ 89</u>	<u>\$ 77</u>	<u>\$ -</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007
(In Thousands)

	Special Revenue Funds						
	Urban Action Grant	New Britain Industrial Park	Business Outreach	Emergency Shelter Grant	Community Development Block Grant	Home Project	Lead Grant
Revenues:							
Intergovernmental revenue	\$	\$	\$	\$ 103	\$ 2,866	\$ 804	\$ 347
Revenues from the use of money Licenses, fees, and charges for goods and services							
Other revenues					183	58	1
Total Revenues	-	-	-	103	3,049	862	348
Expenditures:							
General government:							
Public safety							
Public works							
Health and welfare				89	2,535	651	347
Parks, recreation, and libraries							
Education							
Total Expenditures	-	-	-	89	2,535	651	347
Excess (Deficiency) of Revenues over Expenditures	-	-	-	14	514	211	1
Other Financing Sources (Uses)							
Transfers in							
Transfers out							
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-
Net Change in Fund Balances	-	-	-	14	514	211	1
Fund Balances at Beginning of Year	2	16	(120)	(20)	2,114	1,135	5
Fund Balances at End of Year	\$ 2	\$ 16	\$ (120)	\$ (6)	\$ 2,628	\$ 1,346	\$ 6

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Special Revenue Funds						
	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	\$	\$	\$	\$ 22	\$	\$	\$
Revenues from the use of money Licenses, fees, and charges for goods and services						50	174
Other revenues				1	1		
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>23</u>	<u>1</u>	<u>50</u>	<u>174</u>
Expenditures:							
General government:							
Public safety							
Public works							
Health and welfare				22			
Parks, recreation, and libraries						17	16
Education							
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>17</u>	<u>16</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>33</u>	<u>158</u>
Other Financing Sources (Uses)							
Transfers in							
Transfers out							
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	1	1	33	158
Fund Balances at Beginning of Year	<u>3</u>	<u>-</u>	<u>(6)</u>	<u>1</u>	<u>47</u>	<u>302</u>	<u>1,229</u>
Fund Balances at End of Year	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ (6)</u>	<u>\$ 2</u>	<u>\$ 48</u>	<u>\$ 335</u>	<u>\$ 1,387</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	Special Revenue Funds				Interfund Eliminations	Total Nonmajor Governmental Funds
	C.B. Stanley Walnut Hill	Parks and Recreation	Darius Miller F/B/O Fairview Cemetery	Total		
Revenues:						
Intergovernmental revenue	\$	\$	\$	\$ 30,524	\$	\$ 30,524
Revenues from the use of money	238		37	681		681
Licenses, fees, and charges for goods and services				7,280		7,280
Other revenues				1,962		1,962
Total Revenues	<u>238</u>	<u>-</u>	<u>37</u>	<u>40,447</u>	<u>-</u>	<u>40,447</u>
Expenditures:						
General government:				68		68
Public safety				973		973
Public works				6,280		6,280
Health and welfare				4,942		4,942
Parks, recreation, and libraries	75		13	3,105		3,105
Education				24,608		24,608
Total Expenditures	<u>75</u>	<u>-</u>	<u>13</u>	<u>39,976</u>	<u>-</u>	<u>39,976</u>
Excess (Deficiency) of Revenues over Expenditures	<u>163</u>	<u>-</u>	<u>24</u>	<u>471</u>	<u>-</u>	<u>471</u>
Other Financing Sources (Uses)						
Transfers in				1,154		1,154
Transfers out				(1,222)		(1,222)
Total Other Financing Sources (Uses)	-	-	-	(68)	-	(68)
Net Change in Fund Balances	163	-	24	403	-	403
Fund Balances at Beginning of Year	<u>1,465</u>	<u>12</u>	<u>239</u>	<u>17,006</u>	<u>-</u>	<u>17,006</u>
Fund Balances at End of Year	<u>\$ 1,628</u>	<u>\$ 12</u>	<u>\$ 263</u>	<u>\$ 17,409</u>	<u>\$ -</u>	<u>\$ 17,409</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, CONNECTICUT

CAPITAL PROJECTS FUND

SCHEDULE EXPENDITURES - ACTUAL VS. APPROPRIATIONS (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED JUNE 30, 2007
 (In Thousands)

<u>Project Description</u>	<u>Amended Budget</u>	<u>Current Year Expenditures and Transfers</u>	<u>Cumulative Expenditures</u>	<u>Encumbered</u>	<u>Available Budget</u>
Capital Equipment Reserve	\$ 22,298	\$ 1,429	\$ 10,315	\$ 356	\$ 11,627
Capital and Nonrecurring	30,142	2,990	27,722	202	2,218
Subway	994	201	6,319	2	(5,327)
Lincoln, Northend, Vance	43,535	989	43,088	79	368
New Britain High School	16,595	9,014	10,055	4,647	1,893
Replace school roofs	8,100	901	939	-	7,161
City Hall Renovation	33,491	-	33,641	1	(151)
Badolato & Szczesny Garage Repairs	5,075	5	5	59	5,011
MERF Pension	1,500	(1)	1,447	-	53
2007 Revaluation	1,200	340	367	381	452
Broad, Beaver, Main and North	6,600	227	5,595	862	143
Main Street Reconstruction	3,250	-	2,944	23	283
Arch Street Walkway	4,020	-	3,556	17	447
Police Headquarters Renovation	11,410	259	262	110	11,038
EMS Ambulance	3,375	549	3,460	-	(85)
Golf Driving Range	1,100	-	1,152	-	(52)
Storm Water System Improvements	4,750	189	311	120	4,319
Environmental Remediation	6,750	1,003	4,774	91	1,885
Local Capital Improvements	950	1	329	1	620
Fafnir Booth Street Industrial Park	8,100	51	7,711	55	334
St Clair, Lester, East Street	2,200	402	784	1,236	180
Hart Street Extension	9,500	1,963	2,959	5,474	1,067
Broad Street Reconstruction	13,300	656	3,411	284	9,605
NB Machine Industrial Park	3,600	137	2,580	65	955
Fafnir Smart Park Expansion	2,900	365	1,830	39	1,031
Willow Street Project	2,650	-	-	-	2,650
Bridge Program	5,775	62	63	52	5,660
Pinnacle Heights	7,946	2,207	2,206	60	5,680
Sewer I & I Improvements	17,775	1,575	11,457	604	5,714
Street Infrastructure	17,058	38	38	24	16,996
Transfer Station Rehab	6,872	-	-	-	6,872
Downtown Feasibility Study	250	206	206	-	44
Total	\$ 303,061	\$ 25,758	\$ 189,526	\$ 14,844	\$ 98,691

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, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2007

(In Thousands)

	<u>Special Reserve Fund</u>	<u>Health Insurance Fund</u>	<u>Workers' Compensation</u>	<u>General Accident Casualty and Liability</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 66	\$ 5,318	\$ 594	\$ 32	\$ 6,010
Investments	3,165		15,711	1,509	20,385
Due from other funds		2,247		103	2,350
Accounts receivable		<u>5</u>	<u>400</u>		<u>405</u>
Total Assets	<u>\$ 3,231</u>	<u>\$ 7,570</u>	<u>\$ 16,705</u>	<u>\$ 1,644</u>	<u>\$ 29,150</u>
Liabilities and Net Assets					
Liabilities:					
Accounts payable and accrued expenses	\$	\$ 597	\$ 6	\$ 14	\$ 617
Due to other funds	2,280		687		2,967
Claim reserves		<u>1,920</u>	<u>16,117</u>	<u>2,002</u>	<u>20,039</u>
Total Liabilities	2,280	2,517	16,810	2,016	23,623
Net assets	<u>951</u>	<u>5,053</u>	<u>(105)</u>	<u>(372)</u>	<u>5,527</u>
Total Liabilities and Net Assets	<u>\$ 3,231</u>	<u>\$ 7,570</u>	<u>\$ 16,705</u>	<u>\$ 1,644</u>	<u>\$ 29,150</u>

CITY OF NEW BRITAIN, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	<u>Special Reserve Fund</u>	<u>Health Insurance Fund</u>	<u>Workers' Compensation</u>	<u>General Accident Casualty and Liability</u>	<u>Total</u>
Operating Revenues:					
Charges to other funds	\$	\$ 14,809	\$ 945	\$	\$ 15,754
Other revenues		5,242	87	99	5,428
Total operating revenues	<u>-</u>	<u>20,051</u>	<u>1,032</u>	<u>99</u>	<u>21,182</u>
Operating Expenses:					
Claims incurred		25,466	1,821	165	27,452
Administrative costs	18	638	381	16	1,053
Total operating expenses	<u>18</u>	<u>26,104</u>	<u>2,202</u>	<u>181</u>	<u>28,505</u>
Operating Income (Loss)	<u>(18)</u>	<u>(6,053)</u>	<u>(1,170)</u>	<u>(82)</u>	<u>(7,323)</u>
Non-operating Revenues (Expenses):					
Income on investments	331		1,531	166	2,028
(Increase) decrease in actuarial claims reserve		354	(182)	(889)	-
Total non-operating revenues (expenses)	<u>331</u>	<u>354</u>	<u>1,349</u>	<u>(723)</u>	<u>1,311</u>
Net Income Before Transfers	<u>313</u>	<u>(5,699)</u>	<u>179</u>	<u>(805)</u>	<u>(6,012)</u>
Other Financing Sources (Uses):					
Transfers from other funds	125	5,085	885	100	6,195
Transfers to other funds					-
Total other financing sources (uses)	<u>125</u>	<u>5,085</u>	<u>885</u>	<u>100</u>	<u>6,195</u>
Change in Net Assets	438	(614)	1,064	(705)	183
Net Assets Beginning of Year	<u>513</u>	<u>5,667</u>	<u>(1,169)</u>	<u>333</u>	<u>5,344</u>
Net Assets End of Year	<u>\$ 951</u>	<u>\$ 5,053</u>	<u>\$ (105)</u>	<u>\$ (372)</u>	<u>\$ 5,527</u>

CITY OF NEW BRITAIN, CONNECTICUT

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2007

(In 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	\$	\$ 17,608	\$ 503	\$	\$ 18,111
Cash received from other operating activities		5,242	87	99	5,428
Cash paid for premiums and other operating expenses	(18)	(459)	(387)	(16)	(880)
Cash payments for claims made	(335)	(25,468)	(1,821)	(274)	(27,898)
Net cash provided by (used in) operating activities	<u>(353)</u>	<u>(3,077)</u>	<u>(1,618)</u>	<u>(191)</u>	<u>(5,239)</u>
Cash Flows from (to) Non-capital Financing Activities:					
Cash received from other funds	125	5,085	885	100	6,195
Cash paid to other funds					-
Net cash provided by (used in) non-capital financing activities	<u>125</u>	<u>5,085</u>	<u>885</u>	<u>100</u>	<u>6,195</u>
Cash Flows from (to) Investing Activities:					
Interest income	331		1,531	166	2,028
Purchase of investments	(317)		(1,183)	(152)	(1,652)
Net cash provided by investing activities	<u>14</u>	<u>-</u>	<u>348</u>	<u>14</u>	<u>376</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(214)	2,008	(385)	(77)	1,332
Cash and Cash Equivalents Beginning of Year	<u>280</u>	<u>3,310</u>	<u>979</u>	<u>109</u>	<u>4,678</u>
Cash and Cash Equivalents End of Year	<u>\$ 66</u>	<u>\$ 5,318</u>	<u>\$ 594</u>	<u>\$ 32</u>	<u>\$ 6,010</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used) by Operating Activities:					
Operating Income (Loss)	\$ (18)	\$ (6,053)	\$ (1,170)	\$ (82)	\$ (7,323)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
(Increase) decrease in due from other funds		2,799		(103)	2,696
Increase (decrease) in accounts payable and accrued expenses		177	(6)		171
Increase (decrease) in due to other funds	(335)		(442)	(6)	(783)
Total adjustments	<u>(335)</u>	<u>2,976</u>	<u>(448)</u>	<u>(109)</u>	<u>2,084</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (353)</u>	<u>\$ (3,077)</u>	<u>\$ (1,618)</u>	<u>\$ (191)</u>	<u>\$ (5,239)</u>
Non-Cash Investment Activities:					
Net Increase (Decrease) in the Fair Value of Investments	<u>\$ 238</u>	<u>\$ -</u>	<u>\$ 859</u>	<u>\$ 86</u>	<u>\$ 1,183</u>

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, CONNECTICUT

PENSION TRUST FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2007

(In Thousands)

	<u>Firemen's Pension Fund</u>	<u>Police Benefit Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,487	\$ 4,015	\$ 9,502
Investments	<u>81,636</u>	<u>82,689</u>	<u>164,325</u>
Total Assets	<u>\$ 87,123</u>	<u>\$ 86,704</u>	<u>\$ 173,827</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 7	\$ 7	\$ 14
Due to other funds	<u>724</u>	<u>796</u>	<u>1,520</u>
Total liabilities	731	803	1,534
Net assets held in trust for pension benefits	<u>86,392</u>	<u>85,901</u>	<u>172,293</u>
Total Liabilities and Net Assets	<u>\$ 87,123</u>	<u>\$ 86,704</u>	<u>\$ 173,827</u>

CITY OF NEW BRITAIN, CONNECTICUT

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

(In Thousands)

	<u>Firemen's Pension Fund</u>	<u>Police Benefit Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 739	\$ 419	\$ 1,158
Employee	406	364	770
Total contributions	<u>1,145</u>	<u>783</u>	<u>1,928</u>
Investment income:			
Net appreciation fair value of investments	6,684	8,547	15,231
Interest and dividends	3,821	3,207	7,028
Miscellaneous	10	4	14
Total investment income	<u>10,515</u>	<u>11,758</u>	<u>22,273</u>
Less investment expense	<u>(324)</u>	<u>(310)</u>	<u>(634)</u>
Net investment income	<u>10,191</u>	<u>11,448</u>	<u>21,639</u>
Total additions	<u>11,336</u>	<u>12,231</u>	<u>23,567</u>
Deductions:			
Benefits	4,598	4,959	9,557
Administration	49	51	100
Total deductions	<u>4,647</u>	<u>5,010</u>	<u>9,657</u>
Transfers	<u>11</u>	<u>(11)</u>	<u>-</u>
Net Increase	6,700	7,210	13,910
Net Assets Beginning of Year	<u>79,692</u>	<u>78,691</u>	<u>158,383</u>
Net Assets End of Year	<u>\$ 86,392</u>	<u>\$ 85,901</u>	<u>\$ 172,293</u>

CITY OF NEW BRITAIN, CONNECTICUT

AGENCY FUNDS

COMBINING BALANCE SHEET

AS OF JUNE 30, 2007

(In Thousands)

	<u>Contractor's Bond Fund</u>	<u>Student Activity Funds</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 210	\$ 133	\$ 343
Investments	<u>450</u>	<u>71</u>	<u>521</u>
Total Assets	<u>\$ 660</u>	<u>\$ 204</u>	<u>\$ 864</u>
Liabilities and Fund Balance			
Liabilities:			
Due to beneficiaries	\$ 660	\$ 204	\$ 864
Fund balance	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 660</u>	<u>\$ 204</u>	<u>\$ 864</u>

CITY OF NEW BRITAIN, CONNECTICUT

AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
Contractor's Bond Fund				
Assets:				
Cash and cash equivalents	\$ 242	\$ 93	\$ 125	\$ 210
Investments	<u>438</u>	<u>84</u>	<u>72</u>	<u>450</u>
Total	<u>\$ 680</u>	<u>\$ 177</u>	<u>\$ 197</u>	<u>\$ 660</u>
Liabilities:				
Due to beneficiaries	<u>\$ 680</u>	<u>\$ 177</u>	<u>\$ 197</u>	<u>\$ 660</u>
Student Activity Funds				
Assets:				
Cash and cash equivalents	\$ 109	\$ 201	\$ 177	\$ 133
Investments	<u>74</u>	<u>20</u>	<u>23</u>	<u>71</u>
Total	<u>\$ 183</u>	<u>\$ 221</u>	<u>\$ 200</u>	<u>\$ 204</u>
Liabilities:				
Due to beneficiaries	<u>\$ 183</u>	<u>\$ 221</u>	<u>\$ 200</u>	<u>\$ 204</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 351	\$ 294	\$ 302	\$ 343
Investments	<u>512</u>	<u>104</u>	<u>95</u>	<u>521</u>
Total	<u>\$ 863</u>	<u>\$ 398</u>	<u>\$ 397</u>	<u>\$ 864</u>
Liabilities:				
Due to other funds	<u>\$ 863</u>	<u>\$ 398</u>	<u>\$ 397</u>	<u>\$ 864</u>

Statistical Section

Statistical Section Information

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

Statistical section information is presented in the following categories:

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

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

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

CITY OF NEW BRITAIN, CONNECTICUT

**NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(In Thousands)**

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	FISCAL YEAR					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Governmental activities:						
Invested in capital assets, net of related debt	\$ 121,481	\$ 103,955	\$ 87,181	\$ 103,464	\$ 75,845	\$ 70,578
Restricted	2,734	2,687	2,589	2,535	2,821	3,054
Unrestricted	<u>(32,020)</u>	<u>(27,256)</u>	<u>(27,525)</u>	<u>(55,164)</u>	<u>(47,686)</u>	<u>(49,647)</u>
Total governmental activities net assets	<u>92,195</u>	<u>79,386</u>	<u>62,245</u>	<u>50,835</u>	<u>30,980</u>	<u>23,985</u>
Business-type activities:						
Invested in capital assets, net of related debt	25,320	23,391	21,575	17,857	19,161	16,638
Unrestricted	<u>17,705</u>	<u>18,377</u>	<u>14,821</u>	<u>16,159</u>	<u>8,882</u>	<u>4,887</u>
Total business-type activities net assets	<u>43,025</u>	<u>41,768</u>	<u>36,396</u>	<u>34,016</u>	<u>28,043</u>	<u>21,525</u>
Primary government:						
Invested in capital assets, net of related debt	146,801	127,346	108,756	121,321	95,006	87,216
Restricted	2,734	2,687	2,589	2,535	2,821	3,054
Unrestricted	<u>(14,315)</u>	<u>(8,879)</u>	<u>(12,704)</u>	<u>(39,005)</u>	<u>(38,804)</u>	<u>(44,760)</u>
Total primary government net assets	<u>\$ 135,220</u>	<u>\$ 121,154</u>	<u>\$ 98,641</u>	<u>\$ 84,851</u>	<u>\$ 59,023</u>	<u>\$ 45,510</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.

CITY OF NEW BRITAIN, CONNECTICUT

CHANGES IN NET ASSETS
LAST SIX FISCAL YEARS

(In Thousands)

	FISCAL YEAR					
	2007	2006	2005	2004	2003	2002
Expenses:						
Governmental activities:						
General government	\$ 12,165	\$ 8,041	\$ 6,413	\$ 4,862	\$ 5,706	\$ 7,707
Public safety	33,434	37,152	35,492	34,679	29,398	27,217
Public works	22,746	20,445	21,083	17,741	22,828	19,245
Health and welfare	6,786	8,373	9,153	10,107	10,286	7,966
Parks, recreation and libraries	10,097	11,609	12,334	12,638	13,169	11,802
Education	146,783	143,287	139,567	136,052	129,607	129,493
Interest on long-term debt	11,876	10,568	12,092	12,226	12,299	13,601
Total governmental activities expenses	<u>243,887</u>	<u>239,475</u>	<u>236,134</u>	<u>228,305</u>	<u>223,293</u>	<u>217,031</u>
Business-type activities:						
Water	<u>11,034</u>	<u>9,309</u>	<u>9,031</u>	<u>7,112</u>	<u>5,794</u>	<u>6,328</u>
Total Primary Government Expenses	<u>\$ 254,921</u>	<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	\$ 18,427	\$ 25,090	\$ 21,248	\$ 19,535	\$ 15,356	\$ 19,287
Operating grants and contributions	113,388	115,998	106,747	93,361	94,877	92,470
Capital grants and contributions	2,193	1,094	1,099	17,844	6,200	8,039
Total governmental activities program revenues	<u>134,008</u>	<u>142,182</u>	<u>129,094</u>	<u>130,740</u>	<u>116,433</u>	<u>119,796</u>
Business-type activities:						
Charges for services	11,616	14,433	10,999	10,770	9,029	7,436
Capital grants and contributions				2,184	3,153	372
Total business-type activities revenues	<u>11,616</u>	<u>14,433</u>	<u>10,999</u>	<u>12,954</u>	<u>12,182</u>	<u>7,808</u>
Total Primary Government Program Revenues	<u>\$ 145,624</u>	<u>\$ 156,615</u>	<u>\$ 140,093</u>	<u>\$ 143,694</u>	<u>\$ 128,615</u>	<u>\$ 127,604</u>
Net (expense) revenue:						
Governmental activities	\$ (109,879)	\$ (97,293)	\$ (107,040)	\$ (97,565)	\$ (106,860)	\$ (97,235)
Business-type activities	<u>582</u>	<u>5,124</u>	<u>1,968</u>	<u>5,842</u>	<u>6,388</u>	<u>1,480</u>
Total Primary Government Net Expense	<u>\$ (109,297)</u>	<u>\$ (92,169)</u>	<u>\$ (105,072)</u>	<u>\$ (91,723)</u>	<u>\$ (100,472)</u>	<u>\$ (95,755)</u>

(Continued on following page)

CITY OF NEW BRITAIN, CONNECTICUT
CHANGES IN NET ASSETS (CONTINUED)
LAST SIX FISCAL YEARS
(In Thousands)

	FISCAL YEAR					
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General revenues and other changes in net assets:						
Governmental activities:						
Property taxes	\$ 97,941	\$ 95,192	\$ 98,000	\$ 97,783	\$ 84,956	\$ 78,945
Grants and contributions not restricted to specific purposes	17,292	14,603	14,776	20,496	21,807	18,587
Unrestricted investment earnings	6,289	4,437	2,900	2,252	3,229	3,117
Miscellaneous	1,166	202	2,774	966	3,863	1,716
Total governmental activities	<u>122,688</u>	<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	675	579	412	131	110	207
Miscellaneous		(5)			20	(156)
Total business type activities	<u>675</u>	<u>574</u>	<u>412</u>	<u>131</u>	<u>130</u>	<u>51</u>
Total Primary Government	\$ <u>123,363</u>	\$ <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	\$ 12,809	\$ 17,141	\$ 11,410	\$ 23,932	\$ 6,995	\$ 5,130
Business-type activities	<u>1,257</u>	<u>5,698</u>	<u>2,380</u>	<u>5,973</u>	<u>6,518</u>	<u>1,531</u>
Total Primary Government	\$ <u>14,066</u>	\$ <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.

CITY OF NEW BRITAIN, CONNECTICUT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

	FISCAL YEARS									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
General Fund:										
Reserved	\$ 1,861	\$ 2,990	\$ 1,035	\$ 1,424	\$ 1,274	\$ 1,417	\$ 1,017	\$ 767	\$ 619	\$ 568
Unreserved	<u>8,996</u>	<u>8,980</u>	<u>7,989</u>	<u>6,586</u>	<u>5,742</u>	<u>5,177</u>	<u>4,724</u>	<u>2,667</u>	<u>1,808</u>	<u>1,788</u>
Total General Fund	<u>\$ 10,857</u>	<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>
All other governmental funds:										
Reserved	\$ 17,964	\$ 9,144	\$ 13,783	\$ 19,250	\$ 13,922	\$ 20,414	\$ 7,447	\$ 4,757	\$ 5,250	\$ 23,425
Unreserved, reported in:										
Special revenue funds	14,288	13,532	14,466	13,158	9,433	12,115	11,256	7,962	11,156	6,836
Capital projects funds	<u>(31,895)</u>	<u>(21,132)</u>	<u>(34,221)</u>	<u>(24,828)</u>	<u>(13,392)</u>	<u>(20,638)</u>	<u>(1,219)</u>	<u>4,441</u>	<u>(6,362)</u>	<u>(30,373)</u>
Total All Other Governmental Funds	<u>\$ 357</u>	<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>

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
(In Thousands)**

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues:										
Property taxes	\$ 96,757	\$ 95,175	\$ 96,828	\$ 97,808	\$ 84,084	\$ 78,331	\$ 75,872	\$ 73,547	\$ 73,268	\$ 72,951
Intergovernmental	136,003	134,949	126,563	135,058	125,259	123,946	110,884	102,561	112,264	91,959
Licenses, fees and charges for goods and services	18,155	18,927	17,121	16,730	14,761	14,218	12,726	13,184	12,235	11,632
Income on investments	4,180	4,065	1,585	1,315	2,023	1,726	2,992	3,352	2,680	3,350
Miscellaneous	3,343	2,401	2,932	3,605	9,631	6,040	7,155	5,099	2,923	1,611
Total revenues	<u>258,438</u>	<u>255,517</u>	<u>245,029</u>	<u>254,516</u>	<u>235,758</u>	<u>224,261</u>	<u>209,629</u>	<u>197,743</u>	<u>203,370</u>	<u>181,503</u>
Expenditures:										
General government	4,935	7,151	5,641	4,957	4,781	3,746	3,769	3,808	5,235	3,618
Public safety	33,183	36,118	33,526	33,908	31,328	24,817	24,431	23,694	22,096	21,013
Public works	19,324	17,518	17,193	18,932	17,070	15,382	13,374	13,459	12,745	12,130
Social services	6,966	8,325	9,104	10,442	10,799	7,522	4,184	4,523	3,866	4,552
Education	145,231	141,081	147,599	133,807	126,155	117,298	108,147	102,049	95,316	89,389
Parks and recreation	10,397	10,873	11,503	12,060	12,092	10,564	7,549	7,361	7,124	6,686
Nondepartmental fixed						9,527	9,087	8,315	9,182	13,082
Other						335	4,524	6,570	4,447	3,379
Capital outlay	23,549	22,711	9,521	18,049	12,553	17,403	9,664	11,778	28,188	22,579
Debt service interest	10,721	10,623	10,374	11,861	12,379	12,977	13,760	13,452	12,530	6,789
Debt service principal	14,764	14,218	15,477	13,763	13,261	12,522	12,794	11,895	9,838	9,572
Total expenditures	<u>269,070</u>	<u>268,618</u>	<u>259,938</u>	<u>257,779</u>	<u>240,418</u>	<u>232,093</u>	<u>211,283</u>	<u>206,904</u>	<u>210,567</u>	<u>192,789</u>
Excess of Revenue over (under)										
Expenditures	<u>(10,632)</u>	<u>(13,101)</u>	<u>(14,909)</u>	<u>(3,263)</u>	<u>(4,660)</u>	<u>(7,832)</u>	<u>(1,654)</u>	<u>(9,161)</u>	<u>(7,197)</u>	<u>(11,286)</u>
Other Financing Sources (Uses):										
Transfers in	31,409	36,507	35,963	31,977	40,015	34,615	36,866	34,455	27,240	23,114
Transfers out	(37,604)	(32,397)	(36,288)	(32,327)	(39,790)	(35,129)	(32,909)	(41,874)	(26,790)	(23,509)
Proceeds from the issuance of notes	14,527	19,453	2,696	2,318	2,929			24,680	17,235	
Total other financing sources (uses)	<u>8,332</u>	<u>23,563</u>	<u>2,371</u>	<u>1,968</u>	<u>3,154</u>	<u>(514)</u>	<u>3,957</u>	<u>17,261</u>	<u>17,685</u>	<u>(395)</u>
Net Change in Fund Balances	\$ <u>(2,300)</u>	\$ <u>10,462</u>	\$ <u>(12,538)</u>	\$ <u>(1,295)</u>	\$ <u>(1,506)</u>	\$ <u>(8,346)</u>	\$ <u>2,303</u>	\$ <u>8,100</u>	\$ <u>10,488</u>	\$ <u>(11,681)</u>
Debt Service as a Percentage of Noncapital Expenditures	6.1%	5.8%	6.6%	5.9%	6.2%	6.1%	6.9%	6.6%	5.2%	5.4%

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

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

Fiscal Year	Real Property			Personal Property	Motor Vehicle	Less Tax-Exempt 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									
2007	\$ 1,231,471,230	\$ 1,904,001,000	\$ 71,934,920	\$ 187,854,214	\$ 239,636,127	\$ 846,737,477	\$ 2,788,160,014	\$ 1,358,313	\$ 2,786,801,701	45.39	\$ 2,966,859,573	70 %
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

Source: City of New Britain Office of Tax Assessor

Note:

- (1) The October 1, 2002 Grand List was a revaluation year.
- (2) The 2007 fiscal is the 2005 Grand List, 2006 is 2004 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

TABLE 6

CITY OF NEW BRITAIN, CONNECTICUT

PRINCIPAL PROPERTY TAXPAYERS
2005 AND 1996

Taxpayer	October 1, 2005			October 1, 1996		
	Taxable Assessed Value	Rank	Percentage of Net Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Net Taxable Assessed Value
Stanley Works	\$ 37,523,041	1	1.72 %	\$ 45,653,504	1	3.14 %
CT Light & Power	26,768,171	2	1.29	14,397,540	2	0.99
Brittany Farms Assoc.	17,910,690	3	0.86	6,934,830	5	0.48
Creed Monarch	13,737,392	4	0.66	5,026,632	7	0.35
Inland Southeast New Britain LLC	11,824,680	5	0.57			
CT Natural Gas Corp	11,647,305	6	0.56	7,510,130	4	0.52
NB-BTMC LLC	11,459,070	7	0.55			
Investment Associates	8,778,000	8	0.42	8,536,185	3	0.59
Webster Bank	8,540,063	9	0.41			
HSC Community Services	8,333,850	10	0.40	4,399,390	10	0.28
Newbrite Associates LTD Partnership				5,817,000	6	0.40
Cold Metal Products				4,399,390	8	0.30
Brittany Farms Pavilions				4,124,040	9	0.28
Total	<u>\$ 156,522,262</u>		<u>7.04 %</u>	<u>\$ 106,798,641</u>		<u>6.63 %</u>

Source: City of New Britain, Office of Tax Assessor

TABLE 7

CITY OF NEW BRITAIN, CONNECTICUT

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

Fiscal Year Ended June 30,	Tax Rate In Mills	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2007	45.88	\$ 95,916	\$ 92,550	96.49 %	\$	\$ 3,366	96.49 %
2006	45.89	94,516	91,538	96.85	2,191	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

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

CITY OF NEW BRITAIN, CONNECTICUT

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands, except per capita)**

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Ratio of Debt to Taxable Assessed Value	Debt Per Capita
	General Obligation Bonds	Capital Leases	Water			
2007	\$ 182,985	\$	\$ 42,743	\$ 225,728	6.17 %	\$ 3,062
2006	183,966		44,577	228,543	6.27	3,121
2005	178,827	23	33,811	212,661	6.18	2,896
2004	189,184	46	35,044	224,274	6.45	3,105
2003	199,585	67	11,679	211,331	9.21	2,954
2002	209,200	104	17,563	226,867	9.72	3,171
2001	220,955	130	180	221,265	10.43	3,160
2000	232,900	156		233,056	11.12	3,311
1999	218,680	182	560	219,422	10.53	3,093
1998	214,200	208	760	215,168	10.28	3,033

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, 2007
(In Thousands)

Total tax collections (including interest and lien fees) received by Treasurer for year ended June 30, 2007	\$ 96,757 *
Reimbursement for revenue loss (year ended June 30, 2006):	
Veterans exemption	48
Disability exemption	26
Tax relief for the elderly (C.G.S. 7-129d) and disability exemptions	565
Manufacturing equipment exemption	922
Boat registration reimbursement	<u>-</u>
BASE for debt limitation computation	<u>\$ 98,318</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension</u>
Debt limitation:					
2-1/4 times base	\$ 221,216	\$	\$	\$	\$
4-1/2 times base		442,431			
3-3/4 times base			368,693		
3-1/4 times base				319,534	
3 times base					294,954
Total debt limitation	<u>221,216</u>	<u>442,431</u>	<u>368,693</u>	<u>319,534</u>	<u>294,954</u>
Indebtedness:					
Bonds payable	132,224	46,676	180		
Notes payable	15,685	3,000			
Bonds authorized - unissued	91,107	50,895	12,887		
Total indebtedness	<u>239,016</u>	<u>100,571</u>	<u>13,067</u>	<u>-</u>	<u>-</u>
Less: self-liquidating indebtedness:					
Sewer: bonds payable	180				
Statutory exclusion- pension obligation bond	94,450				
School construction grants		64,633			
Total self-liquidating indebtedness	<u>94,630</u>	<u>64,633</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness less self-liquidating indebtedness	<u>144,386</u>	<u>35,938</u>	<u>13,067</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 76,830</u>	<u>\$ 406,493</u>	<u>\$ 355,626</u>	<u>\$ 319,534</u>	<u>\$ 294,954</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation - \$688,226

*Budgetary basis

CITY OF NEW BRITAIN, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	FISCAL YEAR									
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Debt limitation	\$ 688,226	\$ 677,215	\$ 689,717	\$ 697,571	\$ 596,015	\$ 555,940	\$ 538,327	\$ 533,434	\$ 530,892	\$ 525,314
Total net debt applicable to limit	<u>193,391</u>	<u>183,749</u>	<u>192,481</u>	<u>217,058</u>	<u>301,558</u>	<u>246,866</u>	<u>140,900</u>	<u>143,828</u>	<u>193,453</u>	<u>207,779</u>
Legal debt margin	<u>\$ 494,835</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	<u>28.10%</u>	<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>

Source: Comprehensive Annual Financial Reports - Schedule of Debt Limitation

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

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

Calendar Year	Population (1)	Personal Income (2)	Per Capita Income (3)	Median Age (4)	School Enrollment (5)	Unemployment Rate (6)
2007	72,395	\$ 41,056	23,379	33.9	11,105	7.50 %
2006	71,840	41,056	23,379	33.9	10,950	5.50
2005	71,840	41,056	23,379	33.9	10,947	7.50
2004	71,538	41,056	23,379	33.9	11,024	7.90
2003	71,538	41,056	23,379	33.9	10,803	7.10
2002	71,538	41,056	23,379	33.9	10,718	6.20
2001	70,010	41,056	23,379	33.9	10,558	5.70
2000	70,492	41,056	23,379	33.9	10,295	3.90
1999	70,948	N/A	N/A	N/A	10,216	5.50
1998	70,948	N/A	N/A	N/A	9,957	5.20

(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

CITY OF NEW BRITAIN, CONNECTICUT

PRINCIPAL EMPLOYERS
2007 AND 1997

Employer	Nature of Business	2007			1998		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of New Britain	Government	2,670	1	20.60 %	2,300	1	20.40 %
Hospital of Central Connecticut	Hospital	2,300	2	17.74	1,650	2	14.74
Central CT State University	University	1,635	3	12.61	1,500	4	13.40
The Hospital for Special Care	Hospital	1,300	4	10.03	800	6	7.15
Tilcon CT	Construction	928	5	7.16	850	5	7.59
State of CT	Government	900	6	6.94	700	7	6.25
The Stanley Works	Manufacturing	850	7	6.56	1,800	2	16.08
Grove Hill Medical Center	Medical Services	440	8	3.39	510	8	4.56
Webster	Banking	400	9	3.09			
Dattco	Bus Transportation	395	10	3.05			
Moore Medical	Medical Supplies				300	9	2.68
Parker Skinner Value	Manufacturing				250	10	2.29
Total		<u>11,818</u>		<u>70.57 %</u>	<u>10,660</u>		<u>61.34 %</u>
Total Employment		<u>31,719</u>			<u>32,294</u>		

Source: City of New Britain, Municipal Development Agency

CITY OF NEW BRITAIN, CONNECTICUT

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Administration, financial and other	100	108	137	128	65	84	77	76	88	106
Police	173	151	141	164	197	197	194	N/A	189	194
Fire	145	135	142	130	141	139	138	132	135	141
Health and welfare	20	13	19	14	19	24	27	35	37	20
Parks and recreation	60	68	70	53	67	61	59	58	55	54
Public works, engineering, garage	71	77	70	64	76	70	71	69	65	56
Water	56	53	57	48	50	48	50	47	47	48
Education	<u>1353</u>	<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>
Total	<u><u>1978</u></u>	<u><u>1,957</u></u>	<u><u>1,975</u></u>	<u><u>1,936</u></u>	<u><u>1,917</u></u>	<u><u>1,954</u></u>	<u><u>1,902</u></u>	<u><u>1,695</u></u>	<u><u>1,880</u></u>	<u><u>1,823</u></u>

CITY OF NEW BRITAIN, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General government:										
Building permits issued	2,366	2,442	1,968	2,178	2,081	2,190	1,939	N/A	N/A	N/A
Building inspections conducted	3,865	4,483	3,672	3,970	4,157	6,959	4,641	N/A	N/A	N/A
Police:										
Calls for service	56,885	59,646	55,284	54,197	56,849	56,849	53,883	55,543	54,455	52,800
Physical arrests	6,161	6,828	6,732	6,878	7,222	7,517	6,870	7,000	7,228	6,700
Parking violations	22,059	26,367	28,126	28,225	28,420	25,250	20,022	7,917	7,701	6,427
Traffic violations	5,422	6,997	5,975	5,116	4,305	4,390	3,191	3,740	2,500	3,000
Fire:										
Emergency responses	6,929	6,320	6,082	2,997	2,976	N/A	N/A	N/A	N/A	N/A
Fires extinguished	565	279	296	357	303	N/A	N/A	N/A	N/A	N/A
Inspections	351	312	307	343	361	N/A	N/A	N/A	N/A	N/A
Refuse collection:										
Refuse collected (tons per day)	186	193	197	199	184	170	185	193	188	180
Recyclables collected (tons per day)	12	11	11	11	12	12	12	12	11	12
Other public works:										
Street resurfacing (miles)	15	9	12	5	4	4	4	8	0	21
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	4,958	2,597	2,447	2,859	2,827	3,052	2,994	2,703	2,408	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	231,214	246,891	243,723	254,773	259,773	260,969	255,067	261,530	251,065	240,857
Total volumes borrowed	373,557	312,662	315,649	373,335	346,906	323,881	303,292	309,200	322,819	341,156
Water:										
New connections	60	94	86	299	299	420	350	942	959	N/A
Water main breaks	28	16	24	29	26	24	22	3	19	N/A
Average daily consumption (thousands of gallons)	10,100	10,000	11,161	10,293	9,898	9,876	10,539	10,691	10,453	N/A
Peak daily consumption (thousands of gallons)	14,410	12,745	15,700	13,700	14,500	16,360	14,130	14,730	14,840	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, CONNECTICUT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
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	17	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	71	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	1,977	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991
Storage capacity (thousands of gallons)	2,858,700	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

CITY OF NEW BRITAIN, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2007

CITY OF NEW BRITAIN, CONNECTICUT

FEDERAL SINGLE AUDIT REPORT

JUNE 30, 2007

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program, on Internal Control over
Compliance in Accordance with OMB Circular A-133
and on the Schedule of Expenditures of Federal Awards**

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

Compliance

We have audited the compliance of the City of New Britain, Connecticut (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, 2007. The City's 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 the City's 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, 2007. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-03.

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 City's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-03 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be 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, 2007 and have issued our report thereon dated December 31, 2007. 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 Mayor, members of the Common Council, the 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.

Blum, Shapiro & Company, P.C.

December 31, 2007

CITY OF NEW BRITAIN, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Agriculture			
<i>Passed Through the State of Connecticut</i>			
<i>Department of Administrative Services:</i>			
Food Donation	10.550		\$ 334,317
<i>Passed Through the State of Connecticut</i>			
<i>Department of Education:</i>			
Child Nutrition Cluster:			
Snack Program - Early Childhood Program	10.556	12060-SDE64370-20560	\$ 50,911
School Breakfast Program	10.553	12060-SDE64370-20508	452,759
National School Lunch Program	10.555	12060-SDE64370-20560	2,155,722
Summer Seamless Waiver Program	10.559	12060-SDE64370-20560	<u>136,537</u>
			2,795,929
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	<u>83,898</u>
Total United States Department of Agriculture			<u>3,214,144</u>
United States Department of Education			
<i>Passed Through the State of Connecticut</i>			
<i>Department of Education:</i>			
Adult Education	84.002	12060-SDE64370-20784	34,994
Title I Grants to Local Educational Agencies	84.010	12060-SDE64370-20679	5,135,710
Children of Migrant Workers	84.011	12060-SDE64370-20972	62,589
Special Education Cluster:			
Special Education - Grants to States	84.027	12060-SDE64370-20977	2,588,025
Special Education - Preschool Grants	84.173	12060-SDE64370-20983	<u>112,634</u>
			2,700,659
Vocational Education	84.048	12060-SDE64370-20742	272,808
Safe and Drug-Free Schools and Communities - State Grants	84.186	12060-SDE64370-20873	83,763
Twenty-First Century Community Learning Centers	84.287	12060-SDE64370-20863	704,060

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
State Grants for Innovative Programs	84.298	12060-SDE64370-20909	\$ 33,281
Tech Literacy Challenge Fund	84.318	12060-SDE64370-20826	52,694
Reading First State Grants	84.357	12060-SDE64370-20854	250,213
Title III Language LEP Bilingual	84.365	12060-SDE64370-20868	232,616
Title II PART B Math and Science	84.366	12060-SDE64370-21592	138,322
Title II Part A Train/Recruit	84.367	12060-SDE64370-20858	<u>568,210</u>
Total United States Department of Education			<u>10,269,919</u>
United States Department of Health and Human Services			
<i>Passed Through the State of Connecticut Department of Public Health:</i>			
Immunization Grants	93.268	12060-DPH48664-20911	68,393
Preparedness and Resp-Bioterrorism	93.283	12060-DPH48557-21096	83,746
HIV Prevention Activities - Health Department Based	93.940	12060-DPH48852-20920	46,514
Preventive Health and Health Services Block Grant	93.991	12060-DPH48558-21530	13,746
<i>Passed Through the State of Connecticut Department of Children and Families:</i>			
Independent Living Skills	93.674	12060-DCF91178-20225	<u>32,156</u>
Total United States Department of Health and Human Services			<u>244,555</u>

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Homeland Security			
<i>Passed Through the State of Connecticut Department of Emergency Management and Homeland Security:</i>			
Homeland Security Grant Program	97.067	12060-EHS99530-21877	\$ 6,000
Disaster Grants - Public Assistance	97.036	12060-EHS99690-21891	93,176
Emergency Management Performance Grants	97.042	12060-EHS99660-21881	<u>38,626</u>
Total United States Department of Homeland Security			<u>137,802</u>
United States Department of Housing and Urban Development			
<i>Direct Programs:</i>			
Community Development Block Grant/Entitlement	14.218		2,177,481
Emergency Shelter Grants Program	14.231		89,006
Home Program	14.239		356,526
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900		346,817
Youth Building Program	14.243		44,901
<i>Passed Through the State of Connecticut Department of Economic and Community Development:</i>			
State Home Program	14.239	12060-SDE64370-20452	<u>133,665</u>
Total United States Department of Housing and Urban Development			<u>3,148,396</u>

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number/ Project Number</u>	<u>Expenditures</u>
United States Department of Justice			
<i>Passed Through the State of Connecticut</i>			
<i>Department of Public Safety:</i>			
Stop Violence Against Women	16.589	12060-OPM20350-21559	\$ 50,288
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12060-EHS99580-22067	<u>6,000</u>
Total United States Department of Justice			<u>56,288</u>
United States Department of Transportation			
<i>Passed Through the State of Connecticut</i>			
<i>Department of Transportation:</i>			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	12062-DOT57141-22108	222,007
Highway Safety Cluster:			
State and Community Highway Safety	20.600	12062-DOT57533-20559	156,379
Urban Systems	20.505	13033-DOT57141-41392	<u>671,575</u>
Total United States Department of Transportation			<u>1,049,961</u>
Election Assistance Commission			
<i>Passed Through the State of Connecticut</i>			
<i>Secretary of State:</i>			
Help America Vote Act	90.401	12060-SOS12500-21465	<u>11,486</u>
Total Federal Awards Expended			<u>\$ 18,132,551</u>

CITY OF NEW BRITAIN, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

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

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to government entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - **Noncash Awards:**

Donated commodities in the amount of \$334,317 are included in the Department of Agriculture's Food Donation Program, CFDA #10.550. The amount represents the market value of commodities received.



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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 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 (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We believe that the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-02 constitute material weaknesses.

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 31, 2007.

This report is intended solely for the information and use of management, the Mayor, members of the Common Council, the 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.

Blum, Shapiro & Company, P.C.

December 31, 2007

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X yes no

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/ 10.556/10.559	U.S. Department of Agriculture: Child Nutrition Cluster
84.027/84.173 84.010 84.367	U.S. Department of Education: Special Education Cluster Title I Grants to Local Educational Agencies Title II Part A Train/Recruit
14.218 14.239	U.S. Department of Housing and Urban Development: Community Development Block Grant Home Program
20.505	U.S. Department of Transportation: Urban Systems

Dollar threshold used to distinguish between type A and type B programs: \$543,977

Auditee qualified as low-risk auditee? yes no

II. Financial Statement Findings

- We issued reports, dated December 31, 2007, 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 two material weaknesses reported as Findings 07-01 and 07-02.

Finding 07-01

Condition: The Water Department's bank statements were not properly reconciled to the general ledger on a timely basis.

Criteria: In order to accurately present the financial position of the Water Department, bank statements should be reconciled to the general ledger on a monthly basis.

Effect: The financial statements of the Water Department might not accurately report the results of operations and financial position.

Cause: Procedures which require the reconciliation of bank statements to the related general ledger accounts were not followed.

Recommendation: We recommend that the current bank reconciliation procedures be reviewed with those individuals in charge of the process. Emphasis should be placed on the timeliness of all reconciliations and the follow up and adjustment of reconciling items.

Finding 07-02

Condition: The general ledger of the City's Water Department was not maintained on a current basis during the fiscal year. Additionally, accounting data was entered into the general ledger inaccurately and therefore required the posting of significant adjusting entries to properly report the results of operations accordance with accounting principles generally accepted in the United States of America.

Criteria: In order to accurately present the financial position and results of operations for the Water Department, the general ledger has to be maintained on a current and accurate basis.

Effect: The financial statements of the Water Department might not accurately report the results of operations and financial position.

Cause: Proper accounting procedures are not in place to ensure that information is properly entered to the general ledger and reconciled to subsidiary records on a monthly basis.

Recommendation: We recommend the implementation of accounting policies and procedures which will require that information is entered into the general ledger accurately as supported by underlying documentation in a timely manner. These accounting procedures should provide for the monthly and yearly closing of the general ledger.

III. Federal Award Findings and Questioned Costs

Finding 07-03 Cash Management

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

CFDA Number: 14.218 - Community Development Block Grant

Criteria: Interest income earned on revolving loan accounts should be returned to the United States Treasury at least on an annual basis.

Condition: The City earned \$112,315 in interest since 2004 on revolving loans, which was not returned to the United States Treasury on an annual basis.

Effect: Certain costs may be disallowed or funding may be reduced.

Cause: The City has not implemented policies and procedures which provide for compliance with this specific requirement of the cash management guidelines.

Recommendation: We recommend implementing policies and procedures which provide for compliance with specific cash management requirements for HUD programs.

CITY OF NEW BRITAIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2007

CITY OF NEW BRITAIN, CONNECTICUT

STATE SINGLE AUDIT REPORT

JUNE 30, 2007

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**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program, on Internal Control over
Compliance in Accordance with the State Single Audit Act
and on the Schedule of Expenditures of State Financial Assistance**

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

Compliance

We have audited the compliance of the City of New Britain, Connecticut (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, 2007. 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 on 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, 2007.

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 City's internal control over compliance with the 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 but not for the purpose of expressing an opinion on the effectiveness

of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a state program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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, 2007 and have issued our report thereon dated December 31, 2007. 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 for the information and use of management, the Mayor, members of the Common Council, the Board of Education, the Office of Policy and Management and state awarding agencies is not intended to be and should not be used by anyone other than these specified parties.

Blum, Shapiro & Company, P.C.

December 31, 2007

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

FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Board of Education and Services for the Blind		
Education Aid Blind/Visually Impaired Children	11000-ESB65020-12060	\$ <u>161,097</u>
Department of Children and Families		
Child Welfare Support Services	11000-DCF91178-16120	<u>30,026</u>
State Comptroller		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OSC15910-17004	4,496,878
Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	3,888,487
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	3,546,406
Boat Grant	12027-OSC15910-40211	<u>13,433</u>
Total State Comptroller		<u>11,945,204</u>
Department of Economic and Community Development		
Tax Abatement Program	11000-ECD46400-17008	28,169
Payment In Lieu of Taxes (PILOT) Moderate Rental	11000-ECD46400-17012	207,993
Urban Action OPM	13019-ECD46350-41240	<u>206,101</u>
Total Department of Economic and Community Development		<u>442,263</u>
Department of Education		
Omnibus Grants St Supported Schools	11000-SDE64000-16072	179,616
Family Resource Centers	11000-SDE64370-16110	204,500

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CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Adult Education	11000-SDE64370-17027	\$ 642,001
Health and Welfare-Private School Pupil	11000-SDE64370-17034	103,380
Bilingual Education	11000-SDE64370-17042	160,378
School Readiness and Child Day Care in Priority Schools	11000-SDE64370-17043-82056	3,318,148
Priority School Districts	11000-SDE64370-17043-82052	2,420,909
Early Reading Success Grant Program for Priority School Districts	11000-SDE64000-17043-82053	1,276,939
Extended School Hours Program Grant	11000-SDE64000-17043-82054	191,788
Summer School Accountability Grant	11000-SDE64000-17043-82055	227,543
School Breakfast	11000-SDE64370-17046	69,471
Youth Services Bureau	11000-SDE64370-17052	72,782
Magnet Schools	11000-SDE64370-17057	<u>41,600</u>
Total Department of Education		<u>8,909,055</u>
Connecticut State Library		
Historical Documents Preservation Account	12060-CSL66094-35150	12,000
Grants to Public Libraries	11000-CSL66051-17003	<u>5,082</u>
Total Connecticut State Library		<u>17,082</u>
Office of Policy and Management		
Justice Assistance State Match Program	11000-OPM20350-12251	15,303
Safe and Drug Free Schools 2003	12060-OPM20350-21678	180,000

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Reimbursement of Property Taxes - Disability Exemption	11000-OPM20600-17011	\$ 12,901
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	921,548
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	507,041
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	36,754
Property Tax Relief for Veterans	11000-OPM20600-17024	47,557
Local Capital Improvement Program	11000-OPM20600-40254	1,672,221
Property Tax Relief	11000-OPM20600-17086	<u>1,817,720</u>
Total Office of Policy and Management		<u>5,211,045</u>
Department of Public Health		
Childhood Lead Poisoning Prevention	11000-DPH48766-12227	95,118
“AIDS” Services	11000-DPH48500-12236	39,469
X-Ray Screen and Tuberculoses Care	11000-DPH48666-16112	3,367
Per Capita Funding	11000-DPH48500-17009	47,727
Sexually Transmitted Diseases	11000-DPH48665-17013	13,430
School-Based Health Clinics	11000-DPH48832-17019	155,339
Immunization	11000-DPH48664-10020	37,549
Risk Factor Surveillance	11000-DPH48571-10020	<u>1,973</u>
Total Department of Public Health		<u>393,972</u>

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Public Safety		
Telecommunications Fund	12060-DPS32740-35190	\$ 23,503
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	<u>3,487</u>
Total Department of Public Safety		<u>26,990</u>
Department of Revenue Services, Division of Special Revenue		
Off Track Betting	34004-DSR18307-40001	251,384
Bingo Payments	34003-DSR18309-42350	<u>938</u>
Total Department of Revenue Services, Division of Special Revenue		<u>252,322</u>
Department of Social Services		
Medicaid	11000-DSS60000-16020	486,719
Other Expenses	11000-DSS61201-10020	<u>212,057</u>
Total Department of Social Services		<u>698,776</u>
Department of Transportation		
Highway and Bridge Renewal-2004	12001-DOT57251-12293	354
Town Aid Road Grants	12001-DOT57131-17036	387,108
Elderly and Disabled Demand Responsive	12062-DOT57931-35304	62,826
Urban Systems	13033-DOT57126-41392	<u>181,578</u>
Total Department of Transportation		<u>631,866</u>

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007

<u>State Grantor/Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Public Works		
Rents and Moving	11000-DPW27350-12179	\$ <u>138,600</u>
Total State Financial Assistance Before Exempt Programs		<u>28,858,298</u>
Exempt Programs		
Department of Education		
Transport of School Children	11000-SDE64000-17027	2,536,830
Education Equalization Grants	11000-SDE64370-17041	64,079,306
Excess Costs Student Based	11000-SDE64370-17047	1,775,345
Excess Costs Equity	11000-SDE64370-17048	365,966
Nonpublic School Transportation	11000-SDE64370-17049	509,907
School Construction - Interest	13009-SDE64370-40896	1,076,932
School Construction - Principal SDE	13010-SDE64370-40901	<u>9,782,398</u>
Total Exempt Programs		<u>80,126,684</u>
Total State Financial Assistance		\$ <u><u>108,984,982</u></u>

CITY OF NEW BRITAIN, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2007

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of New Britain, Connecticut, through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including housing, education, human services, transportation and general government activities.

Note 1 - **Summary of Significant Accounting Policies:**

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to government entities. 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 of accounting. The following is a summary of such basis:

Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are recorded when the related fund liability is incurred, if measurable.

The schedule of expenditures of state financial assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Sections 4-236-22), 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.

Note 2 - **Loan Programs:**

In accordance with Section 4-236-23(a)(4)(F) of the Regulations to the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2007:

Department of Environmental Protection:

Clean Water Funds:

Outstanding balance, July 1, 2006	\$ 34,913,123
Issued	-
Payments	<u>(2,084,920)</u>
Outstanding Balance, June 30, 2007	\$ <u>32,828,203</u>



**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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 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 (the City) as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses. We believe that the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 and 07-02 constitute material weaknesses.

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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 31, 2007.

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

Blum, Shapiro & Company, P.C.

December 31, 2007

CITY OF NEW BRITAIN, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

I. Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) 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(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

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

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

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Local Capital Improvement Program	11000-OPM20600-40254	\$ 1,672,221
Payment in Lieu of Taxes (PILOT) on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	921,548
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	507,041
Property Tax Relief	11000-OPM20600-17086	1,817,720
Office of State Comptroller:		
Mashantucket Pequot/Mohegan Fund Payment in Lieu of Taxes (PILOT) on State-Owned Property	12009-OSC15910-17005	3,546,406
	11000-OSC15910-17004	4,496,878

Payment in Lieu of Taxes (PILOT) on Private Colleges and General Hospitals	11000-OSC15910-17006	3,888,487
Department of Education:		
Adult Education	11000-SDE64370-17027	642,001
Priority School Districts	11000-SDE64370-17043-82052	2,420,909
Early Reading Success Grant Program for Priority School Districts	11000-SDE64000-17043-82053	1,276,939
School Readiness and Child Day Care in Priority Schools	11000-SDE64000-17043-82056	3,318,148
Department of Social Services:		
Medicaid	11000-DSS60000-16020	486,719
Department of Transportation:		
Town Aid Roads	12001-DOT57131-17036	387,108

II. Financial Statement Findings

1. We issued reports, dated December 31, 2007, on internal control over financial reporting and on compliance based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
2. Our report on compliance indicated no reportable instances of noncompliance.
3. Our report on internal control over financial reporting indicated two material weaknesses reported as Findings 07-01 and 07-02.

Finding 07-01

Condition: The Water Department's bank statements were not properly reconciled to the general ledger on a timely basis.

Criteria: In order to accurately present the financial position of the Water Department, bank statements should be reconciled to the general ledger on a monthly basis.

Effect: The financial statements of the Water Department might not accurately report the results of operations and financial position.

Cause: Procedures which require the reconciliation of bank statements to the related general ledger accounts were not followed.

Recommendation: We recommend that the current bank reconciliation procedures be reviewed with those individuals in charge of the process. Emphasis should be placed on the timeliness of all reconciliations and the follow up and adjustment of reconciling items.

Finding 07-02

- Condition:** The general ledger of the City's Water Department was not maintained on a current basis during the fiscal year. Additionally, accounting data was entered into the general ledger inaccurately and therefore required the posting of significant adjusting entries to properly report the results of operations accordance with accounting principles generally accepted in the United States of America.
- Criteria:** In order to accurately present the financial position and results of operations for the Water Department, the general ledger has to be maintained on a current and accurate basis.
- Effect:** The financial statements of the Water Department might not accurately report the results of operations and financial position.
- Cause:** Proper accounting procedures are not in place to ensure that information is properly entered to the general ledger and reconciled to subsidiary records on a monthly basis.
- Recommendation:** We recommend the implementation of accounting policies and procedures which will require that information is entered into the general ledger accurately as supported by underlying documentation in a timely manner. These accounting procedures should provide for the monthly and yearly closing of the general ledger.

III. State Financial Assistance Findings and Questioned Costs

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