

OFFICIAL STATEMENT DATED MARCH 16, 2011

New Issue - Book Entry Only

Ratings (See "Ratings" herein):

TAX-EXEMPT

Standard & Poor's: "SP-1+"

In the opinion of Bond Counsel, assuming the accuracy of and continuing compliance by the City with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), based on existing law, interest on the Notes is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax. Interest on the Notes may be in the calculation of certain taxes under the Code, including the federal alternative minimum tax on certain corporations, as described under Appendix C - "Form of Opinion of Bond Counsel and Tax Exemption" herein. In the opinion of Bond Counsel, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.



CITY OF NEW BRITAIN, CONNECTICUT

\$38,235,000 General Obligation Bond Anticipation Notes

Dated: Date of Delivery

Due: March 28, 2012

The \$38,235,000 Bond Anticipation Notes (the "Notes") will be general obligations of the City, secured by the pledge of the City's full faith and credit. See "Security and Remedies" herein.

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

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

<u>Maturity</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
March 28, 2012	\$38,235,000	2.000%	0.700%	642713 3L3

The Notes are offered for delivery when, as and if issued and received by William Blair & Company, L.L.C., Chicago, Illinois (the "Underwriter"), subject to the final approving opinion of Shipman & Goodwin LLP, Hartford, Connecticut, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Updike, Kelly & Spellacy, P.C., Hartford, Connecticut. It is expected that delivery of the Notes in book-entry-only form will be made through the facilities of DTC on or about March 29, 2011.

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

William Blair & Company

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

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

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

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth as its opinion in Appendix C "Form of Opinion of Bond Counsel and Tax Exemption" herein) and it makes no representation that it has independently verified the same.

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

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

The Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in such Act. In addition, the Notes have not been registered under any state securities laws.

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

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

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NOTE ISSUE SUMMARY

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

Issuer	City of New Britain, Connecticut (the "City")
Issue	\$38,235,000 General Obligation Bond Anticipation Notes (the "Notes")
Dated Date	March 29, 2011
Interest Date	At maturity, March 28, 2012
Principal Due	At maturity, March 28, 2012
Purpose and Authority	The Notes are being issued to currently refund maturing bond anticipation notes and to provide new money for various school and other public projects.
Redemption	The Notes are not subject to redemption prior to maturity.
Security	The Notes will be general obligations of the City of New Britain, Connecticut, and the City will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
Credit Rating	Standard & Poor's has assigned a rating of "SP-1+" on the Notes. See "Ratings" herein.
Bond Insurance	The Notes will not be insured.
Tax Exemption	See Appendix C, "Form of Opinion of Bond Counsel and Tax Exemption" herein.
Bank Qualification	The Notes shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Notes.
Availability of Continuing	
Disclosure	See Appendix B "Form of Continuing Disclosure Agreement" herein.
Certification, Transfer	
Agent, Registrar and Paying	
Agent	U.S. Bank National Association, Hartford, Connecticut
Legal Opinion	Shipman & Goodwin LLP, Hartford, Connecticut will serve as bond counsel.
Delivery and Payment	It is expected that delivery of the Notes in book-entry only form will be made through the facilities of the Depository Trust Company on or about March 29, 2011 against payment in Federal Funds.
Issuer Official	For further information regarding this Official Statement and the City contact: Mr. Robert Curry, Finance Director, City Hall, 27 West Main Street, New Britain, CT 06051. Telephone (860) 826-3434.

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the City of New Britain, Connecticut (the "City"), in connection with the original sale of the City's \$38,235,000 General Obligation Bond Anticipation Notes (the "Notes").

The Notes are being issued through a negotiated sale with William Blair & Company, L.L.C., Chicago, Illinois.

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

AUTHORIZATION

The Notes are issued pursuant to the Connecticut General Statutes, as amended, the Charter of the City of New Britain and resolutions adopted by the Common Council.

THE NOTES

Description of the Notes

The Notes will be dated March 29, 2011 and will be due and payable as to both principal and interest at maturity, March 28, 2012. The Notes will bear interest, calculated on the basis of a 360-day year consisting of twelve 30-day months, at such rate or rates per annum as set forth on the cover of this Official Statement.

REDEMPTION

Redemption of the Notes

The Notes are not subject to redemption prior to maturity.

PROCEEDS OF THE NOTES

Amount Authorized to Bond	Board of Finance Approval ¹	Common Council Approval ¹	Project Name (Original Resolution Number)	Previous Bond Issues	Remaining Authorization	BANs Maturing March 29, 2011	(Paydown / Reduction) New Money	Notes this Issue
School Projects								
\$16,595,000	21-Feb-07	28-Feb-07	New Britain High School (284721)...	\$4,000,000	\$12,595,000	\$1,610,000	\$0	\$1,610,000
3,000,000	12-Nov-08	12-Nov-08	NBHS Code Compliance (302051).....	0	3,000,000	0	2,310,000	2,310,000
10,000,000	7-Apr-10	14-Apr-10	Diloretto School (30944).....	0	10,000,000	0	535,000	535,000
1,700,000	2-Jul-08	9-Jul-08	Entrance/Security (302061).....	0	1,700,000	375,000	0	375,000
500,000	12-Nov-08	12-Nov-08	Smalley Academy Chiller (30207-1).....	0	500,000	480,000	0	480,000
<u>8,225,000</u>	11-Jul-07	22-Aug-07	Refoof Five Schools (29023-1).....	<u>1,750,000</u>	<u>6,475,000</u>	<u>612,000</u>	<u>(2,000)</u>	<u>610,000</u>
\$40,020,000			Subtotal School.....	\$5,750,000	\$34,270,000	\$3,077,000	\$2,843,000	\$5,920,000
Capital Equipment								
\$4,503,500	13-Jun-07	13-Jun-07	2005 Capital Equipment (28576-1)...	\$2,200,000	\$2,303,500	\$1,745,000	\$0	\$1,745,000
<u>8,450,000</u>	23-Jun-10	23-Jun-10	2007 Capital Equipment (29502).....	<u>800,000</u>	<u>7,650,000</u>	<u>4,970,000</u>	<u>0</u>	<u>4,970,000</u>
\$12,953,500			Subtotal Capital Equipment	\$3,000,000	\$9,953,500	\$6,715,000	\$0	\$6,715,000
Public Improvement Projects								
\$3,000,000	4-Apr-07	11-Apr-07	EMS Facility and Vehicles (27719-1 & 28697-1).	\$2,880,000	\$120,000	\$60,000	\$0	\$60,000
4,750,000	9-Jul-08	9-Jul-08	Storm Water System Imp (27488-1).....	625,000	4,125,000	2,100,000	625,000	2,725,000
9,500,000	1-Nov-06	13-Dec-06	Hart St Extension/Recon (25913-1)....	4,553,750	4,946,250	359,500	(359,500)	0

Amount Authorized to <u>Bond</u>	Board of Finance <u>Approval</u> ¹	Common Council <u>Approval</u> ¹	Project Name <u>(Original Resolution Number)</u>	Previous Bond <u>Issues</u>	Remaining <u>Authorization</u>	BANs <u>Maturing</u> <u>March 29, 2011</u>	(Paydown / <u>Reduction</u>) <u>New Money</u>	Notes <u>this Issue</u>
6,750,000	23-Jun-10	23-Jun-10	Environmental Remediation (27491-1)...	4,800,000	1,950,000	700,000	500,000	1,200,000
7,946,000	20-Jun-06	28-Jun-06	Pinnacle Heights (29188-1) ²	1,300,000	6,646,000	3,300,000	0	3,300,000
3,250,000	9-Jul-08	9-Jul-08	Fafnir Smart Park (26325-1).....	1,500,000	1,750,000	645,000	0	645,000
8,550,000	12-Nov-08	12-Nov-08	Fafnir Booth Industrial Park (23307-1)...	2,825,000	5,725,000	660,000	0	660,000
5,350,000	28-Jan-09	28-Jan-09	Willow Street (24238-1).....	250,000	5,100,000	4,650,000	0	4,650,000
22,058,000	28-Jan-09	28-Jan-09	Street Infrastructure (29503-1).....	9,655,000	12,403,000	4,730,000	895,000	5,625,000
5,075,000	12-Mar-08	12-Mar-08	Badolato/Szczesny Garages (30026-1)...	0	5,075,000	1,003,500	281,500	1,285,000
6,868,000	21-Feb-07	28-Feb-07	Transfer Station Rehab (29504-1).....	0	6,868,000	1,000,000	1,000,000	2,000,000
7,300,000	10-Jun-09	10-Jun-09	Beaver Street (30581-1).....	0	7,300,000	1,000,000	0	1,000,000
5,775,000	8-Sep-06	13-Sep-06	Bridge Program (29022-1).....	0	5,775,000	1,500,000	0	1,500,000
<u>2,000,000</u>	17-Sep-07	26-Sep-07	Information Technology (29823-1).....	<u>554,000</u>	<u>1,446,000</u>	<u>950,000</u>	<u>0</u>	<u>950,000</u>
<u>\$98,172,000</u>			Subtotal Public Improvement...	<u>\$28,942,750</u>	<u>\$69,229,250</u>	<u>\$22,658,000</u>	<u>\$2,942,000</u>	<u>\$25,600,000</u>
\$151,145,500			TOTAL ISSUE.....	\$37,692,750	\$113,452,750	\$32,450,000	\$5,785,000	\$38,235,000

¹ Date of approval of or most recent amendment to the authorization.

² Project includes paydown of \$50,000.

PURPOSE FOR THE NOTES

Board of Education:

NEW BRITAIN HIGH SCHOOL: \$16,595,000 was appropriated, and the issuance of bonds and notes was authorized, for the following projects:

\$3,245,000 was appropriated for the construction of an Alternative Behavioral Center in a pre-engineered building comprised of approximately 10,000 sq. ft. of space, including land acquisition costs, site improvements and construction of an access road to South Main Street.

\$46,000 was appropriated for eight modular classrooms comprised of approximately 10,000 sq. ft. of space, site improvements and construction of an access road to South Main Street and upgrading of the life skills classrooms (including computer equipment).

\$13,174,000 was appropriated for a freshman academy (addition) comprised of approximately nineteen classrooms, a lecture hall, special education space, site improvements, construction of an access road to South Main Street and upgrading of the life skills classrooms (including computer equipment).

\$130,000 was appropriated for reconstruction of the existing pedestrian bridge over Willow Brook between New Britain High School and Beehive Stadium, including removal of the existing bridge, demolition of the bridge foundation and channel improvements.

The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee of the City at a meeting held on February 21, 2007 and was amended by the Common Council at a meeting held on February 28, 2007. The State of Connecticut Department of Education reimburses the City approximately seventy-eight percent (78%) of the eligible costs for this project, through school construction grants.

SMALLEY ACADEMY CHILLER: \$500,000 was appropriated, and the issuance of bond and notes was authorized, for the Smalley Academy. The State of Connecticut Department of Education reimburses the City approximately seventy-eight percent (78%) the eligible costs for this project through school construction grants. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on November 12, 2008 and was amended by the Common Council at a meeting held on November 12, 2008.

SCHOOL REROOFING PROJECT: \$8,225,000 was appropriated, and the issuance of bond and notes was authorized, for the re-roofing of five schools within the City. The State of Connecticut Department of Education reimburses the City approximately seventy-eight percent (78%) the eligible costs for this project through school

construction grants. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on July 11, 2007 and was amended by the Common Council at a meeting held on August 22, 2007.

NEW BRITAIN HIGH SCHOOL CODE COMPLIANCE: \$3,000,000 was appropriated, and the issuance of bond and notes was authorized, for improvements to New Britain High School for compliance with the Americans with Disabilities Act. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on November 12, 2008 and was amended by the Common Council at a meeting held on November 12, 2008.

DILORETO SCHOOL: \$10,000,000 was appropriated, and the issuance of bond and notes was authorized, for the construction of an addition to the DiLoreto Magnet School. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on April 7, 2010 and was amended by the Common Council at a meeting held on April 14, 2010.

ENTRANCE MODIFICATIONS/SECURITY SYSTEMS UPGRADES: \$1,700,000 was appropriated, and the issuance of bonds and notes authorized, for the planning, design, construction and equipping of building entrance modifications (including construction of main entrance vestibules) and security system upgrades (including access control, surveillance, monitoring and recording equipment) at all City schools. Resolutions were adopted by the Standing Bonding Subcommittee at a meeting held on July 2, 2008 and by the Common Council at a meeting held on July 9, 2008.

Capital Equipment:

2005 CAPITAL EQUIPMENT: \$4,503,500 was appropriated, and the issuance of bond and notes was authorized, for capital equipment costs within the City. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on May 29, 2007 and was amended by the Common Council at a meeting held on June 13, 2007.

2007 CAPITAL EQUIPMENT: \$8,450,000 was appropriated, and the issuance of bond and notes was authorized, for capital equipment costs within the City. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on June 23, 2010 and was amended by the Common Council at a meeting held on June 23, 2010.

Public Improvement:

BADOLATO & SZCZESNY GARAGE REPAIRS: \$5,075,000 was appropriated, and the issuance of bonds and notes authorized, for improvements and repairs to Szczesny Municipal Parking Garage and Badolato Municipal Parking Garage, including costs for concrete repairs, waterproofing repairs, architectural upgrades and repairs, electrical upgrades and repairs, plumbing/mechanical upgrades and repairs, revenue controls, elevator repairs, security system upgrades, security for access to City Hall, as well as minor capital repairs to the Linda A. Blogoslowski Parking Garage, and other ancillary expenses. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on March 12, 2008 and was amended by the Common Council at a meeting held on March 12, 2008.

FAFNIR BOOTH STREET INDUSTRIAL PARK: \$8,550,000 was appropriated, and the issuance of bonds and notes was authorized for the Fafnir Booth Street Industrial Park Project, including planning, property management, administrative and legal expenses, demolition of existing buildings, other development contributions, the acquisition costs and expenses incurred in acquiring property not owned by the City, demolition of buildings, site preparation and grading, preparation of site plan and preparation of marketing plan. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on November 12, 2008 and was amended by the Common Council at a meeting held on November 12, 2008.

EMERGENCY MEDICAL SERVICE FACILITY AND VEHICLES: \$3,000,000 was appropriated, and the issuance of bond and notes was authorized, for the following two projects:

\$2,400,000 was appropriated for the costs of the acquisition of a site for a new facility for sale or lease to New Britain Emergency Medical Services Foundation, Inc. ("EMS"), the costs of environmental testing and remediation thereof, all construction, equipment, improvements, engineering and architectural costs and fees incurred in connection therewith, and the costs of purchasing one ambulance and two non-transport vehicles for sale or lease to EMS. The required annual debt service payments for this appropriation will be budgeted annually by EMS,

generated from user service fees and paid to the City. There is no City contribution in support of this project. By agreement with EMS, assets have been pledged as assurance to the City that payment of annual debt service shall be made by EMS. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on April 4, 2007 and was amended by the Common Council at a meeting held on April 11, 2007.

\$600,000 was appropriated for the purchase of new ambulances for sale or lease to EMS, and for temporary and permanent financing costs and other costs related to the project. The required annual debt service payments for this appropriation will be budgeted annually by EMS, generated from user service fees and paid to the City. There is no City contribution in support of this project. By agreement with EMS, assets have been pledged as assurance to the City that payment of annual debt service shall be made by EMS. The appropriation and authorization was acted on by the Standing Bonding Subcommittee at a meeting held on August 3, 2005 and approved by the Common Council at a meeting held on August 10, 2005.

STORM WATER SYSTEM IMPROVEMENTS: \$4,750,000 was appropriated, and the issuance of bonds and notes authorized, for the costs of improvements to the City's storm water systems. Project scope consists of the design, construction or replacement of storm water sewers and drains in a variety of City locations. The City has applied for funding from the State of Connecticut Office of Policy and Management Urban Action Grant program which, if approved, will be used as a Grant-In-Aid to defray project costs. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on July 9, 2008 and was amended by the Common Council at a meeting held on July 9, 2008.

PINNACLE HEIGHTS REDEVELOPMENT PROJECT: \$7,946,000 was appropriated, and the issuance of bonds and notes was authorized, for the Pinnacle Heights Redevelopment Project. The project includes acquisition of the approximately 60 acre site previously managed by the New Britain Housing Authority (NBHA) known as Pinnacle Heights, for redevelopment purposes. The appropriation includes funding for acquisition of the site, security, maintenance, demolition and marketing costs. The appropriation and authorization was acted on by the Standing Bonding Subcommittee on June 20, 2006 and was approved by the Common Council at a meeting held on June 28, 2006.

STREET INFRASTRUCTURE: \$22,058,000 was appropriated, and the issuance of bonds and notes was authorized, for street infrastructure improvements, including a comprehensive program for maintenance and rehabilitation, mapping, design and reconstruction of streets where rehabilitation is not sufficient. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on January 28, 2009 and was amended by the Common Council at a meeting held on January 28, 2009.

WILLOW STREET PARK: \$5,350,000 was appropriated, and the issuance of bonds and notes was authorized for the Willow Street Park Project to provide improvements and upgrades to pedestrian access, parking and other park infrastructure. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on January 28, 2009 and was amended by the Common Council at a meeting held on January 28, 2009.

INFORMATION TECHNOLOGY BOND: \$2,000,000 was appropriated, and the issuance of bonds and notes was authorized for the Information Technology Bond to provide studies, planning, equipment, software and programming. The appropriation and authorization was acted on by the Standing Bonding Subcommittee at a meeting held on September 17, 2007 and was approved by the Common Council at a meeting held on September 26, 2007.

TRANSFER STATION REHABILITATION: \$6,868,000 was appropriated, and the issuance of bonds and notes was authorized, for the renovation of the City-owned transfer station, including costs for inspection, design, construction, excavation, materials, professional fees, and other ancillary expenses. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on February 21, 2007 and by the Common Council at a meeting held on February 28, 2007.

BRIDGE PROGRAM: \$5,775,000 was appropriated, and the issuance of bonds and notes was authorized, for the construction, reconstruction, repair and improvement of six (6) street bridges across Willow Brook located in the City (Ten Acre Road Bridge, Brookside Road Bridge, the Elbridge Road Bridges over Willow Brook and Shultz Pond Brook and the A.W. Stanley Park Bridge), and adjacent roadways, including costs for inspection, design, construction, excavation, materials, professional fees, and other ancillary expenses. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on September 8, 2006 and was amended by the Common Council at a meeting held on September 13, 2006.

FAFNIR SMART PARK: \$3,250,000 was appropriated, and the issuance of bonds and notes was authorized, for the Smart Park I Expansion Project, including planning, property management, administrative and legal expenses, relocation expenses and payments, other development contributions, the acquisition costs and expenses incurred in acquiring property not owned by the City, demolition of buildings, site preparation and grading, preparation of site plan and preparation of marketing plan. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on July 9, 2008 and was amended by the Common Council at a meeting held on July 9, 2008.

ENVIRONMENTAL REMEDIATION: \$6,750,000 was appropriated, and the issuance of bonds and notes was authorized, for the costs of environmental remediation of various City facilities, including those necessary due to State and Federal mandates, other remediation and improvements at the landfill, solid waste transfer station, parks, Fairview Cemetery and Stanley Golf Course, including consulting fees, testing fees, soil removal, the cost of fill, the cost of grading, construction, equipment, alterations, repairs and improvements to the City solid waste transfer station and the City recyclable material depot. Resolutions were adopted by the Standing Bonding Subcommittee at a meeting held on June 23, 2010 and by the Common Council at a meeting held on June 23, 2010. The City has applied for funding from the State of Connecticut Office of Policy and Management Urban Action Grant program which, if approved, will be used as a Grant-In-Aid to defray project costs.

BEAVER STREET RECONSTRUCTION: \$7,300,000 was appropriated, and the issuance of bonds and notes was authorized, for costs of the Beaver Street Reconstruction Project, comprised of reconstructing Beaver Street, the realignment of the intersection of Washington Street, Beaver Street and Farmington Avenue, traffic signal improvements, streetscape type enhancements, drainage and utility improvements, and other related work. Resolutions were adopted by the Standing Bonding Subcommittee at a meeting held on June 10, 2009 and by the Common Council at a meeting held on June 10, 2009.

SECURITY AND REMEDIES

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

Unless paid from other sources, the Notes are payable from general property tax revenues. The City has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income taxable at limited amounts. Payment of the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Notes.

There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Notes, or judgments thereon, in priority to other claims.

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

Enforcement of a claim for payment of principal of or interest on the Notes would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. The prohibition applies to any city, town, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

SOURCES AND USES OF NOTE PROCEEDS

Proceeds of the Notes are to be applied as follows:

	<u>Notes</u>
Sources:	
Principal amount	\$38,235,000.00
Original issue premium	<u>492,084.45</u>
Total sources	\$38,727,084.45
Uses:	
Proceeds for Notes maturing March 29, 2011	\$32,450,000.00
Project fund deposits	6,077,129.45
Costs of issuance	62,500.00
Underwriter's discount	<u>137,455.00</u>
Total uses	\$38,727,084.45

QUALIFICATION FOR FINANCIAL INSTITUTIONS

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

BOOK-ENTRY-ONLY TRANSFER SYSTEM

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

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

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

directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS NOTEHOLDER.

AVAILABILITY OF CONTINUING DISCLOSURE

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management within six months of the end of its fiscal year. The City provides, and will continue to provide, to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access System ongoing disclosure of its audited financial statements, in the form of the Comprehensive Annual Financial Report ("CAFR"). The City also provides to all rating agencies, its CAFR recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested. The City will enter into a Continuing Disclosure Agreement with respect to the Notes, substantially in the form attached as Appendix B to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) timely notice of the occurrence of certain events with respect to the Notes. The Underwriter's obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement.

The City has previously undertaken in Continuing Disclosure Agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). To date the City has not failed to meet any of its undertakings under such agreements, except as follows: On March 9, 2011, the City learned that certain financial information for the fiscal years ending June 30, 2006 and June 30, 2007 that it had timely provided to the Nationally Recognized Municipal Securities Information Repositories (the "NRMSIRs") had not been shown by all of the NRMSIRs as having been received. On March 10, 2011, the City filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system ("EMMA") such annual financial information and a material event notice with respect thereto. The City has implemented procedures to ensure timely receipt and posting of future financial information with respect to its continuing disclosure undertakings.

RATINGS

Standard & Poor's Rating Service ("Standard & Poor's") has assigned a rating of "SP-1+" on the Notes and affirmed the City's "A" long-term rating.

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

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

OPINIONS OF COUNSEL

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

LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the Notes, or in any way contesting or affecting the validity of any of the foregoing or any proceedings of the City taken with respect to any of the foregoing.

The City, its officers, employees, boards and commissions are defendants in various lawsuits incident to their operations. In the opinion of the City's Corporation Counsel and other senior officials of the City, such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the City, which would materially adversely affect its financial position.

UNDERWRITING

The Notes are being purchased by William Blair & Company, LLC (the "Underwriter").

The Underwriter has agreed to purchase the Notes at the net aggregate purchase price of \$38,589,629.45 (representing the par amount of the Notes, less an underwriter's discount of \$137,455.00, plus a net original issue premium of \$492,084.45).

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

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

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

MISCELLANEOUS

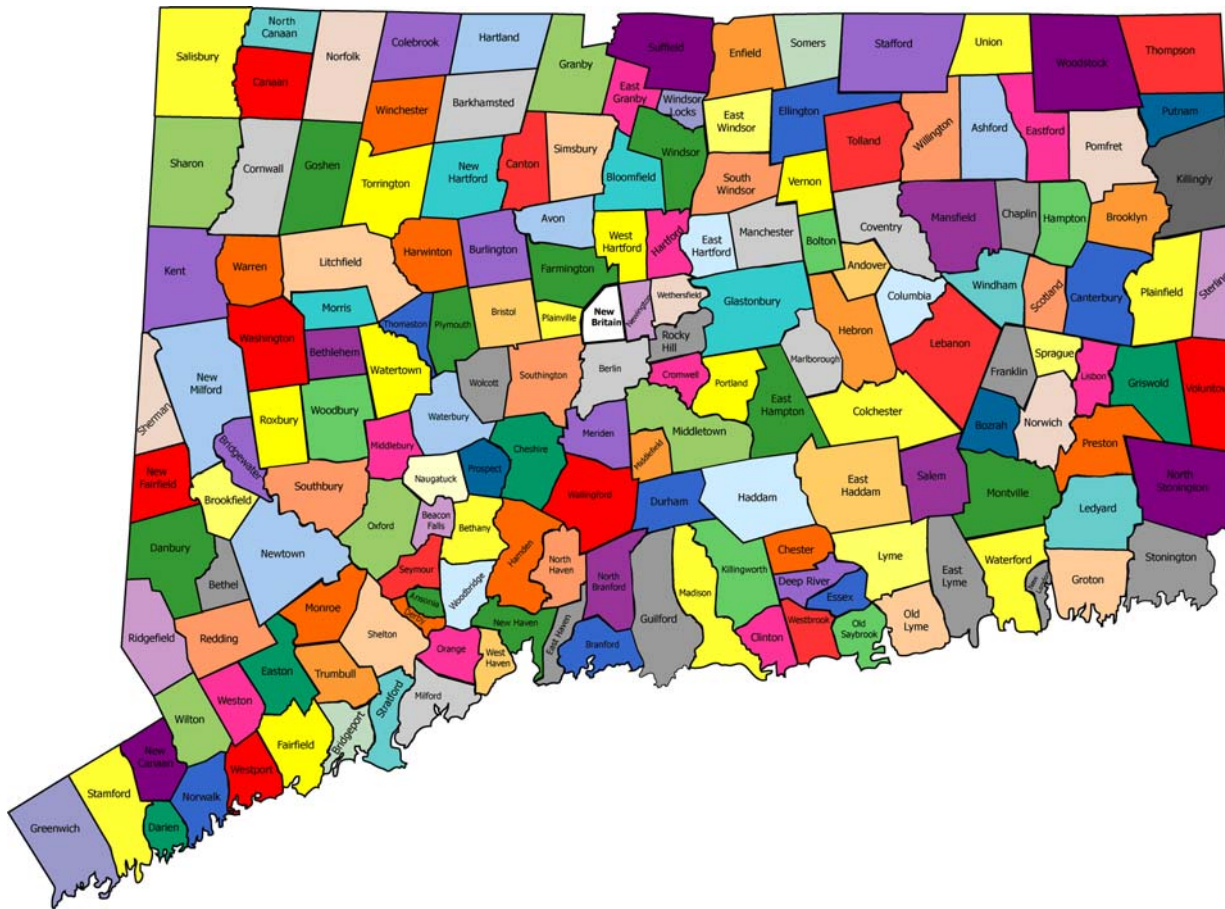
The foregoing and subsequent summaries or descriptions of provisions of the Notes and all references to other materials not purporting to be quoted in full, are only brief outlines of some of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions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

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

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

THE CITY OF NEW BRITAIN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OF OR INTEREST ON ITS BONDS OR NOTES.

THE ISSUER



Description of the Municipality

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. 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. Direct highway access to Hartford has been improved with the completion of the northern leg of the Central Connecticut Expressway (Route 9).

A major private sector initiative, the creation of a special taxing district in the downtown core completed in 1983, 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 is the home of the Museum of American Art, a Connecticut impressionist art trail museum. It houses the oldest museum collection devoted exclusively to American Art. An expansion to the Museum was completed in 2006. The expansion includes a room for a café, a multipurpose room that seats 200, studios for art classes and an expanded shop, in addition to much needed basics such as new galleries, a loading dock, increased parking and improved environmental controls and storage. The new building was designed by Ann Beha Architects of Boston.

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 98 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 multiple 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.



Stanley Black & Decker, Inc., a Fortune 500 company, maintains its world headquarters facility at a site along Interstate 84. The City has also benefited from the recent growth of many small businesses representing a variety of sectors. TD Bank, a national leader in the financial sector, has located operations in downtown New Britain. The 130,000 square foot courthouse attracts activity to downtown.

Continued growth of New Britain's corporations, such as Okay Industries, Inc., Acme-Monaco Corporation, Siracusa Moving and Storage, Guidas and Dattco, and Papa's Dodge major expansion, could increase both employment and tax revenue.



The City's 15-acre site Smart Park is home to Tenergy-Christ Inc., a worldwide leader in water purification systems. Additionally, New Britain's Smart Park II, a 26 acre tract of property in the southeast section of the City, has recently been purchased and will benefit the City of New Britain's economic and business growth.

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

Residents have a variety of medical facilities to call upon, including the 436 bed Hospital of Central Connecticut (formerly New Britain General Hospital) (the 7th largest in the state), the 200 bed Hospital for Special Care (formerly New Britain Memorial Hospital) for rehabilitation and elderly care, and numerous modern clinics providing out-patient services. The Hospital for Special Care has recently completed a \$36 million expansion of its facility, including a state-of-the-art aquatic center. The Hospital of Central Connecticut has recently completed a \$55.8 million expansion of its facility.

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.



Principal Municipal Officials

<u>Office</u>	<u>Name</u>	<u>Term</u>	<u>Commencement Date of Current Term</u>	<u>New Britain Years of Service In Current Position</u>	<u>Total Years of Municipal Service</u>
Mayor	Timothy T. Stewart	2 Years	11/15/09	8 years	26 years
Treasurer	Teresa Sapiuha-Yanchak	2 Years	11/15/09	6 years	6 years
City & Town Clerk .	Peter J. Denuzze	4 Years	11/11/09	18 years	27 years
Tax Collector	Cheryl Blogoslowski	2 Years	11/11/09	3 years	4 years
Finance Director	Robert Curry	Appointment	11/1/06	4 years	34 years
Assessor	Michael Konik	Appointment	12/8/04	6 years	22 years
Superintendent of Schools	Dr. Doris Kurtz	Appointment	7/1/04	10 years	42 years

Form of Government

New Britain became a consolidated City and Town in 1905 with a Mayor-Council form of government. The Mayor and Common Council serve concurrent two-year terms and operate under the Charter, which was initially adopted in 1961 and has had several subsequent revisions.

The Common Council, the legislative body elected biennially, consists of 15 Councilmen, five elected at large and ten on a five district basis (2 each). The other elected officials are the City and Town Clerk, Tax Collector, Treasurer, and three members of the Board of Tax Review.

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

Organization of City Government

CITY OF NEW BRITAIN - VOTERS ELECT

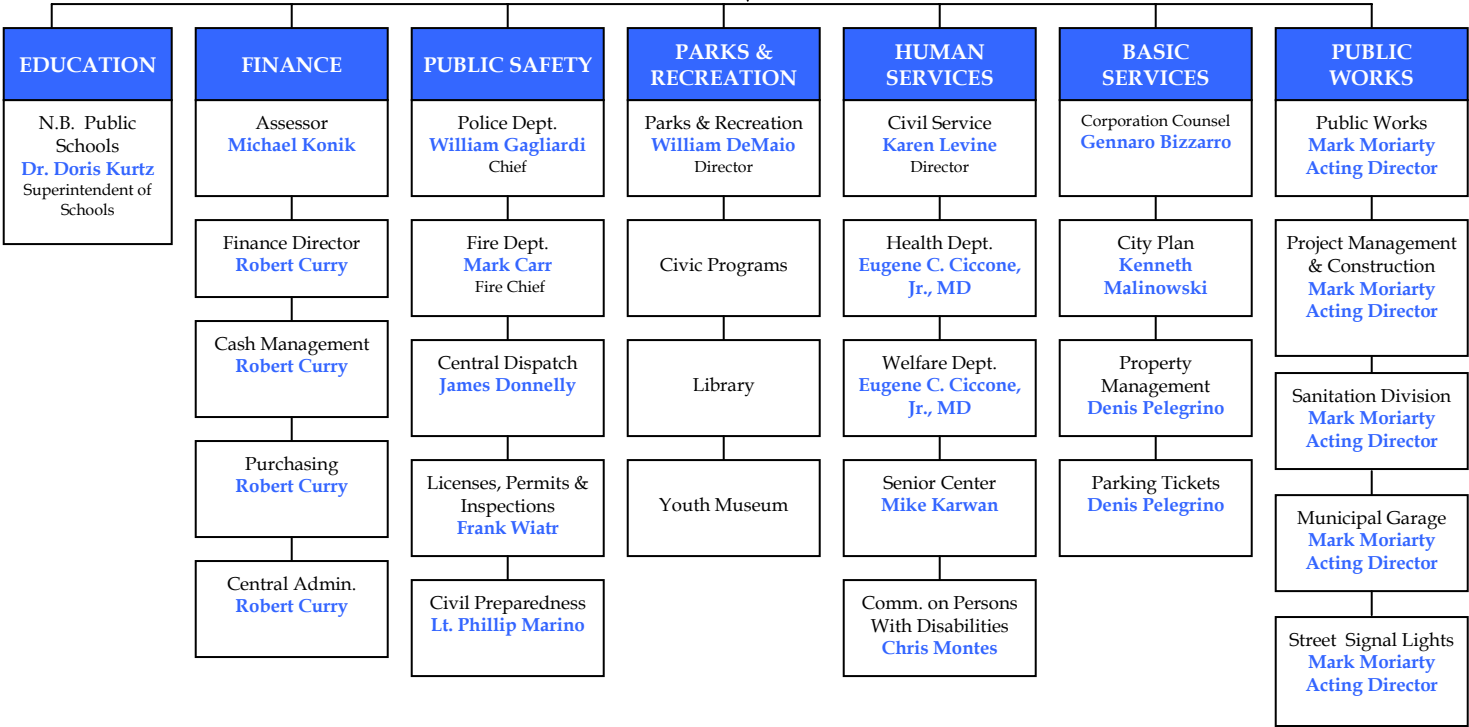
Mayor Timothy T. Stewart
MAYOR'S OFFICE
 Intergovernmental Relations

COMMON COUNCIL
 15 Elected Members
Mark Bernacki
Shirley Black
Carlo Carozzi, Jr.
Roy Centeno
Paul Catanzaro
Tonilynn Collins
David DeFronzo
Larry Hermanowski
Eva Magnuszewski
Emmanuel Sanchez
Mary Marrocco
Wilfredo Pabon
Adam Platosz
Louis Salvio
Michael Trueworthy

TOWN CLERK
Peter J. Denuzze
 Recording & Reporting

TAX COLLECTOR
Cheryl Blogoslowski
 Tax Collections

TREASURER
Teresa Sapieha-Yanchak
 Treasury



Municipal Services

Fire



The New Britain Fire Department is comprised of nine paid full-time fire companies operating from six fire stations. Each fire station is strategically located throughout the City for the most efficient response possible to any point in the City. The Department mission is to minimize community risks and improve the quality of life for all persons within New Britain.

To achieve this mission New Britain's Fire Department currently utilizes six engine companies (carrying hoses and water), two ladder companies (carrying ladders and specialized salvage and overhaul equipment) and a rescue/tactical company (which carries specialized rescue equipment such as the "jaws of life", hazardous materials equipment, confined space rescue equipment, cold water rescue equipment and air monitoring meters) All firefighting vehicles also carry medical equipment to allow firefighters to perform their Medical Response and Emergency Medical Technician functions.

The Department believes that a proactive method of risk reduction is the best method of making the community safer. The Fire Marshall's Office (Fire Prevention Bureau) within the Fire Department is responsible for fire investigation and fire code inspection and enforcement.

The Fire Department also undertakes public fire education and awareness initiatives aimed at school children in the New Britain School system. Such initiatives are supported by a Fire Safety trailer designed to educate children about kitchen and bedroom fire safety.

The Fire Department is also responsible for emergency management in the City. This service enhances the level of preparedness and community response to major disasters. The Emergency Management Office has also developed the City's Community Emergency Response Team (C.E.R.T.). This team is made up of community members who will assist emergency services in the event of major man made or naturally occurring emergency situations.

Fire Department

	Budget FY 2011 ¹	Actual FY 2010	Actual FY 2009	Actual FY 2008	Actual FY 2007
Personnel Costs	\$12,233,278	\$11,408,043	\$11,148,074	\$12,827,086	\$12,230,535
Operating Costs	516,600	460,911	555,269	645,018	472,431
Total Budget	\$12,749,878	\$11,868,954	\$11,703,343	\$13,472,104	\$12,702,966

¹ As of February 1, 2011

The City is assigned Fire Rating #3 by ISO Commercial Risk Services, Inc. The firm conducts fire ratings of communities and areas for the insurance industry served by public fire protection. The rating is an evaluation of the capability of the existing fire protection that is available to individual property owners. The purpose of this rating is to gather information needed to determine a fire insurance classification, which may be used in the calculation of property insurance premiums. This classification is based on a rating system scale of 1-9, with one (1) being the highest rating. Factors considered in calculating the rating include the following: receiving and handling fire alarms, water supply, and Fire Department structure and divergence.

Location of Firehouses	Apparatus Located	Personnel
Headquarters - 253 Beaver Street	Engine-1, Ladder-1, Rescue-1	40
Station #2 - 146 S. Main Street	Engine-2, Truck-2	32
Station #4 - 1085 Corbin Avenue	Engine-4	16
Station #5 - 915 Stanley Street	Engine-5	16
Station #7 - 60 Hartford Road	Engine-7	16
Station #8 - 2155 Corbin Avenue	Engine-8	16
Chief	n/a	1
Assistant Chief	n/a	1
Deputy Chiefs	n/a	5
Fire Prevention	n/a	8
Maintenance/Mechanics	n/a	3
Local Emergency Planning Co.	n/a	1
Training	n/a	2
Emergency Planning	n/a	1
Administration	n/a	2
TOTAL		160

Police



The New Britain Police Department has a total of 152 sworn officers and 12 civilians on a full-time daily basis. The sworn officers fulfill their duties from the main headquarters on Columbus Boulevard or from one of three substations.

The main headquarters is a 50,000 square foot building housing the Police Administration, and Patrol, Detective and Professional Services Divisions. An Identification and Records Bureau, Forensic Unit, a Traffic Safety Bureau, a Youth Services Bureau, and a License and Property Bureau are also housed within the Headquarters. The Headquarters contains a fully functioning

cellblock complex capable of holding male and female prisoners, complete with video and audio monitoring systems and secure entrance and exit for prisoner transport. A Police Museum within the headquarters building is a repository of many memories, photographs, uniforms and artifacts detailing the history of the New Britain Police Department.

Police Department

	Budget FY 2011¹	Actual FY 2010	Actual FY 2009	Actual FY 2008	Actual FY 2007
Personnel Costs	\$13,555,335	\$13,770,594	\$12,828,535	\$12,827,086	\$11,883,150
Operating Costs	797,686	638,621	619,556	645,018	673,436
Total Budget	\$14,353,021	\$14,409,215	\$13,448,091	\$13,472,104	\$12,556,586

¹ As of February 1, 2011

Sewers

The City is the largest member of a three-municipality regional sewer authority, the Mattabassett District (the "District"). The District, organized in 1961 by a special act of the Connecticut General Assembly, is a cooperative solution to the pollution control problems of the area. The District provides secondary treatment and biological nitrogen removal on 70% of wastewater flow. A treatment plant and trunk sewer lines were built by the District to tie into the communities including the City to suit their own situations. Each community is assessed for its share of the cost of the project based on its use. It is divided approximately as follows: 75% - City of New Britain; 15% - Town of Berlin; and 10% - Town of Cromwell.

Mandated sewer user charges defray the cost of the yearly operation and maintenance assessment. The sewage system presently serves 99% of the City's population.

The City of New Britain Water Pollution Control Authority has adopted the Water Consumption Method to establish a fair and effective charge for the use of the City's sewer system. Under this format, each user is charged a base fee derived from its volume of wastewater flow into the system. The base fee charged is a proportion of the total annual costs equal to the ratio of the individual user's wastewater flow to the total wastewater flow from the system.

The Board of Public Works serves as the Water Pollution Control Authority (WPCA) and conducts public hearings to set and recommend an annual sewer rate in relation to the annual sewer budget as approved by the Common Council. The New Britain Sewer User Charge for fiscal year 2010-2011, as set by the Board of Public Works, is \$2.69 per one hundred cubic feet. Charges for the past four years were:

Fiscal Year 2010-2011.....	\$2.69 per one hundred cubic feet
Fiscal Year 2009-2010.....	\$2.49 per one hundred cubic feet
Fiscal Year 2008-2009	\$1.76 per one hundred cubic feet
Fiscal Year 2007-2008	\$1.59 per one hundred cubic feet

The owner of record as of the billing date is liable for the payment of sewer user charges. Interest and penalties may be charged as provided by the Connecticut General Statutes. Sewer user charges, together with interest and penalties, shall constitute a lien upon the property, and such lien may be foreclosed and such sewer user charges may be collected in the manner provided by the Connecticut General Statutes. The lien is a combination lien filed for any overdue water charges or sewer use fees. The owner of the property pays for the cost of applying liens against their property.

Sewer user charges are collected in accordance with regulations and procedures as promulgated by the Public Works Commission. Revenues are turned over periodically to the City Treasurer and credited to the Sewer Operating Fund. The Sewer Operating Fund is used for operation, maintenance, administration, and expansion of

the treatment works and for payment of principal and interest on bonds of the City issued for construction of sewerage facilities.

Public Works

The Department of Public Works has approximately 70 administrative, professional and field positions. The Department is responsible for 163 miles of public road maintenance including paving, snowplowing, sweeping, patching and cleaning, and for the repair of storm and sanitary sewers. Department personnel also assume responsibility for 227 miles of sidewalks, all traffic signals, pavement markings, and vehicular safety signage. The Department also operates a landfill, and oversees refuse and recycling collection.

Water Department

The City of New Britain's Water Department serves approximately 85,000 people in New Britain, Berlin, Newington, Farmington, Bristol and Plainville. The system consists of six reservoirs, three well-fields, pumping stations, treatment facilities and an extensive piping system. The system has a storage capacity of 2.7 billion gallons. In order to reach this capacity, over the years the City has purchased land outside the City. At present, the Department owns 6,541 acres outside the City limits.

The total water supply is adequate with a reserve capacity in excess of 20% above its maximum anticipated demand. City water is filtered and meets all Federal and State requirements regarding safeguards and quality. Water mains installed by the Water Department are assessed (for improvements) on a per-foot-of-frontage basis to benefiting property owners as determined by the Board of Water Commissioners after a public hearing.

Customers are billed semi-annually according to water usage. After 30 days, any unpaid water bill is assessed a 10% penalty and interest at the annual rate of 6%. After one year in arrears, the interest rate increases to 18% per annum. After one year, a continuation of lien is placed against the property, and a filing fee, plus the administrative costs to prepare the continuation of lien of \$32.00, is charged to the owner of the property. After 30 days, unpaid bills for any other services are assessed interest at the annual rate of 6% from the date of billing.

The water rate structure set forth below is such as to further promote conservation efforts through the compression of rates.

WATER RATE STRUCTURE FY 2010-2011

			<u>FY 2010-11</u>	
First	2,300,000	cubic feet @	\$27.82	per 1,000 cubic feet
Next	2,300,000	cubic feet @	\$24.73	per 1,000 cubic feet
Over	4,600,000	cubic feet @	\$19.91	per 1,000 cubic feet

The water department also has out-of-town retail rates for the City of Bristol, the Town of Plainville, Valley Water Systems, and the Kensington Fire District.

The Board of Water Commissioners also charges customers for private fire protection service. This charge is assessed in accordance with the size of the water main that the customer uses for private fire protection. The current semi-annual charge for this service is as follows:

Under 4" service line	\$ 59.00
4" service line	127.00
6" service line	201.00
8" service line	289.00
10" service line	403.00
Over 10" service line	516.00

The Water Department completed construction in 2004 of a new single drinking water treatment plant in conjunction with a \$58,500,000 bond authorization. The project replaces two aged treatment plants. The cost of amortizing project debt, net of state and federal grants, has been incorporated in the water use charges. The department commenced "pre-funding" the project cost in its water use charges as of fiscal year 1998-1999.

The City has entered into two separate agreements with the State of Connecticut Department of Public Health under which the Board of Water Commissioners has borrowed a total of \$36,682,987 in low interest Drinking Water State Revolving Fund (DWSRF) loans. The first loan is for \$12,682,987 at an interest rate of 2.77% and will mature on November 30, 2021. The second loan is for \$24,000,000 at an interest rate of 2.43% and will mature on October 1, 2023.

ENTERPRISE FUNDS



Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

Under Section 7-374(b) of the Connecticut General Statutes, water system improvement bonds and notes are treated as a self-supporting debt and are excluded from the City's debt limitation. See "Statement of Statutory Debt Limitation" herein.

UTILITIES

Gas is supplied by the Connecticut Natural Gas Company for households and businesses.

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

Special Assessment Fund

Subways

Underground channels housing high (electric) and low (communication) conduits are located in certain defined areas in the City. The system has been referred to as the "Subway". A separate fund has been established within the City's financial structure accounting for system operation and maintenance, defrayed entirely through assessments levied semi-annually against its users, or annual lease payments made in accordance with the terms of the negotiated lease agreement with AT&T (formally SBC). System users are charged semi-annually for all the operating, capital and debt service requirements of the Subway Fund. The two principal users are Connecticut Light & Power (electric) and AT&T (communication). The City sold the high potential conduit system to Connecticut Light & Power in June of 2003 for \$6,117,000. A portion of the proceeds have been reserved for system debt retirement. The low potential conduit system continues to be owned by the City. Additionally, the City and AT&T, the primary conduit occupant, have finalized a long-term lease agreement that fixed the annual lease payment and shifted the repair and maintenance of the system to AT&T.

Periodically, the City issues taxable bonds for improvements to and expansion of the underground utility system. See "Debt Statement" herein.

SOLID WASTE

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

TUNXIS RECYCLING OPERATING COMMITTEE

The City is a participant with 13 other cities and towns in a joint venture, the Tunxis Recycling Operating Committee (TROC). The TROC is responsible for the development, operations and management of a solid waste recycling program for all participating communities. The governing board consists of municipal officials appointed by each of the participating municipalities and assumes all management decisions. The City has an obligation to appropriate funds in amounts necessary to fulfill its obligations created pursuant to the intercommunity agreement among the TROC participating communities dated as of June 21, 1990. Expenditures of \$89,015 were incurred year ending June 30, 2010 related to the City's participation in TROC.

Unreserved, undesignated fund balance for the fiscal year ended June 30, 2010 as reflected in the TROC's financial statements is \$1,123,000. 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 14 other cities and towns in a joint venture, the Bristol Resource Recovery Facility (BRRFOC). The BRRFOC was created pursuant to an intercommunity agreement dated as of August 15, 1985 to exercise certain rights on behalf of contracting municipalities in dealing with the trash to energy plant built by Covanta Bristol, Inc. (successor to Ogden Martin Systems of Bristol, Inc.). The governing board consists of municipal officials appointed by each of the participating municipalities, and assumes all the management decisions. The City has an obligation to appropriate funds in amounts necessary to fulfill its obligations created

under the intercommunity agreement. These obligations arise from guarantees to meet certain tonnage requirements. The City's obligation to the BRRFOC amounted to \$3,012,561.19 for fiscal year ended June 30, 2010.

BRRFOC's general fund balance for the fiscal year ended June 30, 2010 as reflected in BRRFOC's financial statements is \$12.05 million. A complete set of financial statements for BRRFOC can be obtained from the BRRFOC administrative office at 43 Enterprise Drive, Bristol, Connecticut. On May 15, 1995, the BRRFOC issued \$41,920,000 in Solid Waste Revenue Refunding Bonds with interest rates varying from 5.2% to 6.5% to current refund \$46,670,000 of outstanding special obligation bonds of the Connecticut Development Authority. The proceeds from the original bonds were loaned by the Authority to Ogden Martin Systems of Bristol, Inc., predecessor to Covanta Bristol, Inc., the current owner and operator of the facility. Under the intercommunity agreement, each of the contracting municipalities is obligated to pay a service fee, the payment of which is secured by its full faith and credit. Should any contracting municipality default in its obligation to pay the service fee, the other contracting municipalities have an obligation to continue to pay the aggregate service fee. If BRRFOC does not perform its obligations under the intercommunity agreement, and Covanta Bristol's parent corporation, Covanta Energy Corporation, fails to perform such obligations pursuant to its guarantee of Covanta Bristol's performance, the contracting municipalities have certain rights to terminate the intercommunity agreement and, upon termination, would no longer be obligated to pay the service fee. The current principal balance of the BRRFOC bonds outstanding is \$25,690,000.

The City also operates a bulky waste landfill located on Deming Road in Berlin, Connecticut. The site occupies approximately 15 acres with a future utility until December 31, 2013 based upon a 1992 vertical expansion permit request approved by the Town of Berlin.

SOLID WASTE DISPOSAL OPERATING BUDGET

	2010	2009	2008	2007
	Expended	Expended	Expended	Expended
Personnel Costs	\$383,665	\$319,093	\$342,644	\$263,738
Operating Expenses	110,683	132,743	143,048	107,976
Disposal Tip Fees	3,132,709	3,159,779	3,039,087	3,502,879
Curb-Side Collection Contract	1,697,951	1,729,440	1,669,675	1,628,826
Total Expended	<u>\$5,325,008</u>	<u>\$5,341,055</u>	<u>\$5,194,454</u>	<u>\$5,503,419</u>
	2010	2009	2008	2007
	Revenue	Revenue	Revenue	Revenue
Transfer Station	\$1,373,884	\$1,409,660	\$1,440,477	\$1,274,050
Landfill	748,449	1,038,929	9,709	179,128
Other Income	399,682	338,083	284,295	572,344
Total Revenue	<u>\$2,522,015</u>	<u>\$2,786,672</u>	<u>\$1,734,481</u>	<u>\$2,025,522</u>
NET COST TO CITY	\$2,802,994	\$2,554,383	\$3,459,973	\$3,477,897
Net Taxable Grand List	\$2,919,676,735	\$2,943,290,463	\$2,089,360,606	\$2,076,801,701
Mill Rate Impact	0.96	0.84	1.66	1.67

Employee Relations

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

		<u>12/31/10 Employees Represented</u>	<u>Current Contract Expiration Date</u>
<u>Board of Education Groups</u>			
Education Employees	American Federation of State, County & Municipal Employees - General Government Local 1186.....	192	6/30/12
Teachers Aides	New Britain Federation of Para-Professionals - Teachers Aides 2407	256	6/30/10 ²
Teachers	New Britain Federation of Teachers - Teachers 871.....	833	6/30/11
School Administrators	American Federation of School Administrators - Administration 51.....	37	6/30/11
Supervisory Employees	American Federation of State, County Principal Employees - Local 818	11	6/30/12
Support Services Administrators	American Federation of School Administrators - Administration 51.....	1	6/30/12
<u>General Government Groups</u>			
City Hall Supervisors	American Federation of State, County & Municipal Employees - Supervisors - Local 818	34	12/31/09 ²
Firefighters	Hardware City Firefighters - Fire 992.....	142	6/30/12
Police Officers	American Federation of State, County & Municipal Employees - Local 1165	135	6/30/10 ²
City Hall Employees	American Federation of State, County & Municipal Employees - Local 1186	211	6/30/12
Managers & Professional Employees	Non-Affiliated Association (MPA)	6	6/30/10 ²
Professional Union	American Federation of State, County & Municipal Employees - Local 1303-332	44	6/30/11
Non-Affiliated Employees	Management (Mgmt).....	8	n/a ¹
Emergency Dispatch Employees	Connecticut Independent Labor Union (CILU)	18	6/30/10 ²
Elected & Appointed	Non-affiliated	7	n/a
Grant Positions	Non-affiliated.....	8	n/a

¹ Undefined / Indefinite by ordinance

² In negotiations

Source: Finance Department, City of New Britain

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

Municipal Employees

	12/31/2010	12/31/2009	12/31/2008	12/31/2007	12/31/2006
Board of Education.....	1,333	1,364	1,334	1,353	1,353
General Government.....	637	637	627	653	625
Total	1,970	2,001	1,961	2,006	1,978

General Government Department	Full-time Employees As of 12/31/2010
Police (including mgmt, civilians and dispatch)	185
Fire (including management).....	153
Administrative, Financial, and All Other	129
Health & Welfare	12
Recreation & Parks; Stanley Golf	52
Public Works; Engineering; Sanitation; Garage	55
Water	51
Total.....	637

Source: City of New Britain - Finance Department

School Facilities

School	Grades	Date Occupied	Additions & Renovations	Enrollment ¹ 10/1/2010	City Rated Capacity
Chamberlain	K-5	1952	1982, 1989, 1993	461	757
DiLoreto.....	K-5	1951	1982, 1991	899	822
Gaffney	K-5	1959	1982, 1990	520	639
Holmes.....	K-5	1955	1978, 1991, 1997	422	697
Jefferson.....	K-5	1956	1982, 1991, 1997	417	567
Lincoln.....	K-5	1925	1976, 1982, 1994	696	610
Northend	K-5	1932	1982, 2005	313	330
Smalley	K-5	1971	1982, 1997	678	816
Smith.....	K-5	1952	1982, 1993	633	767
Vance.....	K-5	1926	1988, 1994, 2005	550	592
Pulaski Middle.....	6-8	1961	1982, 1992, 1994	620	1,350
Roosevelt ²	6-8	1993	1993	456	792
Slade.....	6-8	1960	1982, 1992, 1994	723	1,190
New Britain High School	9-12	1972	1982, 1989, 1998	2,675	2,094
Outside Placement	-	-	-	181	-
HALS ³	-	-	-	156	-
City Total				10,400	

¹ Includes Special Education.

² Original school built in 1928. New school constructed on site of original school which was demolished.

³Rental Facility

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

School Enrollment and Projections

HISTORICAL

School Year	Elementary	Middle	Secondary	Outside Placement	Special Education	Pre-K	Total
1995-1996	5,141	2,065	1,886	120	73	76	9,361
1996-1997	5,124	2,106	2,017	151	77	83	9,558
1997-1998	5,179	2,154	2,117	168	79	125	9,822
1998-1999	5,366	2,224	2,222	178	**	145	10,135
1999-2000	5,400	2,239	2,413	177	**	164	10,393
2000-2001	5,341	2,280	2,502	190	**	172	10,485
2001-2002	5,269	2,406	2,720	204	**	163	10,762
2002-2003	5,129	2,643	2,744	176	**	202	10,894
2003-2004	5,044	2,558	2,987	178	**	214	10,981
2004-2005	4,975	2,567	3,230	185	**	252	11,209
2005-2006	4,998	2,477	3,205	195	**	267	11,142
2006-2007	5,008	2,367	3,271	195	**	307	11,148
2007-2008	4,955	2,213	3,129	179	**	316	10,792
2008-2009	4,897	2,167	2,972	167	**	372	10,575
2009-2010	4,891	2,159	2,782	180	**	393	10,405
2010-2011 ¹	5,175	1,955	2,675	181	**	414	10,400

PROJECTED

2011-2012	4,745	2,285	2,742	-	**	335	10,107
2012-2013	4,693	2,291	2,761	-	**	340	10,085
2013-2014	4,722	2,248	2,776	-	**	345	10,091
2014-2015	4,848	2,117	2,807	-	**	350	10,122
2015-2016	4,873	2,046	2,846	-	**	355	10,120
2016-2017	4,888	2,058	2,788	-	**	360	10,094
2017-2018	4,972	2,190	2,659	-	**	365	10,186
2018-2019	4,878	2,210	2,659	-	**	375	10,122

¹ As of October 1, 2010 Enrollment

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

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

ECONOMIC DATA

Population And Density

Year	City of New Britain Population	% Increase	City Density ¹
1940	68,685	-	5,164
1950	73,726	7.34	5,543
1960	82,201	11.50	6,181
1970	83,441	1.51	6,274
1980	73,840	(11.51)	5,552
1990	75,491	2.24	5,676
2000	71,538	(5.24)	5,363
2008	70,486	(1.47)	5,284

¹ Population per square mile: 13.34 square miles.

Source: State of Connecticut

Population By Age

	City of New Britain		State of Connecticut		United States of America	
	Number	Percent	Number	Percent	Number	Percent
Under 5 years	4,754	6.6	223,344	6.5	19,175,798	6.8
5 to 9 years	5,051	7.1	244,144	7.2	20,549,505	7.3
10 to 14 years	4,816	6.7	241,587	7.1	20,528,072	7.3
15 to 19 years	5,249	7.3	216,627	6.4	20,219,890	7.2
20 to 24 years	6,384	8.9	187,571	5.5	18,964,001	6.7
25 to 34 years	10,667	14.9	451,640	13.3	39,891,724	14.2
35 to 44 years	10,018	14.1	581,049	17.1	45,148,527	16.1
45 to 54 years	8,212	11.5	480,807	14.1	37,677,952	13.4
55 to 59 years	2,859	4.1	176,961	5.2	13,469,237	4.8
60 to 64 years	2,246	3.1	131,652	3.8	10,805,447	3.8
65 to 74 years	4,959	6.9	231,565	6.8	18,390,986	6.5
75 to 84 years	4,716	6.6	174,345	5.1	12,361,180	4.4
85 years and older	<u>1,607</u>	<u>2.2</u>	<u>64,273</u>	<u>1.9</u>	<u>4,239,587</u>	<u>1.5</u>
Total.....	71,538	100.0	3,405,565	100.0	281,421,906	100.0
Median Age (2000)	33.9		37.4		35.3	

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

Income Distribution

	City of New Britain		State of Connecticut		United States of America	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	1,518	8.9	33,423	3.8	4,155,386	5.8
10,000 - 14,999	972	5.7	23,593	2.7	3,115,586	4.3
15,000 - 24,999	2,358	13.8	63,262	7.1	7,757,397	10.7
25,000 - 34,999	2,403	14.0	75,413	8.5	8,684,429	12.0
35,000 - 49,999	2,870	16.8	120,134	13.6	12,377,108	17.1
50,000 - 74,999	3,689	21.6	198,924	22.5	16,130,100	22.3
75,000 - 99,999	1,865	10.9	141,981	16.0	9,009,327	12.5
100,000 - 149,999	1,090	6.4	132,177	14.9	6,936,210	9.6
150,000 - 199,999	139	0.8	42,472	4.8	1,983,673	2.7
200,000 and up	<u>204</u>	<u>1.2</u>	<u>54,368</u>	<u>6.1</u>	<u>2,112,564</u>	<u>2.9</u>
Totals.....	17,108	100.0	885,747	100.0	72,261,780	100.0

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

Income Levels

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

Source: State of Connecticut

Major Employers

<u>Employer</u>	<u>2010 No. of Employees</u>	<u>Percentage of Residents</u>
The Hospital of Central Connecticut	3,600	11.03%
State of Connecticut	2,811	8.61
City of New Britain	2,226	6.82
The Hospital for Special Care	1,396	4.28
Stanley Black & Decker, Inc.	780	2.39
Tilcon Connecticut	735	2.25
Grove Hill Medical Center	430	1.32
Dattco	409	1.25
Celebration Foods.....	400	1.23
Moore Medical.....	350	1.07

Source: Municipal Economic Development Agency, City of New Britain

Employment Data

Year	City of New Britain		Percentage Unemployed		
	Employed	Unemployed	City of New Britain	Hartford Labor Market	State of Connecticut
2010	31,299	4,608	12.8	9.1	9.0
2009	31,542	4,262	11.9	8.3	8.2
2008	32,102	2,979	8.5	5.8	5.7
2007	32,200	2,420	7.0	5.1	4.6
2006	32,104	2,195	6.4	4.4	4.3
2005	31,719	2,571	7.5	5.1	4.9
2004	31,445	2,618	7.7	5.5	4.9
2003	31,972	2,460	7.1	9.4	4.5
2002	31,500	2,113	6.3	4.1	3.8

Source: Connecticut Department of Economic and Community Development, Town Profiles 2002-2010

Employment By Industry

	City of New Britain		State of Connecticut		United States of America	
	2000		2000		2000	
	Number	Percent	Number	Percent	Number	Percent
Agriculture	117	0.4	7,445	0.4	2,426,053	1.9
Construction	1,669	5.3	99,913	6.0	8,801,507	6.8
Manufacturing	6,194	19.5	246,607	14.8	18,286,005	14.1
Wholesale Trade	1,035	3.3	53,231	3.2	4,666,757	3.6
Retail Trade	3,808	12.0	185,633	11.2	15,221,716	11.7
Trans/Warehousing/Utilities	997	3.1	64,662	3.9	6,740,102	5.2
Information	962	3.0	55,202	3.3	3,996,564	3.1
Finance/Insurance/Real Estate	2,462	7.7	163,568	9.8	8,934,972	6.9
Professional/Scientific/Management	2,248	7.1	168,334	10.2	12,061,865	9.2
Educational/Health/Social Services	6,652	21.0	366,568	22.0	25,843,029	19.9
Arts/Entertainment	2,590	8.1	111,424	6.7	10,210,295	7.9
Other Services (ex-public admin.)	1,597	5.0	74,499	4.5	6,320,632	4.9
Public Admin.	<u>1,418</u>	<u>4.5</u>	<u>67,354</u>	<u>4.0</u>	<u>6,212,015</u>	<u>4.8</u>
TOTAL	31,749	100.0	1,664,440	100.0	129,721,512	100.0

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

Educational Attainment

YEARS OF SCHOOL COMPLETED, AGE 25 & OVER

	City of New Britain		State of Connecticut		United States of America	
	2000		2000		2000	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade	5,376	12.0	132,917	5.8	13,755,477	7.5
9th to 12th grade	8,548	19.0	234,739	10.2	21,960,148	12.1
High school graduate.....	14,809	32.9	653,300	28.5	52,168,981	28.6
Some college, no degree.....	6,529	14.5	402,741	17.5	38,351,595	21.0
Associate's degree.....	2,278	5.1	150,926	6.6	11,512,833	6.3
Bachelor's degree	4,356	9.7	416,751	18.2	28,317,792	15.5
Graduate or professional degree	<u>3,091</u>	<u>6.9</u>	<u>304,243</u>	<u>13.3</u>	<u>16,144,813</u>	<u>8.9</u>
Total	44,987	100.0	2,295,617	100.0	182,211,639	100.0
Total high school graduate or higher.....		69.1		84.1		80.4
Total bachelor's degree or higher		16.6		31.5		24.4

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

Age Distribution of Housing

	City of New Britain		State of Connecticut		United States of America	
	Units	Percent	Units	Percent	Units	Percent
Occupied Housing Units						
Under 24 years	2,287	7.3	44,780	3.3	5,533,613	4.8
25 to 34 years	5,546	17.8	205,984	14.9	18,297,815	15.8
35 to 44 years	5,629	18.1	306,974	22.1	23,968,233	20.7
45 to 54 years	4,850	15.6	270,950	19.5	21,292,629	18.4
55 to 64 years	3,098	9.9	181,787	13.1	14,247,057	12.3
65 to 74 years	3,106	10.0	143,022	10.3	11,507,562	9.9
75 to 84 years	3,093	9.9	112,777	8.1	8,205,480	7.1
85+ years	949	3.0	35,396	2.6	2,427,712	2.1
Vacant Housing Units	<u>2,606</u>	<u>8.4</u>	<u>84,305</u>	<u>6.1</u>	<u>10,424,540</u>	<u>8.9</u>
TOTAL HOUSING OCCUPANCY	31,164	100.0	1,385,975	100.0	115,904,641	100.0

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

Building Permits

Fiscal Year Ending June 30	Residential		Commercial / Industrial		Total Estimated Value	
	No.	Value	No.	Value	No.	Value
2010	800	\$13,274,825	147	\$9,094,350	947	\$22,369,175
2009	757	13,898,224	164	19,536,292	921	33,434,516
2008	746	11,836,020	218	21,113,296	964	32,949,316
2007	866	20,010,947	136	16,028,277	1,002	36,039,224
2006	890	14,264,354	142	21,633,579	1032	35,897,933
2005	749	8,548,608	139	8,934,874	888	17,483,482

Source: City of New Britain - Department of Licenses, Permits & Inspections

Land Use Summary

	As of December 31, 2009		As of December 31, 2008		As of December 31, 2007	
	Acres	Percent	Acres	Percent	Acres	Percent
Residential:						
Single Family	2,154.26	24.50	2,153.54	24.49	2153.70	24.49
Two Family	484.58	5.51	484.58	5.51	484.03	5.50
Three Family	265.81	3.02	265.81	3.02	265.81	3.02
Multi-Family	292.91	3.33	342.91	3.90	342.08	3.89
Rooming House.....	1.81	0.02	1.81	0.02	1.81	0.02
Sub-Total.....	3,199.37	36.38	3,248.65	36.95	3,247.43	36.92
Mixed Use:						
Single Family & Business	14.61	0.17	14.61	0.17	14.61	0.17
Two Family & Business	18.91	0.22	18.91	0.22	18.91	0.22
Three Family & Business.....	9.01	0.10	9.01	0.10	9.01	0.10
Multi-Family & Business.....	42.99	0.49	42.74	0.49	42.74	0.48
Rooming House & Business.....	1.06	0.01	1.06	0.01	1.06	1.06
Sub-Total.....	86.58	0.99	86.33	0.98	86.33	2.03
Commercial	339.40	3.86	340.85	3.88	343.36	3.89
Industrial:						
Light Industry	177.36	2.02	177.36	2.02	177.36	2.02
Heavy Industry.....	311.98	3.55	311.98	3.55	311.98	3.55
Sub-Total	489.34	5.57	489.34	5.57	489.34	5.57
Public:						
Public	75.05	0.85	75.05	0.85	75.05	0.85
Parks - Open Space - Water	882.40	10.04	882.40	10.04	882.40	10.04
Schools.....	215.81	2.45	215.81	2.45	215.81	2.45
Sub-Total	1,173.26	13.34	1,173.26	13.34	1,173.26	13.34
Semi-Public:						
Churches.....	69.46	0.79	69.46	0.79	69.46	0.79
Cemeteries.....	179.04	2.04	179.04	2.04	174.64	1.99
Societies & Club.....	15.88	0.18	15.88	0.18	15.88	0.18
Institutions	343.37	3.91	343.37	3.91	343.37	3.90
Water Shed Land.....	51.18	0.58	51.18	0.58	51.18	0.58
Public Utilities.....	18.45	0.21	18.45	0.21	18.45	0.21
Sub-Total	677.38	7.71	677.38	7.70	672.99	7.65
Circulation System (Streets - Highway - Railroad).....						
Highway - Railroad).....	1,573.19	17.89	1,573.19	17.89	1,573.19	17.89
Vacant	1,253.81	14.26	1,203.33	13.69	1,207.06	13.73
Total.....	8,792.33	100.00	8,792.33	100.00	8,792.96	100.00

Source: City of New Britain - City Plan Commission

TAX BASE DATA

Property Tax

Assessments

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion onto the Grand List are the responsibilities of the Assessor. The Grand List represents the total assessed value for all taxable real and personal property and motor vehicles located within the City as of October 1. Each year the Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at seventy percent (70%) of the market value at the time of the last general revaluation while assessments for motor vehicles and personal property are computed at seventy percent (70%) of their present market values. In accordance with Connecticut General Statutes, the City conducted a general revaluation of real property effective as of October 1, 2007 and will be conducting a general revaluation of real property by physical inspection to be effective October 1, 2012. Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. Generally, Section 12-62, as amended, requires a revaluation every five years and requires the Assessor to fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building, once every ten assessment years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five years.

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

Motor vehicle lists are furnished to the City by the State of Connecticut, Department of Motor Vehicles, and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes, as amended, provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the pro-ration is based on the number of months of ownership between October 1 and the following July 31. Motor vehicles purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October 1 Grand List, the taxpayer is entitled to certain credits.

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

Levy

Property taxes are levied on all taxable assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Tax bills are payable in two installments - July 1 and January 1. Payments not received by August 1 and February 1, respectively, become delinquent. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. A modest estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least four times a year, with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax accounts. Tax accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

Comparative Assessed Valuations

Grand List 10/1	Residential Real Property (%)	Commercial Industrial & Utility Real Property (%)	All Other Real Property (%)	Motor Vehicles (%)	Personal Property (%)	Gross Taxable Grand List	Less all Categories of Exemptions ²	Net Taxable Grand List
2010	61.7	22.3	0.5	8.4	7.1	\$3,030,977,819	\$108,253,648	\$2,922,724,171
2009	61.7	22.4	0.5	8.3	7.0	3,017,475,451	104,086,991	2,913,388,460
2008	61.7	22.7	0.5	8.1	7.0	3,017,815,363	95,695,577	2,922,119,786
2007 ¹	61.1	23.3	0.8	8.3	6.5	3,037,922,933	75,037,608	2,962,955,325
2006	56.9	22.2	0.5	11.3	9.1	2,158,279,371	68,671,284	2,089,608,087
2005	57.2	22.3	0.5	11.2	8.8	2,132,991,691	54,831,677	2,078,160,014
2004	57.6	22.9	0.4	10.6	8.5	2,114,337,560	61,539,190	2,052,798,370

¹ Revaluation year

² Includes step-down of enterprise zone exemption

Source: Assessor's Office, City of New Britain

Tax Exempt Properties

	<u>As of 10/01/10</u>	<u>As of 10/01/09</u>
Publicly Owned		
City of New Britain.....	\$299,651,590	\$298,302,130
State of Connecticut.....	78,549,520	78,243,690
Federal.....	3,315,130	3,315,130
City of Hartford.....	376,670	376,670
New Britain Housing Authority.....	17,377,220	17,377,220
Total Publicly Owned.....	<u>\$399,270,130</u>	<u>\$397,614,840</u>
Privately Owned		
Total Privately Owned ¹	<u>\$631,614,245</u>	<u>\$625,662,605</u>
Total Tax Exempt.....	\$1,030,884,375	\$1,023,277,445
Percentage as compared to Net Taxable Grand List ²	35.27%	35.12%

¹ Includes two regional non-profit hospitals, state university, religious institutions, libraries, museums and all others

² Net Taxable Grand List of \$2,922,724,171.

Source: City of New Britain - Assessor's Office

Ten Largest Taxpayers (2010 net taxable grand list)

<u>Name</u>	<u>Nature of Business</u>	<u>Taxable Valuation</u>	<u>Percent of Net Taxable Grand List¹ (%)</u>
Connecticut Light & Power.....	Utility	\$42,750,278	1.46%
Pebblebrook Apartments LLC.....	Apartments	21,865,000	0.75%
Stanley Black & Decker Inc.....	Manufacturing	20,228,600	0.69%
Connecticut Natural Gas Corp.....	Utility	12,859,566	0.44%
Inland Southeast New Britain LLC.....	Utility	12,800,780	0.44%
Webster Bank.....	Banks/Offices	11,706,462	0.40%
NB-BTMC LLC.....	Retail	11,200,000	0.38%
Farmington Hills 06 LLC.....	Apartments	10,659,013	0.36%
Investment Associates LTP.....	Medical Offices	10,620,890	0.36%
HSC Community Services Inc.....	Nursing Care	<u>9,088,170</u>	<u>0.31%</u>
Total		\$163,778,759	5.60%

¹ 2010 Net Taxable Grand List of \$2,922,724,171.

Source: City of New Britain - Assessor's Office

Property Tax Levies And Collections

<u>Grand List of 10/1</u>	<u>Fiscal Year Ending 6/30</u>	<u>Net Taxable Grand List</u>	<u>Mill Rate</u>	<u>Adjusted Annual Levy</u>	<u>Percent of Annual Levy Collected at End of Fiscal Year</u>	<u>Percent of Annual Levy Uncollected at End of Fiscal Year</u>	<u>Percent Annual Levy Uncollected As of 6/30/10</u>
2009	2011	2,913,388,460	36.63	103,479,111In Collection.....		N/A
2008	2010	2,919,676,735	34.98	101,941,766	95.94	4.06	4.06
2007 ¹	2009	2,962,955,325	34.98	103,424,611	95.72	4.28	2.81
2006	2008	2,089,608,087	45.40	94,066,512	95.70	4.30	2.68
2005	2007	2,078,160,014	45.88	95,916,505	96.55	3.45	1.17
2004	2006	2,055,598,712	45.89	93,494,265	96.85	3.15	0.74

¹ Revaluation

Source: City of New Britain - Tax Collector's Office

Property Taxes Receivable

<u>Fiscal Year Ending 6/30</u>	<u>Total Uncollected Taxes</u>	<u>Uncollected in Fiscal Year of Levy</u>
2010	\$11,846,000	\$4,009,000
2009	12,755,068	4,140,144
2008	10,758,271	4,094,560
2007	9,418,000	3,366,000
2006	9,063,000	2,978,000
2005	9,143,000	3,070,000
2004	8,920,000	2,894,000

Source: City of New Britain - Finance Department

FINANCE AND ADMINISTRATION

Audit

The City of New Britain, pursuant to local ordinance and provisions of Chapter 111 of the Connecticut General Statutes, is required to undergo an annual audit by an independent certified public accountant. The auditor appointed by the Common Council is required to conduct the audit under the guidelines outlined by the State of Connecticut, Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2010, the financial statements of the various funds of the City were audited by Blum, Shapiro & Company, Certified Public Accountants, West Hartford, Connecticut. The City is in compliance with said provisions.

Fiscal Year

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

Budget Adoption

City departments submit estimates of expenditures to the Board of Finance and Taxation and the Mayor no later than the second Friday in January. The Board of Finance and Taxation estimates in detail the amounts required by the departments of the City for the ensuing year. These estimated expenditures, accompanied by an estimate of the income necessary to meet such expenditures, are submitted to the Mayor not later than 75 days following the receipt of the department estimates as the "Proposed Budget". No later than 90 days following the receipt of the department estimates, the Mayor submits a budget to the Common Council (the "Mayor's Proposed Budget"). The Common Council may increase or decrease the Mayor's recommended appropriations or revenues, and set the rate of taxation for the ensuing year. The Mayor may then veto all or any part of the budget approved by the Common Council. The Common Council may then override the Mayor's veto by a two-thirds vote. If the veto is not overridden and 60 days has passed since the Mayor submitted the Mayor's Proposed Budget, the Mayor's Proposed Budget shall be the approved budget.

Significant Financial Policies

Financial Reporting: On a monthly basis, financial operating statements are prepared and distributed to the Mayor, Common Council and the Board of Finance and Taxation for review and comment. Departmental reporting of the current status of budgeting operations occurs on a weekly basis.

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

Personnel Compensation: Accrued compensated absences are recognized in the City's Long-Term Debt Account. The nature of the benefit costs falls into two categories: vacation and sick days. City policies and/or applicable labor contracts stipulate the manner in which compensated absences are accrued and paid. Funds for payment of absences are budgeted in yearly department appropriations as they occur.

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

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

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

Investment Policy

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

As of December 31, 2010 cash, cash equivalents, and investments included the following:

Instruments

Operating and Capital Funds

TD Bank (certificates of deposit)	\$ 9,723,230
Reich & Tang (State tax exempt proceeds fund).....	511,222
Sovereign Bank (certificates of deposit)	10,577
Citizens Bank (money market accounts)	221,944
Farmington Savings Bank	5,537,197
FIT	1,154,387
State of Connecticut Short-Term Investment Fund	\$ 9,723,230

Trust, Agency, and Internal Service Fund Accounts

The City invests Trust, Agency and Internal Service Fund accounts in accordance with Connecticut General Statutes. Please refer to “APPENDIX A - “AUDITOR’S REPORT” under “Notes to the General Purpose Financial Statements”, Note 3.

State of Connecticut Short-Term Investment Fund

The City’s investments of operating funds include investments in STIF. Connecticut General Statutes Section 3-27d details eligible investments for STIF as those investments approved for savings banks, or U.S. government obligations, U.S. agency obligations, U.S. postal service obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts and bank acceptances, and repurchase agreements relating to the above securities. Connecticut General Statutes Section 3-27f authorizes all agencies, instrumentalities, and political subdivisions of the State of Connecticut to invest in STIF.

Bond Authorization

The City of New Britain is authorized to issue bonds or notes as provided by Article XII of the City Charter and the Connecticut General Statutes. The Mayor recommends bond authorizations to the Standing Bonding Subcommittee of the Committee on Administration, Finance and Law (the “Bonding Committee”). The Bonding Committee consists of 9 Common Council Members and 2 Board of Finance and Taxation members. Once approved by the Bonding Committee, the recommended bond authorization is presented to the Common Council at a Special Meeting. A two-thirds vote of the members of the Common Council (present and absent) is required to approve bonding authorizations. The Mayor must then approve the bonds. If the Mayor disapproves, then two-thirds of the Common Council must again pass the resolution. If the Mayor fails to approve it in ten days, then the resolution is valid, as if the Mayor had approved it.

Temporary Financing

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

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

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

PENSION PROGRAMS AND OTHER POST EMPLOYMENT BENEFITS

Municipal Employees' Retirement Fund Overview

Substantially all City employees, except for the certified employees of the Board of Education and certain 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 Department hired prior to January 1, 2000 and members of the Fire Department hired prior to July 1, 1995 participate in contributory pension plans known as the Police Benefit Fund and the Firemen's Pension Plan. These are "closed plans". See explanation in "Plan Description" under "EMPLOYEE RETIREMENT SYSTEM." 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 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; only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible.

Plan provisions are set by State statute. MERF provides retirement benefits, as well as death and disability benefits. Annual cost of living increases of 2.5% to a maximum of 6% are paid to members prior to age 65 after which cost of living increases will remain at a minimum of 3% to a maximum of 5%. All benefits are vested after five years of continuous service. Members who retire after age 55 with five 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: 1-1/2% of the final average pay up to a break point which is provided for in the State retirement systems Tier II and IIa plans plus 2% of the final average pay in excess of such breakpoint multiplied by years and completed months of service.

Funding Policy

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid or 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 7.50% of covered payroll. The City continues to satisfy its obligations under the Plan. The City's contributions to MERF for the years ended June 30, 2010, June 30, 2009, and June 30, 2008 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, 2008	\$3,312,000	\$2,292,000	\$5,604,000	\$45,808,000
June 30, 2009	3,389,000	2,321,000	5,710,000	46,446,000
June 30, 2010	3,773,000	2,385,000	6,158,000	47,716,000

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 Common

Council and union negotiation. 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.

The City issued General Obligation Pension Obligation Bonds (POB) on February 1, 1998 in an amount equivalent to the then actuarial unfunded liability of the pension plans, \$106,000,000, as determined by the City's actuary, Hooker & Holcombe, as of December 1, 1997. The net proceeds of the Pension Obligation Bond issue were deposited into a retiree benefits reserve fund to be invested in accordance with Connecticut Special Act No. 96-6 and the Connecticut General Statutes.

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 police officers 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 years to a maximum of 80%.

For the fiscal year ended June 30, 2010, the City's contributions were \$210,787 and \$84,814 for the fire and police plans, respectively. For the fiscal year ended June 30, 2009, the City's contributions were \$215,000 and \$85,000 for the fire and police plans, respectively. Firefighters hired after July 1, 1995 and police officers hired after January 1, 2000 are enrolled in the Municipal Employees' Retirement Fund (MERF), described above.

Please see Note 11 in APPENDIX A - "AUDITOR'S REPORT", under "Notes to the General Purpose Financial Statements" for more information concerning the City's pension plans.

The pre-1973 pension funds are not advance funded but are paid on the "pay-as-you-go" method. Under this method, which is not an actuarial cost method, pension costs are not recognized prior to retirement of employees.

Schedule of Funding Progress (\$ in Thousands)

Fire Plan

<u>Actual 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>
03/01/2005	\$78,249	\$70,151	\$(8,098)	\$6,502	(124.5)
01/01/2007	83,474	74,781	(8,693)	5,698	(152.6)
01/01/2009	82,462	78,501	(3,961)	4,971	(79.7)

Police Plan

<u>Actual 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>
03/01/2005	\$77,953	\$71,971	\$(5,992)	\$6,640	(90.2)
01/01/2007	83,762	74,590	(9,172)	6,356	(144.3)
01/01/2009	79,361	80,340	978	5,829	16.8

Other Post-Employment Benefits

The City provides other post employment benefits ("OPEB") of retired employees and covered dependents. The City's OPEB benefits plan covers City, Board of Education, Police and Fire employees. Eligibility and premium sharing information is detailed in various collective bargaining agreements. The City has received from its actuarial firm, Milliman, an actuarial valuation report dated May 7, 2010 with respect to the plan. The City has an

actuarial valuation liability of \$42,853,000 with respect to the plan and \$0 plan assets and unfunded actuarial liability of \$42,853,000. The actuarial assumption includes an 8.0% rate of return and annual health care cost trend at 9.0% initially and reduced by decrements to an ultimate rate of 5.0% after four years. In fiscal year 2009, the City made plan contributions of \$4,421,000 and made plan contributions of \$3,438,000 in fiscal year 2010.

The City's annual OPEB cost, the actual OPEB contribution, the percentage of annual OPEB cost contributed to the plan and the cumulative net OPEB obligation for the fiscal years ended June 30, 2010, June 30, 2009 and June 30, 2008 is presented below.

(\$ in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2008	\$3,724	\$3,629	97.4%	\$95
6/30/2009	3,937	4,421	112.3	(389)
6/30/2010	3,977	3,438	86.5	150

GENERAL FUND REVENUES AND EXPENDITURES

Last Five Fiscal Years and Current Budget

	<u>GAAP Basis Budget¹ FY10-11</u>	<u>Actual FY09-10</u>	<u>Actual FY08-09</u>	<u>Actual FY07-08</u>	<u>Actual FY06-07</u>	<u>Actual FY05-06</u>
REVENUES AND TRANSFERS:						
Property Taxes	\$108,031,111	\$103,052,000	\$104,141,000	\$95,447,000	\$ 96,757,000	\$ 95,175,000
From Use of Money	1,600,000	1,523,000	758,000	677,000	3,481,000	3,066,000
Licenses, Fees & Charges for						
Goods and Services	9,695,227	9,844,000	7,280,000	9,728,000	10,523,000	9,447,000
Intergovernmental Revenue	81,035,527	94,014,000	106,705,000	138,884,000	98,569,000	96,815,000
Other Revenues	3,067,720	373,000	1,025,000	5,120,000	1,340,000	1,455,000
Transfers from Other Funds	<u>6,749,107</u>	<u>4,278,000</u>	<u>849,000</u>	<u>5,370,000</u>	<u>2,692,000</u>	<u>7,180,000</u>
Total Revenue and Transfers	<u>\$210,178,692</u>	<u>\$213,084,000</u>	<u>\$220,758,000</u>	<u>\$255,226,000</u>	<u>\$213,362,000</u>	<u>\$213,138,000</u>
EXPENDITURES AND TRANSFERS:						
General Government	\$4,762,180	\$6,406,000	\$5,429,000	\$5,009,000	\$ 4,867,000	\$ 7,065,000
Public Safety	30,258,291	38,781,000	33,361,000	33,660,000	32,210,000	34,588,000
Public Works	12,756,506	12,908,000	12,725,000	12,346,000	12,843,000	11,854,000
Health & Human Services	1,855,710	2,324,000	2,021,000	1,859,000	2,024,000	2,429,000
Education	108,919,682	120,254,000	129,357,000	160,854,000	120,623,000	118,050,000
Parks, Library & Recreation	7,310,873	7,892,000	7,623,000	7,411,000	7,292,000	7,632,000
Other Expenditures	-	-	-	-	242,000	-
Transfers & Non-Dept. Fixed Charges	<u>44,315,450</u>	<u>25,507,000</u>	<u>33,367,000</u>	<u>31,804,000</u>	<u>34,374,000</u>	<u>28,574,000</u>
Total Expenditures and Transfers	<u>\$210,178,692</u>	<u>\$214,072,000</u>	<u>\$223,883,000</u>	<u>\$252,943,000</u>	<u>\$214,475,000</u>	<u>\$210,192,000</u>
RESULTS OF OPERATIONS	-	(988,000)	(\$3,125,000)	\$2,283,000	(\$1,113,000)	\$2,946,000
Accrued Payroll & GAAP Adj.	-	-	-	-	-	-
Fund Balance (reserved)	-	1,642,982	2,803,000	3,661,000	1,861,000	2,990,000
Fund Balance (unreserved)	-	<u>7,384,018</u>	<u>7,212,000</u>	<u>9,479,000</u>	<u>8,996,000</u>	<u>8,980,000</u>
Total Fund Balance	-	<u>\$9,027,000</u>	<u>\$10,015,000</u>	<u>\$13,140,000</u>	<u>\$10,857,000</u>	<u>\$ 11,970,000</u>

¹ Budget as of February 1, 2011

DEBT SUMMARY

General Fund Long-Term Bonded Debt

As of March 29, 2011 (Pro-Forma)

<u>Consolidated School Dist:</u> ¹	Interest Rate %	Original Issue Amount	Date of Issue	Date of Maturity	Balance Outstanding
1993 Series A	3.8-6.0	\$13,300,000	02/01/93	10/01/12	\$1,470,000
1993 Series B	3.8-6.0	13,075,000	02/01/93	03/01/12	720,000
1994 Series.....	4.0-5.0	17,700,000	02/01/94	02/01/14	2,655,000
1996 Series	4.4-5.0	4,325,000	03/15/96	04/15/11	175,000
1997 Series	4.4-5.1	13,115,000	04/15/97	04/15/13	1,740,000
2002 Refunding Series.....	2.0-5.0	1,829,872	11/04/02	05/01/14	774,000
2006 Series.....	4.0-5.0	11,000,000	04/06/06	04/15/21	8,065,000
2007 Series	3.8-5.0	6,600,000	04/05/07	04/15/22	5,280,000
2008 Series A	2.8-5.0	1,750,000	04/03/08	04/15/22	1,575,000
2009 Series.....	3.0-5.0	3,975,000	03/31/09	04/01/24	3,715,000
2010 Series C	3.0-5.0	<u>1,840,000</u>	11/09/10	04/01/15	<u>1,840,000</u>
Sub-Total.....		\$88,509,872			\$28,009,000
<u>Public Improvement:</u>					
1992 Series.....	4.6-6.5	8,285,000	02/01/92	02/01/12	\$400,000
1993 Series B	3.8-6.0	16,210,000	02/01/93	03/01/12	900,000
1997 Series	4.4-5.1	8,925,000	04/15/97	10/15/12	360,000
2002 Refunding Series.....	2.0-5.0	2,240,128	11/04/02	05/01/14	946,000
2005 MERF Pension Bond	4.93	1,450,000	06/01/05	06/01/23	1,150,000
2006 Series	4.0-5.0	3,670,000	04/06/06	04/15/21	2,689,000
2007 Series.....	3.8-5.0	6,975,000	04/05/07	04/15/22	5,580,000
2008 Series A	2.8-5.0	11,215,000	04/01/08	04/01/28	10,090,000
2008 Series B (Refunding of Series 1999 & 2000B).....	2.8-5.0	15,485,000	04/01/08	04/01/20	11,855,000
2009 Series.....	3.0-5.0	8,370,000	03/31/09	04/01/24	7,810,000
2010A Series	2.5-5.25	11,715,000	03/30/10	03/01/25	10,930,000
2010 Subseries B-1	3.0-4.0	7,065,000	11/09/10	10/01/14	7,065,000
2010 Subseries B-2	2.89-5.53	18,000,000	11/09/10	10/01/24	18,000,000
2010 Subseries B-3	5.69-5.82	<u>9,935,000</u>	11/09/10	10/01/30	<u>9,935,000</u>
Sub-Total.....		\$129,540,128			\$87,710,000
<u>General Obligation Pension Bonds (Taxable):</u>					
1998 Series	5.70-6.54	\$ 66,000,000	02/01/98	02/01/21	\$42,920,000
2008 Series C ²	6.371	<u>40,700,000</u>	05/30/08	02/01/26	<u>40,000,000</u>
Sub-Total.....		\$106,700,000			\$82,920,000
<u>Emergency Medical Service:</u>					
2006 Series	4.0-5.0	\$ 1,800,000	04/06/06	04/15/21	\$1,320,000
2009 Series	3.0-4.5	<u>1,040,000</u>	03/31/09	04/01/24	<u>975,000</u>
Sub-Total		\$ 2,840,000			\$2,295,000
<u>Water Revenue Bonds:</u>					
2008 Series B (Refunding of Series 2005 Revenue Bonds).....	2.8-5.0	<u>\$14,170,000</u>	04/01/08	04/01/35	<u>\$13,335,000</u>
Sub-Total.....		\$14,170,000			\$13,335,000
Total General Fund Debt.....		<u>\$341,760,000</u>			<u>\$214,269,000</u>

¹ Subject to State of Connecticut School Building Grant for 79.29% of eligible costs.

² Issued as variable rate bonds, but were swapped from a variable interest rate to a fixed interest rate pursuant to a swap agreement. See "Interest Rate Swap Agreements and Option" herein.

Self Liquidating Long-Term Bonded Debt

As of March 29, 2011 (Pro-Forma)

	Interest Rate %	Original Issue	Date of Issue	Date of Maturity	Balance Outstanding
<u>Sewer:</u>					
2003 Series (Sewer Inflow & Infiltration - CWF 400-DC - Contract #1) ¹	2.00	\$2,317,896	1/31/04	01/31/23	\$1,381,080
2005 Series (Sewer Inflow & Infiltration - CWF 488-C - Contract #2 & #3) ¹	2.00	2,695,515	5/30/05	05/30/24	1,785,779
2008 Series (Sewer Inflow & Infiltration - CWF 583-DC - Contract #4) ¹	2.00	<u>1,173,344</u>	1/31/08	01/31/27	<u>933,786</u>
Sub-Total		\$ 6,186,755			\$4,100,645
<u>Stanley Golf Course</u>					
2006 Series	4.0-5.0	<u>\$ 990,000</u>	04/06/06	04/15/21	<u>\$726,000</u>
Sub-Total		\$ 990,000			\$726,000
<u>Water:</u>					
2001 Series - Drinking Water State Revolving Fund (DWSRF)	2.77	\$12,682,987	11/30/01	11/30/21	\$6,817,106
2004 Series - Drinking Water State Revolving Fund (DWSRF)	2.43	<u>\$24,000,000</u>	10/01/04	10/01/23	<u>15,100,000</u>
Sub-Total		\$36,682,987			\$21,917,106
Total Self Liquidating Debt		<u>\$43,859,742</u>			<u>\$26,743,751</u>

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

Short -Term Debt

The City currently has outstanding \$32,450,000 General Obligation Bond Anticipation Notes dated March 30, 2010 (the "2010 Notes"). The 2010 Notes will mature on March 29, 2011.

Other Commitments

None

General Fund Annual Bonded Debt Maturity Schedule

As of March 29, 2011 (Pro-Forma)

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	Cumulative % Of Principal Retired
2011	\$7,849,000	\$3,479,242	\$11,328,242	3.66%
2012	17,289,000	11,595,986	28,884,986	11.73%
2013	14,874,000	10,141,324	25,015,324	18.67%
2014	12,884,000	9,464,095	22,348,095	24.69%
2015	11,974,000	8,819,693	20,793,693	30.28%
2016	11,929,000	8,236,118	20,165,118	35.84%
2017	12,269,000	7,641,842	19,910,842	41.57%
2018	12,619,000	7,012,828	19,631,828	47.46%
2019	12,999,000	6,340,889	19,339,889	53.52%
2020	13,409,000	5,629,850	19,038,850	59.78%
2021	12,809,000	4,825,938	17,634,938	65.76%
2022	12,220,000	4,034,673	16,254,673	71.46%
2023	11,740,000	3,335,362	15,075,362	76.94%
2024	12,080,000	2,640,409	14,720,409	82.58%
2025	11,660,000	1,929,057	13,589,057	88.02%
2026	11,400,000	1,227,408	12,627,408	93.34%
2027	2,990,000	711,227	3,701,227	94.74%
2028	2,985,000	551,076	3,536,076	96.13%
2029	2,080,000	397,706	2,477,706	97.10%
2030	2,040,000	283,470	2,323,470	98.05%
2031	2,040,000	170,490	2,210,490	99.01%
2032	535,000	101,175	636,175	99.26%
2033	535,000	75,763	610,763	99.51%
2034	530,000	50,350	580,350	99.75%
2035	530,000	25,175	555,175	100.00%
	<u>\$214,269,000</u>	<u>\$98,721,146</u>	<u>\$312,990,146</u>	

Self Liquidating Annual Bonded Debt Maturity Schedule

As of March 29, 2011 (Pro-Forma)

Fiscal Year Ended 6/30	Principal Payments	Interest Payments	Total Payments	Cumulative % of Principal Retired
2011	\$680,779	\$200,375	\$880,928	2.55%
2012	2,209,544	629,588	2,839,132	10.81%
2013	2,209,544	573,849	2,783,393	19.07%
2014	2,209,544	518,315	2,727,859	27.33%
2015	2,209,544	462,079	2,671,623	35.59%
2016	2,209,544	405,863	2,615,407	43.86%
2017	2,209,544	350,426	2,559,970	52.12%
2018	2,209,544	294,030	2,503,574	60.38%
2019	2,209,260	238,195	2,447,455	68.64%
2020	2,209,260	181,593	2,390,853	76.90%
2021	2,209,260	125,392	2,334,652	85.16%
2022	1,773,567	71,752	1,845,319	91.79%
2023	1,461,048	34,737	1,495,785	97.26%
2024	582,212	6,927	589,139	99.43%
2025	58,667	2,493	61,160	99.65%
2026	58,667	1,320	59,987	99.87%
2027	<u>34,223</u>	<u>228</u>	<u>34,451</u>	100.00%
Total	<u>\$26,743,751</u>	<u>\$4,097,162</u>	<u>\$30,840,687</u>	

Interest Rate Swap Agreements

The City has an Interest Rate Risk Management Policy dated April 7, 2005. This policy contains the purpose of interest rate exchange contracts, potential risks regarding interest rate exchange contracts and policies regarding interest rate exchange contracts. A copy of the policy is available from the City's finance office. Standard & Poor's has assigned the City a Debt Derivative Profile overall score of "1" on a scale of "1" to "5", with a "1" representing the lowest risk and "5" the highest risk.

The City entered into the swap agreements described below as a means of (1) lowering its borrowing costs when compared to fixed-rate bonds at the time of issuance and (2) limiting interest rate risk inherent in variable rate debt. Notwithstanding such swap agreements, the City remains liable to pay interest on such bonds. The swaps may expose the City to certain market and credit risks. The City may terminate each swap agreement at any time at market value, or upon the occurrence of certain events. In addition, the City or the swap provider may terminate each swap agreement if the other party fails to perform under the terms of the agreement. If any of the swap agreements are terminated, the related bonds would bear interest at a variable rate, and the City could be liable for a termination payment if the swap agreement has a negative market value or could receive a termination payment from the swap provider if the swap agreement has a positive market value.

The City entered into an interest rate swap agreement with Deutsche Bank dated September 14, 2006, revised as of October 2, 2006, and amended as of April 13, 2007 and October 8, 2010 with respect to its 1998 Bonds. On May 30, 2008, the 1998 Bonds were refunded by the Series 2008C Bonds and the swap agreement with Deutsche Bank remains in full force and effect with regards to the Series 2008C Bonds. The original notional amount was \$40,000,000. Under the terms of this agreement, the City received an upfront payment of \$1,843,240 of which \$1,500,000 was deposited in its general fund for future appropriations for capital expenditures. Pursuant to the interest rate swap agreement, the City makes payments due the swap provider at a variable rate of interest equal to 100% of the 1-month LIBOR Index and the swap provider makes payments to the City at a variable rate of interest equal to 78% of the 10-year LIBOR Index with respect to such bonds per annum beginning February 1, 2017 until the termination date of the swap, which is February 1, 2026, unless terminated earlier.

In addition the City entered into an interest rate swap agreement with Deutsche Bank on April 29, 2008 relating to the 1998 Bonds, which as of May 30, 2008, applied to the Series 2008C Bonds. Pursuant to the swap agreement, the City makes payments due to the swap provider at a fixed interest of 6.371% and the swap provider makes payments to the City at a variable rate of interest as such variable rate may change from time to time, resulting in the City's net interest cost with respect to the 2008C Bonds, effectively constituting a fixed rate of 6.371% per annum until the termination date of the swap, which is February 1, 2026, unless terminated earlier.

In addition to the foregoing agreements, the City entered into a forward interest rate swap agreement in the notional amount of \$14,000,000 with Deutsche Bank on January 16, 2008 with respect to variable rate general obligation bonds the City anticipated to issue in April, 2011. Pursuant to such agreement, the City would make payments due the swap provider at a fixed rate of interest of 3.807% and the swap provider would make payments to the City at a variable rate of interest equal to the weekly SIFMA Municipal Swap Index, generally similar to the rate of interest on such bonds, as such variable rate may change from time to time, until the termination date of the swap, which is April 1, 2026, unless terminated earlier. The City is currently negotiating with Deutsche Bank to amend this forward interest rate swap agreement. It is anticipated that such amendment will extend the anticipated issuance of variable rate general obligation bonds to April, 2012 and may affect the variable and fixed rates of interest.

Overlapping/Underlying Debt

Underlying Debt:

The City does not have any underlying debt.

Overlapping Debt:

The City, along with the Towns of Berlin and Cromwell, is a member of the Mattabassett District (the "District"), a regional sewer authority, which was organized under a special act of the 1961 session of the Connecticut General Assembly. The three constituent municipalities approved the District's charter dated May, 1963.

The function of the District is to operate and maintain a water pollution control system. The District is governed by a District Board composed of twelve members appointed by the constituent municipalities.

There is no debt outstanding to the District as of March 29, 2011.

Debt Statement

As of March 29, 2011 (Pro-Forma)

LONG-TERM DEBT

GENERAL OBLIGATION BONDS

Schools	\$28,009,000	
General Purpose	87,710,000	
Pension Obligation Bonds	82,920,000	
Emergency Medical Service.....	2,295,000	
Water Revenue Bonds	13,335,000	
Sewer I & I - State Clean Water Fund	4,100,645	
Stanley Golf Course	726,000	
Drinking Water Interim Funding Obligation	21,917,106	
TOTAL LONG-TERM DEBT		\$241,012,751
SHORT TERM DEBT		
Bond Anticipation Notes		\$38,235,000
TOTAL SHORT-TERM DEBT		\$38,235,000
TOTAL DIRECT DEBT.....		\$ 279,247,751
LESS:		
<i>Long-Term Self-Liquidating Debt:</i>		
Sewer I & I - State Clean Water Fund.....	4,100,645	
Stanley Golf Course.....	726,000	
Drinking Water Interim Funding Obligation	21,917,106	
<i>School Building Grants:</i>		
School Building Grants Receivable (Principal Only).....	8,389,165	
Total Reductions from Total Direct Debt		<u>\$35,232,916</u>
TOTAL DIRECT NET DEBT		\$244,014,835
OVERLAPPING/UNDERLYING DEBT (Mattabassett District).....		-
TOTAL OVERALL NET DEBT		<u>\$244,014,835</u>

Current Debt Ratios

As of March 29, 2011 (Pro-Forma)

Population (2008).....	70,486
Net Taxable Grand List (10/1/10) at 70% of Full Value	\$2,922,724,171
Estimated Full Value of Taxable Grand List (10/1/10).....	4,175,320,244
Equalized Net Taxable Grand List (10/1/08).....	4,136,232,104
Income per Capita (2003).....	\$19,817

	<u>Total Direct Debt</u>	<u>Total Direct Net Debt</u>	<u>Total Overall Net Debt</u>
Debt per Capita.....	\$3,961.75	\$3,461.89	\$3,461.89
Ratio to Net Taxable Grand List (%)	9.55%	8.35%	8.35%
Ratio to Estimated Full Value (%)	6.69%	5.84%	5.84%
Ratio to Equalized Net Taxable Grand List (%).....	6.75%	5.90%	5.90%
Debt per Capita to Income per Capita (%).....	19.99%	17.47%	17.47%

Limitation Of Indebtedness

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

General Purpose: 2.25 times annual receipts from taxation

School Purposes: 4.50 times annual receipts from taxation

Sewer Purposes: 3.75 times annual receipts from taxation

Urban Renewal Purpose: 3.25 times annual receipts from taxation

Pension: 3.00 times annual receipts from taxation

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

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

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

Statement of Statutory Debt Limitation
As of March 29, 2011 (Pro-Forma)

TOTAL TAX COLLECTIONS (Including circuit breaker, interest and lien fees) for the year ended June 30, 2010	\$102,274,254
REIMBURSEMENT FOR LOSS OF REVENUE:	
Tax Relief for Elderly	479,499
Disability Exemption	0
Veterans' Exemption	27,644
Manufacturing Equipment Exemption	1,403,989
Boat Registration Reimbursement	19,835
BASE.....	<u>\$104,205,221</u>

<u>Debt Limitation</u>	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension</u>
FACTOR MULTIPLIED TIMES BASE					
2 ¼ times base.....	\$234,461,747	-	-	-	-
4 ½ times base.....	-	\$465,923,495	-	-	-
3 ¾ times base.....	-	-	\$390,769,579	-	-
3 ¼ times base.....	-	-	-	\$338,666,968	-
3 times base	-	-	-	-	\$312,615,663
Total Debt Limitation.....	\$234,461,747	\$465,923,495	\$390,769,579	\$338,666,968	\$312,615,663
DEBT, AS DEFINED BY STATUTE					
Bonds Payable	\$125,983,106	\$28,009,000	\$4,100,645	-	-
Pension Obligation Bonds	82,920,000	-	-	-	-
Notes Payable (Including this Issue).....	32,315,000	5,920,000	-	-	-
Debt Authorized but Unissued ¹	71,237,436	54,398,000	12,761,590	-	-
Overlapping Debt.....	-	-	-	-	-
Total Indebtedness	\$312,455,542	\$88,327,000	\$16,862,235	-	-
Less: Self-Liquidating Debt ²	\$22,643,106	-	-	-	-
Statutory Exclusion – Pension					
Obligation Bonds.....	82,920,000	-	-	-	-
State School Construction Grants ³	-	8,389,165	-	-	-
Net Indebtedness.....	\$206,892,436	\$79,937,835	\$18,862,235	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED BUT UNISSUED DEBT	\$27,569,311	\$385,985,660	\$373,907,344	\$338,666,968	\$312,615,663

¹ Please see Authorized But Unissued chart on the following page.

² Includes \$22,628,489 of Water Debt

³ The State of Connecticut provides proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996. Debt service reimbursement will continue under the prior program for all projects approved prior to July 1, 1996. Under the prior program, the State of Connecticut will reimburse the City for a percentage of principal and interest costs for eligible school construction projects over the life of outstanding school bonds and the subsequent bond issues necessary to completely fund school projects. School building grants are calculated as follows (principal only):

 Amount to be received on outstanding bonds \$8,389,165

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation, or \$729,436,547.

Authorized But Unissued Debt
As of March 29, 2011 (Pro-Forma)

Project	Original Authorization Date	Most Recent Amendment Date	Authorization Amount	Bonds Issued	Paydowns	Notes Outstanding	Authorized But Unissued
Education:							
Lincoln/Northend/Vance	13-Jun-01	26-Sep-07	43,800,000	\$17,600,000	\$150,000	--	\$26,050,000
New Britain High School	13-Apr-05	28-Feb-07	16,595,000	3,975,000	25,000	\$1,610,000	10,985,000
Reroof Five Schools	22-Mar-06	22-Aug-07	8,225,000	1,750,000	2,000	610,000	5,863,000
NBHS Code Compliance	9-Jul-08	12-Nov-08	3,000,000	--	--	2,310,000	690,000
Smalley Academy Chiller	9-Jul-08	12-Nov-08	500,000	--	--	480,000	20,000
Entrance Security	9-Jul-08	9-Jul-08	1,700,000	--	--	375,000	1,325,000
DiLoreto Magnet School Addition	14-Apr-10	14-Apr-10	10,000,000	--	--	535,000	9,465,000
Capital Equipment:							
2005 Capital Equipment	11-May-05	13-Jun-07	4,503,500	2,200,000	--	1,745,000	558,500
2007 Capital Equipment	28-Feb-07	23-Jun-07	8,450,000	800,000	--	4,970,000	2,680,000
2010 Capital Equipment	13-Oct-10	13-Oct-10	7,524,186	--	--	--	7,524,186
Public Improvement:							
Badolato and Szczesny Repairs	11-Apr-07	12-Mar-08	5,075,000	--	--	1,285,000	3,790,000
Main Street Reconstruction	26-Jun-96	8-Dec-99	3,250,000	1,250,000	150,000	--	1,850,000
Fafnir Booth Street Industrial	26-Mar-97	12-Nov-08	8,550,000	2,755,000	70,000	660,000	5,065,000
Willow Street Project	13-Jun-07	28-Jan-09	5,350,000	250,000	--	4,650,000	450,000
New Britain Machine Industrial	14-Feb-01	6-Apr-06	3,600,000	1,567,500	767,500	--	1,265,000
Fafnir Smart Park	14-Mar-01	9-Jul-08	3,250,000	1,500,000	--	645,000	1,105,000
Broad, Beaver, Main, North	26-Feb-97	24-Mar-04	6,600,000	2,625,000	125,000	--	3,850,000
Environmental Remediation	14-May-03	23-Jun-10	6,750,000	4,750,000	50,000	1,200,000	750,000
Police Headquarters	14-May-03	24-Feb-10	3,500,000	2,850,000	--	--	650,000
Hart Street Extension	24-May-00	13-Dec-06	9,500,000	3,878,500	1,034,750	--	4,586,750
Broad/Washington Reconstruction	13-Dec-00	13-Jun-07	13,300,000	3,925,000	1,845,000	--	7,530,000
Storm Water System Improvements	14-May-03	9-Jul-08	4,750,000	605,000	20,000	2,725,000	1,400,000
2007 Revaluation	11-May-05	11-May-05	1,200,000	500,000	--	--	700,000
Pinnacle Heights	28-Jun-06	28-Jun-06	7,946,000	1,200,000	100,000	3,300,000	3,346,000
Street Infrastructure	28-Feb-07	28-Jan-09	22,058,000	9,655,000	--	5,625,000	6,778,000
Information Technology	26-Sep-07	26-Sep-07	2,000,000	554,000	--	950,000	496,000
Transfer Station Rehabilitation	28-Feb-07	28-Feb-07	6,868,000	--	--	2,000,000	4,868,000
Beaver Street Reconstruction	10-Jun-09	10-Jun-09	7,300,000	--	--	1,000,000	6,300,000
Bridge Program	22-Mar-06	13-Sep-06	5,775,000	--	--	1,500,000	4,275,000
EMS	10-Aug-05	13-Jun-06	3,000,000	2,840,000	40,000	60,000	60,000
	22-Oct-03	11-Apr-07					
2011 Revaluation	9-Mar-11	9-Mar-11	1,360,000	--	--	--	1,360,000
Sewers:							
Sewer I & I	13-Dec-00	13-Dec-00	<u>17,775,000</u>	<u>5,013,410</u>	<u>--</u>	<u>--</u>	<u>12,761,590</u>
Total Projects:			253,054,686	72,043,410	4,379,250	38,235,000	\$138,397,026

Ratio of Annual Debt Service Expenditures for Total Long-Term Debt To General Fund Expenditures

Fiscal Year ¹ Ended June 30	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to Total General Fund Expenditures (%)
2010	\$15,507,000	\$10,631,000	\$26,138,000	\$213,740,000	12.2
2009	14,836,000	11,510,000	26,346,000	223,883,000	11.8
2008	14,360,000	11,014,000	25,374,000	221,139,000	11.5
2007	14,764,000	10,721,000	25,485,000	205,349,000	12.4
2006	13,965,700	10,622,927	24,588,627	204,756,542	12.0
2005	11,374,000	13,556,000	24,930,000	198,221,000	12.6

¹ Overlapping Debt is not included

Principal Amount of Outstanding Debt¹

Fiscal Year Ending 6/30	2010	2009	2008	2007	2006
General Obligation Bonds					
Payable from:					
General Fund	\$173,532,000	\$176,174,000	\$178,775,000	\$178,900,000	\$179,630,000
Self-Liquidating Funds	--	--	90,000	180,000	270,000
Bond Anticipation Notes	32,450,000	27,455,000	19,255,000	18,685,000	20,245,000
TOTAL	\$205,982,000	\$203,629,000	\$198,120,000	\$197,765,000	\$200,145,000

¹ Overlapping Debt is not included

Source: City of New Britain Audit Report

Capital Improvement Program Summary

The City's Capital Improvement Program (CIP) is prepared pursuant to Article XI, Section 11 of the City of New Britain Charter, as amended, no later than the second Friday in January of each year, and is submitted simultaneously to the Mayor or his designee and the Board of Finance and Taxation. The Mayor and the Board of Finance and Taxation shall prepare an annual six (6) year Capital Projects budget for the City.

The Capital Improvement Program is a recommended schedule of public, physical improvements for the City of New Britain for the next six years. The first year of the program represents the proposed Capital Budget for that fiscal year. The schedule is based on a priority analysis that examines the need, desirability and importance of such improvements, their relations to other improvements and plans, and the City's current and anticipated financial capacity. The Capital Improvement Program is updated annually, and the schedule of projects is reevaluated each year.

In adopting a Capital Improvement Program, the City analyzes the problem of balancing needed or desired physical improvements with available financing, thereby maximizing benefits from the available public revenue. In addition, the CIP is a valuable planning tool that accomplishes the following objectives:

1. Coordinates various City improvements and informs each City department of all City improvements so that rational decisions are made and, where appropriate, joint programs initiated;
2. Informs private businesses and citizens about proposed public improvements so that they may make sounder judgments concerning their own construction programs;
3. Enables the City to take better advantage of federal and state grant-in-aid programs; and
4. Leads to balanced development throughout the City.

The 2010-2015 Capital Improvement Program budget was adopted on June 13, 2010 and is outlined below.

Capital Improvement Program¹

As of December 31, 2010

<u>Department</u>	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>Total</u>
Building	15,000	-	-	-	-	15,000
Fire	500,000	-	-	-	-	500,000
Information Technology	5,000	50,000	-	-	-	55,000
Parks and Recreation	2,460,000	3,900,000	6,975,000	810,000	945,000	15,090,000
Property Management	40,000	-	-	-	-	40,000
Public Works	500,000	-	-	-	-	500,000
Stanley Golf Course	4,120,000	35,000	-	-	-	4,155,000
Water Department	<u>1,066,000</u>	<u>201,200</u>	<u>1,220,000</u>	<u>1,240,000</u>	<u>1,347,000</u>	<u>5,074,200</u>
TOTAL	\$8,706,000	\$4,186,200	\$8,195,000	\$2,050,000	\$2,292,000	\$25,429,200

¹ The Capital Improvement Program prioritizes City projects; amounts indicated do not represent appropriated monies or bond authorizations.

Development of the Capital Improvement Program has been administratively modified in respect to selecting and defining projects recommended for funding as follows:

- a. Elimination of projects previously included in the plan yet deemed not sufficiently necessary and unlikely to receive funding, regardless of source;
- b. Eligibility for State of Connecticut Grant Funding (LOCIP);
- c. Inclusion of projects defined as highly desirable and funded with appropriated monies or bond authorization; and
- d. Exclusion of Board of Education Capital Improvement Projects, referred to as the 2020 plan, from the CIP.

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TRANSCRIPT AND CLOSING DOCUMENTS

The Underwriter of the Notes will be furnished the following documents when the Notes are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Notes or the levy or collection of taxes to pay them.
2. A certificate on behalf of the City, signed by the Mayor and Treasurer of the City, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify to the best of said officials' knowledge and belief, that at the time of the sale, the representations and warranties in the Purchase Contract and the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Notes.
4. The approving opinion of Shipman & Goodwin LLP, Hartford, Connecticut, bond counsel to the City, in substantially the form of Appendix C hereto.
5. An executed Continuing Disclosure Agreement in substantially the form of Appendix B hereto.
6. The City will furnish the Underwriter fifty (50) copies of the Official Statement as prepared by the City within seven (7) business days of the execution of the Purchase Contract.
7. A transcript of the proceedings will be kept on file at the offices of U.S. Bank National Association, Hartford, Connecticut and at the principal office of the City and will be available for examination upon reasonable request.

OTHER INFORMATION

Concluding Statement

Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

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

CITY OF NEW BRITAIN, CONNECTICUT

By: /s/ Timothy T. Stewart
Timothy T. Stewart, *Mayor*

By: /s/ Teresa Sapieha-Yanchak
Teresa Sapieha-Yanchak, *Treasurer*

March 16, 2011

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APPENDIX A

AUDITOR'S REPORT

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BlumShapiro

Accounting | Tax | Business Consulting

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Britain, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the City of New Britain, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Britain, Connecticut, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages A-3 through A-11 and the budgetary comparison information on pages A-58 through A-61 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Blum, Shapiro & Company, P.C.

December 28, 2010

**CITY OF NEW BRITAIN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

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, 2010. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

Financial Highlights

- The City's net assets increased as a result of this year's operations. While net assets of our business-type activities increased by \$1.6 million, or nearly 3.2%, net assets of our governmental activities increased by \$5.1 million, or 5.1%.
- In its governmental activities, the City had revenues of \$272 million and expenses of \$267 million; thus increasing the net assets of governmental activities by \$5 million.
- In the City's business-type activities, revenues were \$12.2 million while expenses were \$10.6 million; thus increasing the net assets of the business-type funds by \$1.6 million.
- The General Fund reported a fund balance this year of \$9.0 million.
- The tax collection rate of the current levy was 96.08%.

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 included with the fund financial statements.
- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-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 \$150 million to \$156.9 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	
	2010	2009	2010	2009	2010	2009
Current assets	\$ 92,198	\$ 94,810	\$ 25,399	\$ 24,717	\$ 117,597	\$ 119,527
Noncurrent assets	15,422				15,422	
Capital assets:						
Capital assets not being depreciated	135,313	143,828	3,602	3,602	138,915	147,430
Capital assets being depreciated, net	139,944	126,608	60,154	61,678	200,098	188,286
Total assets	<u>382,877</u>	<u>365,246</u>	<u>89,155</u>	<u>89,997</u>	<u>472,032</u>	<u>455,243</u>
Long-term debt outstanding	224,521	209,861	36,933	39,084	261,454	248,945
Other liabilities	53,136	55,253	522	834	53,658	56,087
Total liabilities	<u>277,657</u>	<u>265,114</u>	<u>37,455</u>	<u>39,918</u>	<u>315,112</u>	<u>305,032</u>
Net Assets:						
Invested in capital assets, net of debt	153,258	152,453	27,181	26,456	180,439	178,909
Restricted	2,483	2,381			2,483	2,381
Unrestricted (deficit)	<u>(50,521)</u>	<u>(54,702)</u>	<u>24,519</u>	<u>23,623</u>	<u>(26,002)</u>	<u>(31,079)</u>
Total Net Assets	<u>\$ 105,220</u>	<u>\$ 100,132</u>	<u>\$ 51,700</u>	<u>\$ 50,079</u>	<u>\$ 156,920</u>	<u>\$ 150,211</u>

Net assets of the City's governmental activities increased by 5.1% (\$105 million compared to \$100 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 \$(50.5) million at June 30, 2010.

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

- Mayor's Five Percent Reduction of all General Fund Departments resulted in an expenditure decrease of over \$2.8 mil.
- The City's employer contributions on behalf of employee benefits were over a \$1 million less than budgeted which was primarily due to better than expected medical claims in FY 10.
- Not using contingency resulted in over \$500,000 remaining at 6/30/10.
- City hiring freeze resulted in an expenditure savings of over \$200,000.
- Energy Auction resulted in lower supplier and distribution costs for the City in FY 10 on. Street Lighting alone decreased over \$76,000 from FY 09 to FY 10.
- OPEB contribution not needed to meet the City's annual required contribution of \$1.3 mil.

The net assets of business-type activities increased by 3.2% (\$51.7 million compared to \$50 million) in 2010.

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

- Conservative spending;
- Increase in bulk Water purchases from outside Water companies.
- Energy Auction resulted in lower supplier and distribution costs for the Water department in FY 10 on.
- Electricity is a big expenditure for the Water department and the actual cost was almost \$240,000 under budget.

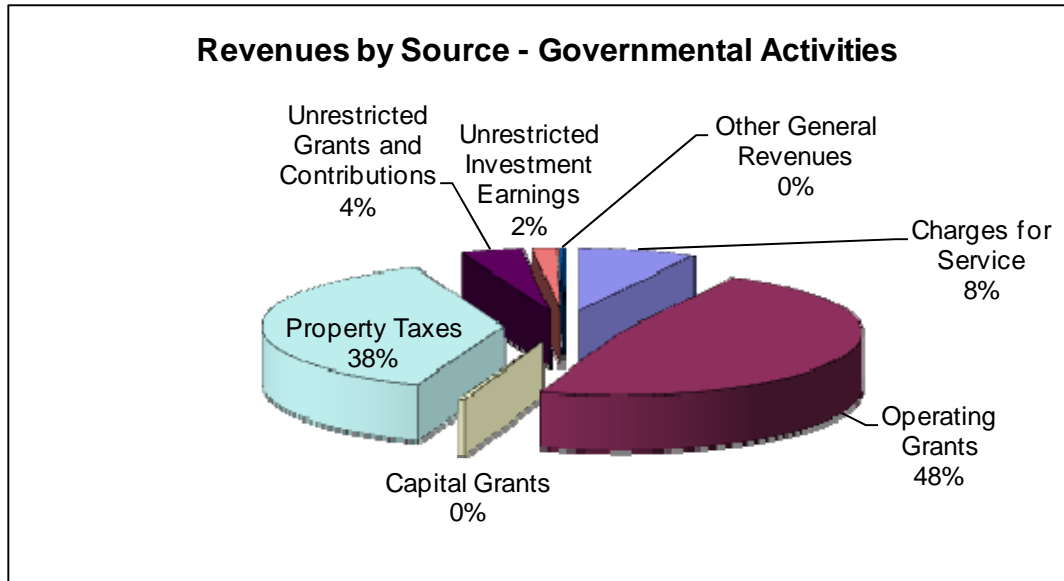
TABLE 2
CHANGES IN NET ASSETS
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 21,310	\$ 24,987	\$ 12,394	\$ 13,055	\$ 33,704	\$ 38,042
Operating grants and contributions	129,213	119,868			129,213	119,868
Capital grants and contributions	1,248	25			1,248	25
General revenues:						
Property taxes	104,280	105,220			104,280	105,220
Grants and contributions not restricted to specific programs	11,177	10,889			11,177	10,889
Unrestricted investment earnings (losses)	4,249	(600)	50	135	4,299	(465)
Other general revenues	768	615			768	615
Total revenues	<u>272,245</u>	<u>261,004</u>	<u>12,444</u>	<u>13,190</u>	<u>284,689</u>	<u>274,194</u>
Program expenses:						
General government	8,596	13,414			8,596	13,414
Public safety	40,102	36,142			40,102	36,142
Public works	25,668	26,500			25,668	26,500
Health and welfare	8,643	8,763			8,643	8,763
Parks, recreation and libraries	11,348	12,249			11,348	12,249
Education	163,027	159,235			163,027	159,235
Interest on long-term debt	10,036	10,813			10,036	10,813
Water			10,560	9,034	10,560	9,034
Total program expenses	<u>267,420</u>	<u>267,116</u>	<u>10,560</u>	<u>9,034</u>	<u>277,980</u>	<u>276,150</u>
Increase (decrease) in net assets before transfers	4,825	(6,112)	1,884	4,156	6,709	(1,956)
Transfers	263		(263)		-	-
Increase (Decrease) in Net Assets	\$ <u>5,088</u>	\$ <u>(6,112)</u>	\$ <u>1,621</u>	\$ <u>4,156</u>	\$ <u>6,709</u>	\$ <u>(1,956)</u>

The City's total revenues were \$284.7 million. The total cost of all programs and services was \$278 million. In FY 10, the State and Federal Government utilized ARRA money directly on behalf of the City of New Britain's BOE for \$10,547,122. This explains both the increase in operating grants and contributions as well as the increase in education expenses in FY 10. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for governmental activities totaled \$272 million; property taxes (38%), operating grants (47%) and charges for services (7.8%) are the major revenue sources contributing nearly 93% of the City's revenues.



Expenses for governmental activities were \$267 million of which 56% were supported by program revenues, and 44% were supported from general revenues. Expenses by function include education (61%), public safety (15%), public works (10%), and parks and recreation (4%) made up 90% of the total governmental expenses.

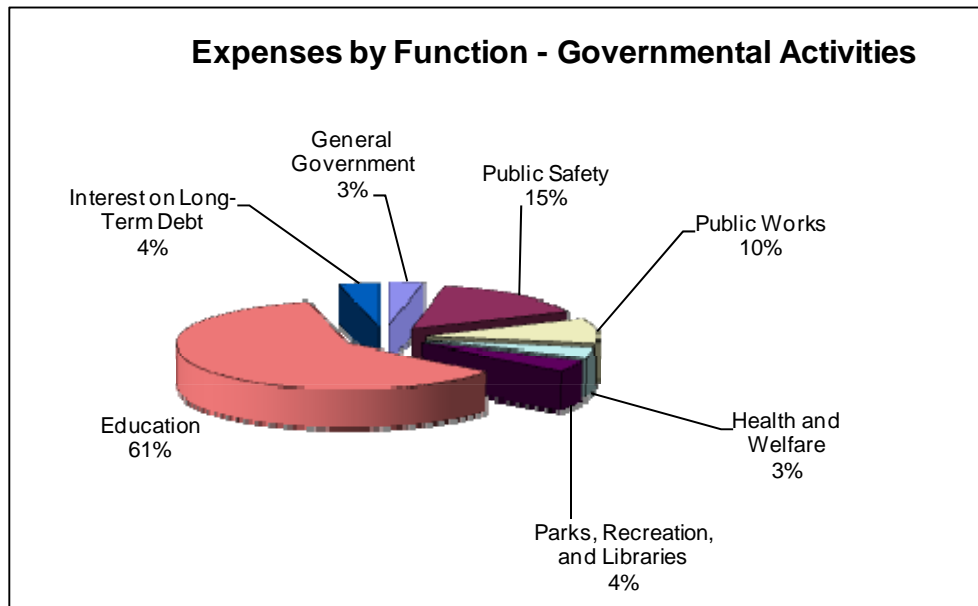
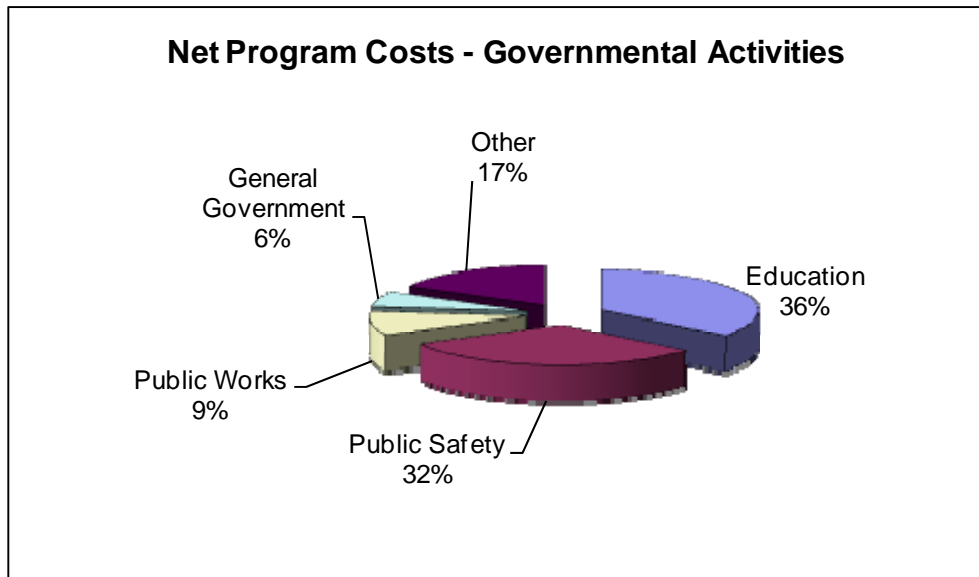


Table 3 presents the cost of each of the City’s four largest programs - education, public safety, public works, and parks and recreation - as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers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

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Education	\$ 163,027	\$ 159,235	\$ 41,142	\$ 43,125
Public safety	40,102	36,142	37,039	32,869
Public works	25,668	26,500	10,635	13,816
General Government	8,596	13,414	7,327	12,006
All others	30,027	31,825	19,506	20,420
Totals	\$ 267,420	\$ 267,116	\$ 115,649	\$ 122,236



Business-Type Activities

Revenues and expenses of the City’s business-type activities amounted to \$12 million and \$11 million, respectively. Net assets increased by 3.2% (from \$50 million to \$51.7 million). A major factor for this increase was additional revenues from the bulk sales of water to outside water companies as well as conservative spending. Major budget under runs were for power and overtime. The City had an energy auction and it resulted in lower supplier and distribution costs and that was the primary cause for the increase in net assets.

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 negative \$13.4 million, which is a decrease from last year's total of \$3.0 million. Included in this year's total change in fund balance, is a decrease of \$1 million in the General Fund, which is a result of a decrease in State of CT funding for non-educational grants in an effort to at least flat fund educational grants. A decrease of over \$2 million in the City's other governmental funds was a result of more intergovernmental revenue of \$20 million due primarily to the State government sending the 14.27% of the total Education Cost Sharing Grant (\$10,547,122) (not rounded) directly to the Board of Education from ARRA funding, a decrease of \$1 million in investment earnings, a decrease of \$0.5 million in miscellaneous fees, and an increase in expenditures and transfers of over \$2 million, and a decrease of over \$1 million in the Capital Projects Fund. The decrease in the capital projects fund balance can be attributed to the fact that the City borrowed more than previous years to finance its capital projects due to less intergovernmental revenue. Spending on capital projects also decreased by \$12.6 million compared to last year.

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 \$24.5 million and those for the internal service funds amounted to negative \$2.1 million. The increase in unrestricted net assets for the Water Enterprise Fund was \$0.9 million was a result of additional bulk water sales to outside water companies and lower energy costs. The increase in net assets for the internal service funds was \$2.1 million. This is the result of charges to other funds increasing by \$10 million, increases of investment income of \$2.3 million, increase in actuarial values of 1.3 million, and a 7 million increase in transfers. Other factors concerning the finances 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

- Mayor's Five Percent Reduction of all General Fund Departments resulted in an expenditure decrease of over \$2.8 mil.
- The City's employer contributions on behalf of employee benefits were over a \$1 million less than budgeted which was primarily due to better than expected medical claims in FY 10.

The City's General Fund balance of \$9 million reported on Exhibit III differs from the General Fund's budgetary fund balance of nearly \$7.6 million. This is principally because budgetary fund balance includes \$1.4 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, 2010, the City had \$339 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 \$3.3 million, or 1.0% over last year.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 13,395	\$ 13,395	\$ 1,977	\$ 1,977	\$ 15,372	\$ 15,372
Construction in progress	121,918	116,379	1,625	1,625	123,543	118,004
Buildings and improvements	87,913	91,662			87,913	91,662
Equipment	2,604	2,700			2,604	2,700
Vehicles	5,495	6,716			5,495	6,716
Infrastructure	43,932	39,584			43,932	39,584
Water filtration assets			60,154	61,678	60,154	61,678
Totals	\$ 275,257	\$ 270,436	\$ 63,756	\$ 65,280	\$ 339,013	\$ 335,716

For governmental type funds this year's major additions included various street projects which have continued throughout the year.

The City's fiscal year 2010-11 capital budget calls for it to spend approximately \$3.5 million. More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2010, the City had \$186,867 in bonds and notes outstanding versus \$191,074 last year - a decrease of 2.2% - as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds (Backed by the City)	\$ 173,532	\$ 177,324	\$ 13,335	\$ 13,750	\$ 186,867	\$ 191,074
Less deferred amount: For issuance discounts on refunding	(1,057)	(1,150)			(1,057)	(1,150)
Total	\$ 172,475	\$ 176,174	\$ 13,335	\$ 13,750	\$ 185,810	\$ 189,924

During the fiscal year the City issued certain bonds as follows:

City of New Britain, CT, General Obligation Bonds, Series 2010, dated and issued March 23, 2010, with an interest rate of 2.5% to 5.25% in the amount of \$11,175.

The City's general obligation bond rating from Standard and Poor's and Fitch, both national rating agencies, is A and AA-. 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 \$740 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 8 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 2010 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 13.2% versus 11.50% a year ago. This compares with the State's unemployment rate of 9.4% and the national rate of 9.5%.

These indicators were taken into account when adopting the General Fund budget for 2010-11. Amounts available for appropriation in the General Fund budget are \$210 million, a decrease of 3.2% over the final 2010 budget of \$216 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.

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF NET ASSETS
JUNE 30, 2010
(In Thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 22,657	\$ 18,356	\$ 41,013
Investments	20,363		20,363
Receivables, net	46,524	6,202	52,726
Internal balances	375	(375)	
Due from Fiduciary Fund	932		932
Other deferred asset		1,164	1,164
Inventory	6	52	58
Net pension assets	1,341		1,341
Deferred cash outflows under interest rate swaps	15,422		15,422
Capital assets:			
Capital assets not being depreciated	135,313	3,602	138,915
Capital assets being depreciated, net	139,944	60,154	200,098
Total assets	<u>382,877</u>	<u>89,155</u>	<u>472,032</u>
Liabilities:			
Accounts and other payables	18,077	522	18,599
Bond anticipation notes	32,450		32,450
Unearned revenue	2,609		2,609
Noncurrent liabilities:			
Due within one year	17,070	2,332	19,402
Due in more than one year	207,451	34,601	242,052
Total liabilities	<u>277,657</u>	<u>37,455</u>	<u>315,112</u>
Net Assets:			
Invested in capital assets, net of related debt	153,258	27,181	180,439
Restricted for:			
Trust purposes:			
Expendable	2,483		2,483
Unrestricted	(50,521)	24,519	(26,002)
Total Net Assets	<u>\$ 105,220</u>	<u>\$ 51,700</u>	<u>\$ 156,920</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, 2010
(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	\$ 8,596	\$ 1,209	\$ 60	\$	\$ (7,327)	\$	\$ (7,327)
Public safety	40,102	2,593	470		(37,039)		(37,039)
Public works	25,668	12,387	1,398	1,248	(10,635)		(10,635)
Health and welfare	8,643	450	6,185		(2,008)		(2,008)
Parks, recreation and libraries	11,348	3,085	392		(7,871)		(7,871)
Education	163,027	1,586	120,299		(41,142)		(41,142)
Interest on long-term debt	10,036		409		(9,627)		(9,627)
Total governmental activities	267,420	21,310	129,213	1,248	(115,649)	-	(115,649)
Business-type activities							
Water	10,560	12,394				1,834	1,834
Total	\$ 277,980	\$ 33,704	\$ 129,213	\$ 1,248	(115,649)	1,834	(113,815)
General revenues:							
Property taxes					104,280		104,280
Grants and contributions not restricted to specific programs					11,177		11,177
Unrestricted investment income					4,249	50	4,299
Transfers					263	(263)	
Miscellaneous					768		768
Total general revenues					120,737	(213)	120,524
Change in net assets					5,088	1,621	6,709
Net Assets at Beginning of Year					100,132	50,079	150,211
Net Assets at End of Year					\$ 105,220	\$ 51,700	\$ 156,920

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010
(In Thousands)

	<u>General</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>BOE State and Federal Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 15,925	\$	\$ 202	1,609	\$ 4,291	\$ 22,027
Investments					2,596	2,596
Accounts receivables, net	22,073			2,566	12,564	37,203
Due from other funds	10,789		2,750		2,971	16,510
Inventories					6	6
Total Assets	<u>\$ 48,787</u>	<u>\$ -</u>	<u>\$ 2,952</u>	<u>4,175</u>	<u>\$ 22,428</u>	<u>\$ 78,342</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 14,116	\$	\$ 36	548	\$ 764	\$ 15,464
Due to other funds	7,219		1,723	769	6,096	15,807
Deferred revenue	18,425			2,600	7,004	28,029
Bond anticipation notes payable and other interim financing			32,450			32,450
Total liabilities	<u>39,760</u>	<u>-</u>	<u>34,209</u>	<u>3,917</u>	<u>13,864</u>	<u>91,750</u>
Fund balances:						
Reserved	1,372				2,489	3,861
Unreserved, reported in:						
General Fund	7,655					7,655
Special Revenue Funds				258	6,075	6,333
Capital Project Funds			(31,257)			(31,257)
Total fund balances	<u>9,027</u>	<u>-</u>	<u>(31,257)</u>	<u>258</u>	<u>8,564</u>	<u>(13,408)</u>
Total Liabilities and Fund Balances	<u>\$ 48,787</u>	<u>\$ -</u>	<u>\$ 2,952</u>	<u>4,175</u>	<u>\$ 22,428</u>	<u>\$ 78,342</u>

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2010
(In Thousands)

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

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

Fund balances - total governmental funds (Exhibit III)	\$	(13,408)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	471,649	
Less accumulated depreciation		<u>(196,392)</u>	
Net capital assets			275,257

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Net pension asset	1,341
Property tax receivables greater than 60 days	10,187
Interest receivable on property taxes	9,457
Housing loans receivable	6,760
Interest on housing loans	15
Receivable from the state for school construction projects	8,236

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.	(2,079)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(173,532)
Clean water notes payable	(4,305)
Interest payable on bonds and notes	(2,467)
Compensated absences	(7,598)
Net pension obligation	(212)
Net OPEB obligation	(150)
Deferred charges on refunding	1,057
Unamortized bond premium	<u>(3,339)</u>

Net Assets of Governmental Activities (Exhibit I)	\$	<u><u>105,220</u></u>
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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, 2010
(In Thousands)

	<u>General</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>BOE State and Federal Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 103,052	\$	\$	\$	\$	\$ 103,052
Intergovernmental	94,014		1,224	34,482	12,168	141,888
Licenses, fees and charges for goods and services	9,844				11,166	21,010
Investment earnings	1,523		958		362	2,843
Miscellaneous	373		441	1,548	773	3,135
Total revenues	<u>208,806</u>	<u>-</u>	<u>2,623</u>	<u>36,030</u>	<u>24,469</u>	<u>271,928</u>
Expenditures:						
Current:						
General government	6,406				153	6,559
Public safety	38,781				1,071	39,852
Public works	12,908		13,708		6,899	33,515
Health and welfare	2,324				6,342	8,666
Education	120,254		548	35,804	5,139	161,745
Parks and recreation	7,892				2,960	10,852
Capital outlay			581			581
Debt and sundry		25,175	963			26,138
Total expenditures	<u>188,565</u>	<u>25,175</u>	<u>15,800</u>	<u>35,804</u>	<u>22,564</u>	<u>287,908</u>
Excess (Deficiency) of Revenues over Expenditures	<u>20,241</u>	<u>(25,175)</u>	<u>(13,177)</u>	<u>226</u>	<u>1,905</u>	<u>(15,980)</u>
Other Financing Sources (Uses):						
Transfers in	4,278	25,175	30		302	29,785
Transfers out	(25,507)		(565)		(3,450)	(29,522)
Issuance of bonds			11,715			11,715
Premium on long-term debt issued			963			963
Total other financing sources (uses)	<u>(21,229)</u>	<u>25,175</u>	<u>12,143</u>		<u>(3,148)</u>	<u>12,941</u>
Net Change in Fund Balances	(988)	-	(1,034)	226	(1,243)	(3,039)
Fund Balances at Beginning of Year	<u>10,015</u>	<u>-</u>	<u>(30,223)</u>	<u>32</u>	<u>9,807</u>	<u>(10,369)</u>
Fund Balances at End of Year	<u>\$ 9,027</u>	<u>\$ -</u>	<u>\$ (31,257)</u>	<u>258</u>	<u>\$ 8,564</u>	<u>\$ (13,408)</u>

(Continued on next page)

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$	(3,039)
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay and other expenditures		12,817
Depreciation expense		(7,536)

In the statement of activities, only the gain 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 assets sold.		(460)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

School building grant receipts		(2,639)
Property tax receivable - accrual basis change		543
Property tax interest and lien revenue - accrual basis change		685
Housing loans receivable		322
Housing loans interest		(9)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments		15,507
Payments on clean water fund notes		310
Issuance of bonds and notes		(11,715)
Bond premium		(963)

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

Compensated absences		278
Accrued interest		217
Amortization of deferred charge on refunding		(93)
Amortization of bond premium		161
Net OPEB expense		(539)
Net pension expense		(903)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

		<u>2,144</u>
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Change in Net Assets of Governmental Activities (Exhibit II)

	\$	<u><u>5,088</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2010
(In Thousands)

	Business-Type Activities	Governmental Activities
	Water Enterprise Fund	Internal Service Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 18,356	\$ 630
Investments		17,767
Other deferred asset	1,164	
Receivables:		
Other, net of allowance for uncollectible	6,202	86
Inventory	52	
Due from other funds		1,508
Total current assets	25,774	19,991
Noncurrent assets:		
Capital assets, net	63,756	
Total assets	89,530	19,991
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	522	146
Compensated absences	93	
Due to other funds	375	904
Current portion of bonds and notes payable	2,239	
Total current liabilities	3,229	1,050
Noncurrent liabilities:		
Bonds and notes payable	34,336	
Compensated absences	265	
Claim reserves		21,020
Total liabilities	37,830	22,070
Net Assets:		
Invested in capital assets, net of related debt	27,181	
Unrestricted	24,519	(2,079)
Total Net Assets	\$ 51,700	\$ (2,079)

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, 2010
(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	\$ 12,394	\$
Charges to other funds		21,745
Other		6,125
Total operating revenues	<u>12,394</u>	<u>27,870</u>
Operating Expenses:		
Cost of sales, services and administration	7,749	
Administration and general expense		1,334
Depreciation expense	1,561	
Claims incurred		26,102
Total operating expenses	<u>9,310</u>	<u>27,436</u>
Operating Income	<u>3,084</u>	<u>434</u>
Nonoperating Revenue (Expenses):		
Income on investments	50	1,406
Decrease in actuarial claims reserve		304
Interest expense	(1,250)	
Net nonoperating revenues (expenses)	<u>(1,200)</u>	<u>1,710</u>
Change in Net Assets Before Transfers	1,884	2,144
Transfers:		
Transfers out	<u>263</u>	<u>-</u>
Change in Net Assets	1,621	2,144
Total Net Assets at Beginning of Year	<u>50,079</u>	<u>(4,223)</u>
Total Net Assets at End of Year	<u>\$ 51,700</u>	<u>\$ (2,079)</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, 2010
(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	\$	\$ 21,544
Cash received from customers	12,032	
Cash received from other operating activities		6,254
Cash paid for premiums and other operating expenses	(8,140)	(2,162)
Cash payments for claims made		(26,102)
Net cash provided by (used in) operating activities	<u>3,892</u>	<u>(466)</u>
Cash Flows from Noncapital Financing Activities:		
Transfers to other funds	(263)	
Net cash used in noncapital financing activities	<u>(263)</u>	<u>-</u>
Cash Flows from Capital Financing Activities:		
Acquisition of capital assets	(35)	
Payment of loan obligation	(2,249)	
Interest paid on capital debt	(1,250)	
Net cash used in capital financing activities	<u>(3,534)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Income on investments	50	1,406
Actuarial claim reserve		304
Purchase of investments		(34)
Sale of investments		(580)
Net cash provided by investing activities	<u>50</u>	<u>1,096</u>
Net Increase in Cash and Cash Equivalents	145	630
Cash and Cash Equivalents at Beginning of Year	<u>18,211</u>	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ 18,356</u>	<u>\$ 630</u>
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:		
Operating income	\$ 3,084	\$ 434
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,561	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(357)	129
(Increase) decrease in due from other funds		(201)
(Increase) decrease in other deferred asset	47	
(Increase) decrease in inventory	(52)	
Increase (decrease) in accounts payable and accrued expenses	(216)	(814)
Increase (decrease) in due to other funds	(175)	(14)
Total adjustments	<u>808</u>	<u>(900)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,892</u>	<u>\$ (466)</u>
Noncash Investment Activities:		
Net increase in fair value of investments	<u>\$ -</u>	<u>\$ 1,406</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, 2010
(In Thousands)

	<u>Pension Trust Funds</u>	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
Assets:			
Cash and cash equivalents	\$ 4,990	\$ 1	\$ 574
Investments:			
Investments, at fair value:			
Fixed income	38		174
U.S. securities	20,527		
Mutual funds	66,936	971	
Corporate bonds/securities	34,126		
Foreign bonds	847		
Common stock	7,431		
Accounts receivable	<u>375</u>	<u>2</u>	
Total Assets	<u>135,270</u>	<u>974</u>	<u>\$ 748</u>
Liabilities:			
Due to other funds	932		\$
Due to beneficiaries			<u>748</u>
Total Liabilities	<u>932</u>		<u>\$ 748</u>
Net Assets:			
Held in Trust for Pension and Other Post Retirement Benefits	<u>\$ 134,338</u>	<u>\$ 974</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NEW BRITAIN, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010
(In Thousands)

	Pension Trust Funds	OPEB Trust Fund
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 296	\$ 3,438
Employee	676	
Total contributions	<u> 972</u>	<u> 3,438</u>
Investment income:		
Net appreciation in fair value of investments	11,865	97
Interest and dividends	3,968	25
Miscellaneous	63	
Total investment income	<u>15,896</u>	<u>122</u>
Less investment expense	(355)	
Net investment income	<u>15,541</u>	<u>122</u>
Net additions	<u>16,513</u>	<u>3,560</u>
Deductions:		
Benefits	10,691	3,438
Administration	62	7
Total deductions	<u>10,753</u>	<u>3,445</u>
Net Increase	5,760	115
Net Assets at Beginning of Year	<u>128,578</u>	<u>859</u>
Net Assets at End of Year	<u>\$ 134,338</u>	<u>\$ 974</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-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 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 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 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 \$74 were incurred in 2009-10 related to the City's participation in TROC.

Unreserved fund balance of the General Fund for fiscal year ended June 30, 2010 as reflected in the Committee's financial statements is \$1,123. 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 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 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 \$3,013 this year.

Unreserved fund balance for fiscal year ended June 30, 2010 as reflected in the BRRFOC's financial statements is \$16,611. 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 \$25,690.

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 seven, 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.

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 BOE State and Federal Grants Fund accounts for educational grant programs funded by the federal and state government and other local agencies.

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.

The OPEB Trust Fund accounts for the activities of the Town and Board of Education for other post employment benefits payments to qualified retired employees.

The Agency Funds account for funds held by the City on behalf of students and others.

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 3.

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 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 \$7,598. 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's interest rate swap agreements are considered to be derivative instruments and are subject to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for the year ended June 30, 2010. Previously, only the fair value of interest rate swaps was disclosed. GASB Statement No. 53 requires evaluation of derivative instruments to determine if they are effective hedges, and presentation of the fair value of the derivatives on the statements of net assets. Changes in the fair values of derivative instruments determined to be effective hedges are recognized as deferred inflows or outflows on the statements of net assets, whereas changes in the fair values of derivative instruments that are not effective hedges are reported on the statements of revenues, expenses and changes in fund net assets. The City's interest rate swap agreements have been determined to be effective hedges.

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. 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 reduced appropriations during the fiscal by \$10,547 as a result of changes in intergovernmental grants at the state and federal level as a result of the American Recovery and Reinvestment Act. An additional \$20 was appropriated from unanticipated revenues.

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, 2010:

	<u>Amount</u>
Nonmajor:	
Special Revenue Funds:	
Stanley Quarter Park	\$ 179
Police & Youth Grants	9
New Britain Marketing Collaborative	6
Local Capital Improvement	13
American Savings Grant	13
FEMA Grant	3
Parks & Recreation Special Projects	3
Exercise the Right Choice II	15
Bullet Proof Vest Grant	19
Public Safety	116
Centralized and Distribution Services	151
YSB Care Unit	1
Juvenile Justice Center	1
Highway Safety Grant	64
Housing Inspectors DMD	7
Assistance to CCSU Police Department	8
School Rental Account	54
Business Outreach Center	145
Emergency Shelter Grant	166
Redevelopment Commission	6
EFSP Program	3
Neighborhood Stabilization Program	39
Capital Projects Fund	31,257
Internal Service Funds:	
Special Reserve Fund	277
Health Insurance Fund	744
Workers' Compensation	943
General Accident and Liability	115

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.

C. Overexpended Appropriations

The legal budget was overexpended during the current year. The following items were overexpended:

<u>Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Department	\$ 19,315	\$ 19,541	\$ (226)
Administration	415	418	(3)
Horticulture	336	339	(3)
Maintenance	2,498	2,501	(3)
Special Projects	3	8	(5)
Willow Brook Sports Complex	256	258	(2)
Capital Nonrecurring	20	30	(10)
Weed & Seed		2	(2)

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$35,144 of the City's bank balance of \$36,726 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 31,480
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>3,664</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 35,144</u>

Cash Equivalents

At June 30, 2010, the City's cash equivalents amounted to \$18,729. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard and Poor's</u>
StateTax Exempt Proceeds Fund*	
Wells Fargo Money Market*	
Bank of America Money Market*	
State Short-Term Investment Fund (STIF)	AAAm
Financial Investors Trust Portfolio Money Market Fund	AAAm
Cutwater - Cooperative Liquid Assets Securities System (CLASS)	AAAm

*Not rated

Investments

As of June 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
U.S. Treasury Tips	N/A	\$ 430	\$	430	\$
U.S. Treasury bonds/notes	N/A	18,916	226	17,510	1,180
Federal agency bonds	N/A	3,148		3,148	
Foreign bonds	AAA	847		420	427
Corporate bonds/securities	AAA	1,876		1,876	
Corporate bonds/securities	A- to A+	9,514	32	3,238	6,244
Corporate bonds/securities	BBB- to BBB	5,704		4,982	722
Corporate bonds/securities	BB- to BB+	3,065		2,952	113
Corporate bonds/securities	B- to B+	2,089		2,089	
Corporate bonds/securities	N/R	82		82	
Corporate bonds/securities	N/A	21,381			21,381
Fixed income	N/A	<u>1,047</u>	<u>1,008</u>	<u>39</u>	
Total		68,099	<u>\$ 1,266</u>	<u>\$ 36,766</u>	<u>\$ 30,067</u>
Other investments:					
Common stock		15,305			
Mutual funds		<u>68,009</u>			
Total Investments		<u>\$ 151,413</u>			

N/A Not applicable
N/R Not rated

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.

Concentration of Credit Risk - The City has no policy limiting an investment in any one issuer that is in excess of 5% of the City's total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At June 30, 2010, the City had \$15,305 in uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the City's name.

4. RECEIVABLES

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

	<u>General</u>	<u>BOE State and Federal Grants</u>	<u>Nonmajor and Other Funds</u>	<u>Business Activities Water Enterprise</u>	<u>Total</u>
Receivables:					
Interest	\$ 9,457	\$	\$ 15 *	\$ 53	\$ 9,525
Taxes	11,846				11,846
Water				3,159	3,159
Sewer			3,997		3,997
Accounts	2,741		966	3,307	7,014
Intergovernmental	8,236	2,566	1,067		11,869
Housing loans			6,997		6,997
Gross receivables	<u>32,280</u>	<u>2,566</u>	<u>13,042</u>	<u>6,519</u>	<u>54,407</u>
Less allowance for uncollectibles	<u>(750)</u>		<u>(237)</u> **	<u>(317)</u>	<u>(1,304)</u>
Net Total Receivables	<u>\$ 31,530</u>	<u>\$ 2,566</u>	<u>\$ 12,805</u>	<u>\$ 6,202</u>	<u>\$ 53,103</u>

* Accrued interest on property taxes and long-term housing loans in the amount of \$9,457 and \$15 are not included in the fund financial statements.

** Allowance for uncollectible amounts related to loan receivables of \$237 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>237</u>
Total	<u>\$ 1,304</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	\$ 10,187	\$
Housing loans	6,997	
School building grants	8,236	
Grant drawdowns prior to meeting all eligibility requirements	<u> </u>	<u>2,609</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 25,420</u>	<u>\$ 2,609</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 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	\$ 13,395	\$	\$	\$ 13,395
Construction in progress	116,379	5,539		121,918
Total capital assets not being depreciated	<u>129,774</u>	<u>5,539</u>	<u>-</u>	<u>135,313</u>
Capital assets being depreciated:				
Land improvements	14,053			14,053
Buildings	183,194			183,194
Machinery and equipment	14,183	348	(1,063)	13,468
Vehicles	18,248	93		18,341
Infrastructure	100,459	6,837	(16)	107,280
Total capital assets being depreciated	<u>330,137</u>	<u>7,278</u>	<u>(1,079)</u>	<u>336,336</u>
Less accumulated depreciation for:				
Land improvements	10,205	440		10,645
Buildings	95,380	3,309		98,689
Machinery and equipment	11,483		(619)	10,864
Vehicles	11,532	1,314		12,846
Infrastructure	60,875	2,473		63,348
Total accumulated depreciation	<u>189,475</u>	<u>7,536</u>	<u>(619)</u>	<u>196,392</u>
Total capital assets being depreciated, net	<u>140,662</u>	<u>(258)</u>	<u>(460)</u>	<u>139,944</u>
Governmental Activities Capital Assets, Net	<u>\$ 270,436</u>	<u>\$ 5,281</u>	<u>\$ (460)</u>	<u>\$ 275,257</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,977	\$	\$	\$ 1,977
Construction in progress	1,625			1,625
Total capital assets not being depreciated	<u>3,602</u>	<u>-</u>	<u>-</u>	<u>3,602</u>
Capital assets being depreciated:				
Source of supply	5,386			5,386
Pumping plant	2,826			2,826
Water treatment plant	648			648
Filter plant	55,695			55,695
Transmission and distribution	13,121	95	(44)	13,172
General plant and administrative equipment	2,015		(13)	2,002
Total capital assets being depreciated	<u>79,691</u>	<u>95</u>	<u>(57)</u>	<u>79,729</u>
Less accumulated depreciation for:				
Source of supply	2,385	53		2,438
Pumping plant	1,545	54		1,599
Water treatment plant	99	13		112
Filter plant	5,530	1,115		6,645
Transmission and distribution	7,310	193		7,503
General plant and administrative	1,144	134		1,278
Total accumulated depreciation	<u>18,013</u>	<u>1,562</u>	<u>-</u>	<u>19,575</u>
Total capital assets being depreciated, net	<u>61,678</u>	<u>(1,467)</u>	<u>(57)</u>	<u>60,154</u>
Business-Type Activities Capital Assets, Net	<u>\$ 65,280</u>	<u>\$ (1,467)</u>	<u>\$ (57)</u>	<u>\$ 63,756</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 1,241
Public safety	523
Public works	3,067
Health and social services	24
Parks and recreation	673
Education	<u>2,008</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 7,536</u>
Business-type activities:	
Enterprise Fund - water depreciation expense business-type activities	<u>\$ 1,562</u>

Construction Commitments

The City has active construction projects as of June 30, 2010. The following is a summary of capital projects as of June 30, 2010:

<u>Project</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>
Public buildings	\$ 43,575	\$ 4,310
Schools	83,820	70,236
Infrastructure	89,258	54,099
Parks and recreation	6,450	4,364
Miscellaneous	64,615	33,043
Total	<u>\$ 287,718</u>	<u>\$ 166,052</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, transactions are processed through a fund on behalf of another fund. Additionally, revenues received in one fund are transferred to another fund. A summary of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund	\$ 904
	Nonmajor Fund	6,096
	BOE State and Federal Grants	769
	Capital Projects Fund	1,723
	Enterprise Fund	365
	Fiduciary Funds	932
Capital Project Fund	General Fund	2,750
Nonmajor Fund	General Fund	2,961
	Enterprise Fund	10
Internal Service Fund	General Fund	1,508
Total		<u>\$ 18,018</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>Debt Service</u>	<u>Capital Project Fund</u>	<u>Nonmajor Funds</u>	<u>Total Transfers</u>
Transfers Out:					
General	\$	\$ 25,175	\$ 30	\$ 302	\$ 25,507
Capital Project Fund	565				565
Nonmajor governmental	3,450				3,450
Enterprise Funds	263				263
Total	<u>\$ 4,278</u>	<u>\$ 25,175</u>	<u>\$ 30</u>	<u>\$ 302</u>	<u>\$ 29,785</u>

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

7. 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, 2010:

Description	Fund	Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2010 bond anticipation notes	Capital Projects Fund	3.00%	03/29/2011	\$	\$ 32,450	\$	\$ 32,450
2009 bond anticipation notes	Capital Projects Fund	3.00%	03/30/2010	27,455		27,455	-
				<u>\$ 27,455</u>	<u>\$ 32,450</u>	<u>\$ 27,455</u>	<u>\$ 32,450</u>

8. LONG-TERM DEBT

A schedule of bond indebtedness as of June 30, 2010 is as follows:

	Interest Rate (%)	Original Issue	Date of Issue	Date of Maturity	Balance Outstanding
Consolidated School District:					
1993 Series A	3.8% - 6.0%	\$ 13,300	02/01/93	10/01/12	\$ 2,205
1993 Series B	3.8% - 6.0%	13,075	02/01/93	04/01/12	1,440
1994 Series	4.0% - 5.0%	17,700	02/01/94	02/04/14	3,540
1996 Series	4.4% - 5.0%	4,325	03/15/96	04/15/11	175
1997 Series	4.4% - 5.1%	13,115	04/15/97	04/15/13	1,740
2000 Series A	5.0% - 5.3%	5,600	04/12/00	04/01/14	1,850
2002 Refunding Series	2.0% - 5.0%	1,830	11/04/02	05/01/14	774
2006 Series	5.0% - 4.125%	11,000	04/15/06	04/15/21	8,065
2007 Series	5.0% - 3.75%	6,600	04/05/07	04/15/22	5,280
2008 Series A	2.8% - 5.0%	1,750	04/01/08	04/01/28	1,575
2008 Series B	2.8% - 5.0%				
Refunding Bonds		12,425	04/01/08	04/01/35	3,990
2009 Series	3.0% - 4.5%	<u>3,975</u>	03/25/09	04/01/24	<u>3,715</u>
Subtotal		<u>104,695</u>			<u>34,349</u>
Public Improvement:					
1992 Series	4.6% - 6.5%	8,285	02/01/92	02/01/12	800
1993 Series B	3.8% - 6.0%	16,210	02/01/93	04/01/12	1,800
1997 Series	4.4% - 5.1%	8,925	04/15/97	04/15/13	360
2002 Refunding Series	2.0% - 5.0%	2,240	11/04/02	05/01/14	947
2007 Series	3.8% - 5.0%	6,975	04/05/07	04/15/22	5,580
2006 Series	5.0% - 4.125%	6,460	04/15/06	04/15/21	1,150
2007 Series	5.0% - 3.75%	6,975	04/05/07	04/15/22	4,010
2008 Series A	2.8% - 5.0%	11,215	04/01/08	04/01/28	10,091
2008 Series B					
Refunding Bonds	2.8% - 5.0%	12,080	04/01/08	04/01/35	7,865
2009 Series	3.0% - 4.5%	9,410	03/25/09	04/01/24	8,785
2010 Series A	2.5% - 5.5%	<u>11,715</u>	03/30/10	03/01/25	<u>11,715</u>
Subtotal		<u>100,490</u>			<u>53,103</u>

	Interest Rate (%)	Original Issue	Date of Issue	Date of Maturity	Balance Outstanding
General Obligation Pension Bonds: 1998 Series	5.72% - 6.64%	\$ 66,000	02/01/98	02/01/26	\$ 46,080
General Obligation Pension Bonds: 2008 Series C Refunding Bonds	6.371%	40,700	05/30/08	02/01/26	40,000
Total General Fund Debt		\$ 311,885			\$ 173,532

General Fund Long-Term Bonded Debt

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, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 177,324	\$ 11,715	\$ (15,507)	\$ 173,532	\$ 15,024
Less deferred amounts:					
For issuance discounts on refunding	(1,150)		93	(1,057)	
Interest rate swaps	10,731	4,691		15,422	
Bond premiums	2,537	963	(161)	3,339	
Total general obligation bonds	189,442	17,369	(15,575)	191,236	15,024
Notes payable:					
Clean Water notes	4,615		(310)	4,305	310
OPEB (asset) obligation	(389)	539		150	
Compensated absences	7,876	5	(283)	7,598	1,736
Net pension (asset) obligation	(447)	744	(85)	212	
Risk management	21,196		(176)	21,020	
Governmental Activities Long-Term Liabilities	\$ 222,293	\$ 18,657	\$ (16,429)	\$ 224,521	\$ 17,070

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds payable	\$ 13,750	\$	\$ (415)	\$ 13,335	\$ 405
Notes payable:					
Clean Water notes	25,072		(1,834)	23,238	1,834
Compensated absences	<u>262</u>	<u>98</u>	<u></u>	<u>360</u>	<u>93</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 39,084</u>	<u>\$ 98</u>	<u>\$ (2,249)</u>	<u>\$ 36,933</u>	<u>\$ 2,332</u>

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	\$ 232,128	\$ 184,136	\$ 47,992
Schools	464,256	89,685	374,571
Sewers	386,880	15,457	371,423
Urban renewal	335,296		335,296
Pension deficit	309,504		309,504

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$722,176).

The indebtedness above includes \$177,612 of authorized bonds which were unissued as of June 30, 2010.

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 June 30, 2010 are as follows:

Year Ending June 30,	Principal General Obligation	Principal Clean Water Notes	Interest General Obligation	Interest Clean Water Notes	Total
2011	\$ 15,024	\$ 310	\$ 9,558	\$ 83	\$ 24,975
2012	15,124	310	8,835	78	24,347
2013	12,664	310	8,070	71	21,115
2014	10,609	310	7,468	64	18,451
2015	9,624	310	6,912	58	16,904
2016	9,569	310	6,409	53	16,341
2017	9,909	310	5,895	46	16,160
2018	10,259	310	5,351	40	15,960
2019	10,640	310	4,771	35	15,756
2020	11,045	310	4,162	27	15,544
2021	10,445	310	3,463	21	14,239
2022	9,860	310	2,773	16	12,959
2023	9,385	250	2,186	9	11,830
2024	9,730	183	1,608	5	11,526
2025	9,310	59	1,024	2	10,395
2026	9,050	59	449	1	9,559
2027	645	34	61		740
2028	640		30		670
Total	\$ 173,532	\$ 4,305	\$ 79,025	\$ 609	\$ 257,471

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 3.6%. 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, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>	<u>Principal Clean Water Notes</u>	<u>Interest General Obligation Bonds</u>	<u>Interest Clean Water Notes</u>	<u>Total</u>
2011	\$ 405	\$ 1,834	\$ 627	\$ 567	\$ 3,433
2012	410	1,834	611	521	3,376
2013	465	1,834	594	474	3,367
2014	515	1,834	574	428	3,351
2015	560	1,834	549	381	3,324
2016	560	1,834	521	335	3,250
2017	560	1,834	493	287	3,174
2018	560	1,834	465	241	3,100
2019	560	1,834	437	194	3,025
2020	565	1,834	409	147	2,955
2021	565	1,834	380	101	2,880
2022	560	1,464	357	57	2,438
2023	555	1,200	333	26	2,114
2024	550	400	308	2	1,260
2025	550		282		832
2026	550		256		806
2027	545		230		775
2028	545		204		749
2029	545		178		723
2030	540		152		692
2031	540		127		667
2032	535		101		636
2033	535		76		611
2034	530		50		580
2035	530		25		555
Total	\$ <u>13,335</u>	\$ <u>23,238</u>	\$ <u>8,339</u>	\$ <u>3,761</u>	\$ <u>48,673</u>

Interest Rate Swap Agreements (Not Rounded)

Objective - As a means to lower its future borrowing costs, the City entered in three interest rate swaps each in connection with their general obligation bonds. The intention of the swaps was to effectively change the City's interest rate on the bonds from a variable rate to a synthetic fixed rate. The interest rate swaps are considered to be effective cash flow hedges.

Terms - The notional amount of the swaps matches the principal amounts of the associated debt. The City's swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow anticipated reductions to the associated bond issue's outstanding balance. Under the swaps, the City pays the counterparty a fixed interest rate payment and receives a variable interest rate payment based on the LIBOR rate. Only the net difference in interest payments will be actually exchanged between the parties. No cash was received or paid by the City when the swap transactions were initiated.

Fair Value - All three swaps had negative fair values (representing a liability) as of June 30, 2010, as indicated below. The fair value was estimated using live trading data to construct a series of swap rates that is then used to run a present value calculation.

Credit Risk - As of June 30, 2010, the City was not exposed to credit risk in the event the counterparty fails to perform under the agreement because the swaps represent a liability. The credit ratings of the counterparties are indicated below. The City does not require collateral or other security supporting interest rate swaps subject to credit risk.

Basis Risk - The swap does expose the City to basis risk for any difference between the actual variable rate paid to bondholders and the variable rate paid to the City pursuant to the swap agreement because both amounts are calculated under the same formula.

Termination Risk - The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment approximately equal to the swap's fair value at that time.

The following is a summary of terms of the interest rate swaps held on June 30, 2010 by the City:

	<u>Series 2011</u>	<u>Pension- Fxd</u>	<u>Pension - CMS</u>
Counterparty	Deutsche Bank AG	Deutsche Bank AG	Deutsche Bank AG
Bond Issue	2011	2008C	2008C
Original Notional Amount	\$ 14,000,000	\$ 40,000,000	\$ 40,000,000
Outstanding Notional Amount	\$ 14,000,000	\$ 40,000,000	\$ 40,000,000
Effective Date	4/1/2011	5/1/2008	2/1/2013
Maturity Date	4/1/2026	2/1/2026	2/1/2026
Rate Paid	3.807%	6.371%	100% of 1M LIBOR
Rate Received	SIFMA Index	1M LIBOR	78% OF 10Y LIBOR
Fair Value	(1,036,871)	(13,828,607)	(556,153)
Counterparty Credit Rating:			
Moody's Investors Service	Aa3	Aa3	Aa3
Standard & Poor's	A+	A+	A+

The following is a summary of the changes in fair value of the interest rate swaps for the years ended June 30, 2010 and 2009, which are accounted for as changes in deferred outflows reported in the statements of net assets:

	<u>Series 2011</u>	<u>Pension- Fxd</u>	<u>Pension - CMS</u>
Fair Value, July 1, 2009	(79,588)	(10,651,115)	NA
Change in Fair Value for the year ended June 30, 2010	(957,283)	(3,177,492)	NA
Fair Value, June 30, 2010	(1,036,871)	(13,828,607)	(556,153)

9. 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.

Reserved for Other Post Employment Benefits - represents the amount of funds accumulated in the OPEB Trust Fund to pay for other post employment benefits.

Fund balance/net asset reserves are as follows:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Fiduciary</u>
Encumbrances	\$ 1,372	\$	\$
Inventory		6	
Trust purposes		2,483	
Pension benefits			134,338
Other post employment benefits			974
Total	<u>\$ 1,372</u>	<u>\$ 2,489</u>	<u>\$ 135,312</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
Darius Miller Walnut Hill	<u>32</u>
Total	<u>\$ 133</u>

10. 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 \$200 for major medical, and for hospitalization for the contract year July 1, 2009 to June 30, 2010. 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 \$1,765 is reported in the internal service fund at June 30, 2010, 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 ended June 30, 2010 and June 30, 2009 are as follows:

	June 30, 2010			June 30, 2009		
	Medical	Workers' Compensation	General Accident Casualty and Liability	Medical	Workers' Compensation	General Accident Casualty and Liability
Beginning of year claim reserve	\$ 2,069	\$ 17,253	\$ 1,874	\$ 2,014	\$ 16,117	\$ 2,002
Current year incurred claims and changes in prior year estimate	24,402	1,615	213	25,716	1,782	62
Claim payments	(24,706)	(1,615)	(85)	(25,661)	(646)	(190)
End of Year Claim Reserve	\$ <u>1,765</u>	\$ <u>17,253</u>	\$ <u>2,002</u>	\$ <u>2,069</u>	\$ <u>17,253</u>	\$ <u>1,874</u>

11. 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 2¼% 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 7.5% of covered payroll. The City's and employee contributions to MERF for the years ended June 30, 2010, 2009 and 2008 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, 2008	\$ 3,312	\$ 2,292	\$ 5,604	\$ 45,808
June 30, 2009	3,389	2,321	5,710	46,446
June 30, 2010	3,773	2,385	6,158	47,716

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 years to a maximum of 80%.

The financial information of the PERS is as follows:

Statement of Plan Net Assets

	Firemen's Pension Fund	Police Benefit Fund	Total
Assets			
Cash and cash equivalents	\$ 2,581	\$ 2,409	\$ 4,990
Investments	68,701	61,204	129,905
Accounts receivable	<u>281</u>	<u>94</u>	<u>375</u>
Total Assets	<u>\$ 71,844</u>	<u>\$ 63,801</u>	<u>\$ 135,645</u>
Liabilities and Net Assets			
Liabilities:			
Due to other funds	\$ 485	\$ 447	\$ 932
Net Assets Held in Trust for Pension Benefits	<u>71,078</u>	<u>63,260</u>	<u>134,338</u>
Total Liabilities and Net Assets	<u>\$ 71,563</u>	<u>\$ 63,707</u>	<u>\$ 135,270</u>

Statement of Changes in Plan Net Assets

	Firemen's Pension Fund	Police Benefit Fund	Total
Additions:			
Contributions:			
Employer	\$ 211	\$ 85	\$ 296
Employee	333	343	676
Total contributions	<u>544</u>	<u>428</u>	<u>972</u>
Investment income:			
Net appreciation fair value of investments	5,783	6,082	11,865
Interest and dividends	2,291	1,677	3,968
Miscellaneous	48	15	63
Total investment income	<u>8,122</u>	<u>7,774</u>	<u>15,896</u>
Less investment expense	<u>(199)</u>	<u>(156)</u>	<u>(355)</u>
Net investment income	<u>7,923</u>	<u>7,618</u>	<u>15,541</u>
Total additions	<u>8,467</u>	<u>8,046</u>	<u>16,513</u>
Deductions:			
Benefits	5,125	5,566	10,691
Administration	33	29	62
Total deductions	<u>5,158</u>	<u>5,595</u>	<u>10,753</u>
Net Increase	3,309	2,451	5,760
Net Assets Beginning of Year	<u>67,769</u>	<u>60,809</u>	<u>128,578</u>
Net Assets End of Year	<u>\$ 71,078</u>	<u>\$ 63,260</u>	<u>\$ 134,338</u>

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

	Fire	Police
Retirees and beneficiaries currently receiving benefits	167	182
Active members	75	77
Terminated-vested	<u> </u>	<u>4</u>
Total	<u>242</u>	<u>263</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, 2010, these required contributions were \$450 and \$743 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	\$ 450	\$ 743
Interest on net pension obligation	(118)	(33)
Adjustment to annual required contribution	<u>123</u>	<u>34</u>
Annual pension cost	455	744
Contributions made	<u>(211)</u>	<u>(85)</u>
Increase in net pension obligation	244	659
Net Pension Asset, Beginning of Year	<u>(1,585)</u>	<u>(447)</u>
Net Pension Obligation (Asset), End of Year	\$ <u>(1,341)</u>	\$ <u>212</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, 2009	January 1, 2009
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll-Closed	Level Percentage of Payroll-Closed
Remaining Amortization Period	19 years	19 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>
6/30/2008	\$ 208	\$ 211	101%	\$ (1,581)
6/30/2009	211	215	102	(1,585)
6/30/2010	455	211	47	(1,341)

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>
6/30/2008	\$ 84	\$ 85	101%	\$ (446)
6/30/2009	84	85	101	(447)
6/30/2010	744	85	11	212

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>
03/01/2005	\$ 78,249	\$ 70,151	\$ (8,098)	\$ 6,502	(124.5)%
01/01/2007	83,474	74,781	(8,693)	5,698	(152.6)
01/01/2009	82,462	78,501	(3,961)	4,971	(79.7)

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>
03/01/2005	\$ 77,963	\$ 71,971	\$ (5,992)	\$ 6,640	\$ (90.2)%
01/01/2007	83,762	74,590	(9,172)	6,356	(144.3)
01/01/2009	79,361	80,340	978	5,829	16.8

Schedule of Employer Contributions

Fire Plan

		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2005	\$	234	125%
6/30/2006		234	256
6/30/2007		433	174
6/30/2008		211	101
6/30/2009		211	101
6/30/2010		450	46

Police Plan

		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2005	\$	650	99%
6/30/2006		650	93
6/30/2007		394	107
6/30/2008		85	101
6/30/2009		85	101
6/30/2010		743	11

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 10 retirees, 16 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 \$575. The “pay-as-you-go” Plan does not have a net pension obligation as of June 30, 2010.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2008	\$ 738	\$ 738	100%	N/A
6/30/2009	751	751	100	N/A
6/30/2010	575	575	100	N/A

Pension Plan Required Supplementary Information

Schedule of Funding Progress

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

*latest actuarial valuation date

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/2005	\$ 898	100
06/30/2006	831	100
06/30/2007	787	100
06/30/2008	738	100
06/30/2009	751	100
06/30/2010	575	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.

Post Employment Benefits

Summary of Significant Accounting Policies

Basis of Accounting - The financial statements of the City’s Other Post Employment Benefit Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are paid by the City.

Investments are reported at fair value. Investment income is recognized as earned.

Plan Description

The City, in accordance with various collective bargaining agreements, provides retiree medical benefits for the lifetime of the retired member and covered dependents. The plan covers City, Board of Education, Police and Fire employees as further defined in collective bargaining agreements and other written materials. Eligibility and premium sharing information is detailed in the various collective bargaining agreements. The City does not issue separate stand alone financial statements for the plan.

At July 1, 2008, plan membership consisted of the following:

Active members	1,752
Retired members	728
Spouses of retired members	<u>136</u>
Total Participants	<u><u>2,616</u></u>

Funding Policy

The City currently pays for postemployment health care benefits on a pay-as-you go basis. As of June 30, 2010, the City has established a trust fund to irrevocably segregate assets to fund the liability associated with the post employment benefits, which is reported as a trust fund in accordance with GASB guidelines. The contribution requirements of plan members and the City are also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

City Employees

Generally retirees and their dependents are covered for a period of seven years from the date of retirement. In most cases retirees can continue coverage beyond the seven-year period at their own expense. Cost sharing is based on years of service at retirement as follows:

<u>Years of Service</u>	<u>City Pays</u>
25+	100%
20-24	80%
15-19	60%
10-14	40%

In some cases retirees have access to post retirement health coverage through the City, but at their own expense. In those instances, upon the retiree's death, spousal coverage is available, but at their own expense.

Board of Education

Teachers - Pre 65 is 100% retiree paid;

Administrator (Local 51) - Effective July 1, 2008 for pre 65 only the Board will contribute up to 50% of the cost up to a maximum of 7,500 per year for three additional years beyond the two year cost-share benefit previously provided. Retirees can continue coverage beyond the two-year period at their own expense. Spouses and dependents are covered and surviving spouses and dependents may continue coverage in accordance with COBRA.

NBSSA/AFSA - After eight years of continuous service, two of which in Local 818, retirees shall be offered coverage for the first two years from retirement at the same cost share in effect for active employees (2011-12 14% Retiree/85% Board). The Board will also pay 50% of the cost up to a maximum \$7,500 per year for the cost of the retiree's benefits for three additional years (Pre-65 only).

AFSCME (Local 1186) - Coverage is offered for the first five years from retirement. Cost sharing is the same as for active employees (2006/07, 12% retiree and 88% Board, prior to January 1, 1997, 13% retiree and 95% Board). Beyond the fifth year, retirees are offered COBRA.

Police

If the date of hire is prior to July 1, 1993, retirees and their dependents are covered for a period of seven years from the date of retirement. Cost sharing is based on years of service at retirement as follow:

<u>Years of Service</u>	<u>City Pays</u>
20+	100%
15-19	80%
10-14	60%
5-9	40%

Retirees can continue coverage beyond the seven-year period at their own expense. If the date of hire is after July, 1993, the retiree has access to post retirement health coverage through the City at their own expense.

Fire

If the date of hire and retirement is prior to June 23, 2004, the retiree and their dependents are covered for a period of ten years from the date of retirement. Cost sharing is based on years of service at retirement as follows:

<u>Years of Service</u>	<u>City Pays</u>
20+	100%
15-19	80%
5-14	60%

Employees who retire after June 23, 2004 and their dependents are covered for a period of ten years from the date of retirement. Cost sharing is based on years of service at retirement and is the same as above. Retirees can continue coverage beyond the seven or ten-year period at their own expense. If the date of hire is after June 23, 2004 retirees have access to post retirement health coverage through the City at their own expense.

Annual OPEB Cost and Net OPEB Obligations

The City of New Britain's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 3,983
Interest on OPEB obligation	(31)
Adjustment to annual required contribution	<u>25</u>
Annual OPEB cost (expense)	3,977
Contributions made	<u>3,438</u>
Decrease in net OPEB obligation	539
Net OPEB obligation (asset), beginning of year	<u>(389)</u>
Net OPEB Obligation (Asset), End of Year	<u>\$ 150</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2010 is presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2008	\$ 3,724	\$ 3,629	97.4%	\$ 95
6/30/2009	3,937	4,421	112.3	(389)
6/30/2010	3,977	3,438	86.5	150

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2006	\$ -0-	\$ 42,853	\$ 42,853	0.0 %	N/A	N/A
7/1/2008	-0-	41,258	41,258	0.0	N/A	N/A

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>		<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	
6/30/10	\$	3,983	86.47	%
6/30/09		3,935	112.35	
6/30/08		3,734	97.50	

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include an 8.0% rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 9% initially, reduced by decrements to an ultimate rate of 5% after four years.

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 60 and has accumulated 20 years of credited service in the public schools of Connecticut or (2) attained any age and has accumulated 35 years of credited service, at least 25 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, 2010, the certified employees of the City contributed \$4,777 to this plan, and the total payroll for certified employees covered by this plan for the year was \$65,885.

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, 2010, the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$10,192 as payments made by the State of Connecticut on behalf of the City. This amount is significantly lower than the prior year because the State of Connecticut increased the contribution significantly in the prior year. 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.

12. CONTINGENT LIABILITIES

The City 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 judgment or judgments against the City which would materially affect its financial position.

13. SUBSEQUENT EVENT

On October 28, 2010, the City issued General Obligation Bonds, Series 2010 B for \$35,000,000, which included \$7,065 of tax-exempt bonds, \$18,000 of Build America Bonds, and \$9,935 of Recovery Zone Economic Development Bonds. The City also issued \$1,840 General Obligation Bonds, Series 2010C on the same date. The bonds bear interest of 3-4% and various maturities of October 1, 2013, October 1, 2014, October 1, 2022, October 1, 2024 and October 1, 2026.

The Federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the Recovery Act), authorizes state and local governments to issue two general types of taxable Build America Bonds (Taxable BABs) with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer (Taxable BABs - Direct Payment). General Obligation Bonds, Series 2010B included \$18,000 of Taxable BABs.

Pursuant to the Recovery Act, the City will receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the General Obligation Bonds, Issue of 2010 on or about each interest payment date. Such subsidy payment will be revenue to the City under the General Bond Resolution. No holders of the General Obligation Bonds, Issue of 2010 will be entitled to a tax credit. The receipt of the subsidy by the City is not a condition of payment of any portion of the principal and interest on the General Obligation Bonds, Issue of 2010. However, if the subsidy payments are reduced or eliminated, the General Obligation Bonds, Series 2010B are subject to extraordinary optional redemption.

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, 2010

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Property taxes:				
General property taxes	\$ 102,738	\$ 102,738	\$ 102,668	\$ (70)
Interest and liens	1,200	1,200	384	(816)
Miscellaneous	5	5		(5)
Total general property taxes	<u>103,943</u>	<u>103,943</u>	<u>103,052</u>	<u>(891)</u>
Intergovernmental revenues (State):				
State Education for the Blind	150	150	81	(69)
H.E.W. Private Schools	84	84	73	(11)
Special School Transportation	350	350	331	(19)
Elementary & Secondary Transportation	2,574	2,574	1,540	(1,034)
Special Education	2,500	2,500	4,287	1,787
Education Equalization	73,929	63,382	62,821	(561)
State Infraction Distribution	25	25	23	(2)
Principal Subsidy	2,840	2,840	2,638	(202)
Interest Subsidy	524	524	409	(115)
DCA Tax Abatements	33	33	31	(2)
Town Aid Road Fund	280	280	382	102
Veterans Exemption Reimbursement			28	28
Tax Relief for the Elderly			598	598
State Property Tax Relief	3,407	3,407	3,411	4
Telephone Access Line Tax Relief	219	219	135	(84)
Municipal Video Competition Grant	3	3	27	24
Civil Defense	25	25		(25)
Off Track Betting	260	260	197	(63)
State Pilot Hospital Colleges	2,794	2,793	2,759	(34)
State Pilot Model Housing	325	325	148	(177)
Manufacturers in Distress	90	90	209	119
Boat License Distribution	13	14	20	6
Bingo	1	1	1	
Disability Exemption			13	13
Manufacturing Equipment Tax Reimbursement	1,100	1,100	1,404	304
Election Ballots	10	10		(10)
Legalized Gaming Distribution	3,277	3,277	2,256	(1,021)
Total intergovernmental revenues (State)	<u>94,813</u>	<u>84,266</u>	<u>83,822</u>	<u>(444)</u>
Intergovernmental revenues (Other than State):				
In lieu of taxes	15	15		(15)
Total intergovernmental revenues	<u>94,828</u>	<u>84,281</u>	<u>83,822</u>	<u>(459)</u>
Licenses and Permits:				
Building Structures and Equipment	720	720	431	(289)
All other license	269	269	264	(5)
Protection	14	14	8	(6)
Health			56	56
Disposal	1,750	1,750	1,707	(43)
Planning and Zoning	10	10	10	
Total licenses and permits	<u>2,763</u>	<u>2,763</u>	<u>2,476</u>	<u>(287)</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, 2010
(In Thousands)**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Charges for Services:				
City Hall Commissions Rent	\$ 94	\$ 94	\$ 106	\$ 12
Town Clerk	1,187	1,187	1,084	(103)
Recreation	820	830	942	112
Public Safety	959	959	1,537	578
Parking	2,115	2,115	1,953	(162)
Public Works - Project Management	373	373	454	81
Health	107	107	34	(73)
Sanitation and Fleet	657	657	887	230
Parking tickets	375	375	292	(83)
Assessor	4	4	4	
Senior Center	79	79	75	(4)
Total charges for services	<u>6,770</u>	<u>6,780</u>	<u>7,368</u>	<u>588</u>
Total licenses, fees and charges for services	<u>9,533</u>	<u>9,543</u>	<u>9,844</u>	<u>301</u>
Other Revenue:				
Investment income	200	200	1,523	1,323
Miscellaneous	148	148	231	83
Sale of real estate property	3,475	3,475	56	(3,419)
Board of Education	275	275	123	(152)
Total other revenue	<u>4,098</u>	<u>4,098</u>	<u>1,933</u>	<u>(2,165)</u>
Total revenues	212,402	201,865	198,651	(3,214)
Other Financing Sources:				
Transfers in	<u>4,491</u>	<u>4,501</u>	<u>4,278</u>	<u>(223)</u>
Total Budgeted Revenues and Transfers	<u>\$ 216,893</u>	<u>\$ 206,366</u>	202,929	<u>\$ (3,437)</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.			10,192	
Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes.			<u>(37)</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds Exhibit IV			<u>\$ 213,084</u>	

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, 2010
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
General Government:				
Legislative	\$ 152	\$ 155	\$ 153	\$ 2
Boards and Commissions	27	28	23	5
Judicial	62	61	61	-
Elections	512	516	483	33
Mayor's Office	651	652	397	255
Planning and Zoning	274	287	271	16
Finance	2,767	2,971	2,947	24
Recording and Reporting	643	644	641	3
Legal	1,238	1,314	1,027	287
Central Services	141	141	85	56
Total	<u>6,467</u>	<u>6,769</u>	<u>6,088</u>	<u>681</u>
Public Safety:				
Police	19,376	19,315	19,541	(226)
Fire	15,986	15,929	15,605	324
Lighting	800	800	779	21
Building	717	718	697	21
Civil Preparedness	172	172	166	6
Central Emergency Dispatch	2,111	2,120	1,993	127
Total	<u>39,162</u>	<u>39,054</u>	<u>38,781</u>	<u>273</u>
Public Works:				
Administration	465	473	453	20
Street Services	3,287	3,315	2,956	359
Public Buildings	2,972	2,973	2,767	206
Capital Project	1,058	1,042	1,017	25
Signals and Control	268	269	235	34
Waste Disposal	5,986	5,972	5,481	491
Total	<u>14,036</u>	<u>14,044</u>	<u>12,909</u>	<u>1,135</u>
Parks and Recreation:				
Administration	388	415	418	(3)
Forestry	253	250	236	14
Horticulture	340	336	339	(3)
Maintenance	2,546	2,498	2,501	(3)
Special Projects	3	3	8	(5)
Recreation Department	922	915	913	2
Willow Brook Sports Complex	259	256	258	(2)
City Supported Agencies	3,165	3,165	3,165	-
Cultural Organizations	61	60	53	7
Total	<u>7,937</u>	<u>7,898</u>	<u>7,891</u>	<u>7</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, 2010
(In Thousands)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Health and Social Services:				
Rights and Opportunities Commission	\$ 118	\$ 119	\$ 114	\$ 5
Civil Service Commission	352	353	277	76
Nursing	429	430	416	14
Environmental Control	367	376	332	44
Administration	237	238	221	17
Social Services	103	106	103	3
Senior Center	665	664	646	18
Handicap Services	143	144	128	16
Veterans Services	89	90	88	2
Total	<u>2,503</u>	<u>2,520</u>	<u>2,325</u>	<u>195</u>
General Administration:				
Pension Contribution	596	596	296	300
Contingency	750	519		519
Total	<u>1,346</u>	<u>1,115</u>	<u>296</u>	<u>819</u>
Education	<u>119,421</u>	<u>108,874</u>	<u>108,689</u>	<u>185</u>
Total expenditures	<u>190,872</u>	<u>180,274</u>	<u>176,979</u>	<u>3,295</u>
Other financing uses:				
Transfers out:				
Dog Fund	108	108	103	5
Capital Nonrecurring		20	30	(10)
System of care grant	25	26	26	-
YSB Care Unit	200	200	171	29
Other		50		50
Weed & Seed			2	(2)
Debt Service	25,688	25,688	25,175	513
Total	<u>26,021</u>	<u>26,092</u>	<u>25,507</u>	<u>585</u>
Total	\$ <u>216,893</u>	\$ <u>206,366</u>	202,486	\$ <u>3,880</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.

10,192

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.

1,394

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 214,072

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APPENDIX B

FORM OF CONTINUING

DISCLOSURE AGREEMENT

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APPENDIX B - FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, timely, but not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Notes, pursuant to a Continuing Disclosure Agreement in substantially the following form:

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) is made as of the 29th day of March, 2011 by the City of New Britain, Connecticut (the “City”) acting by its undersigned officers, duly authorized, in connection with the issuance of the City’s \$38,235,000 General Obligation Bond Anticipation Notes, dated March 29, 2011 (the “Notes”), for the benefit of the beneficial owners from time to time of the Notes.

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

“Final Official Statement” means the official statement of the City dated March 16, 2011 prepared in connection with the Notes.

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

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

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

Section 2. Events.

The City agrees to provide, or cause to be provided, in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB in an electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Notes;
- (g) modifications to rights of holders of the Notes, if material;
- (h) Note calls, if material, and tender offers;

- (i) Note defeasances;
- (j) release, substitution, or sale of property securing repayment of the Notes, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the City;
- (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 3. Use of Agents.

Any notices to be provided pursuant to this Agreement may be provided by the City or by any agents which may be employed by the City for such purpose from time to time.

Section 4. Termination.

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

Section 5. Identifying Information.

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

Section 6. Enforcement.

The City acknowledges that the undertakings set forth in Section 2 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Notes. In the event the City shall fail to perform its duties hereunder, the City shall have the option to cure such failure within a reasonable time (but not exceeding five business days with respect to the undertakings set forth in Section 2 hereof) from the time the City's Mayor receives written notice from any beneficial owner of the Notes of such failure. The present address of the Mayor is City of New Britain, 27 West Main Street, New Britain, Connecticut 06051. In the event the City does not cure such failure within the time specified above, the beneficial owner of the Notes shall be entitled only to the remedy of specific performance. The City expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Notes.

Section 7. Miscellaneous.

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

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

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

CITY OF NEW BRITAIN, CONNECTICUT

By _____
Timothy T. Stewart
Mayor

By _____
Teresa Sapieha-Yanchak
Treasurer

1821598v1

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APPENDIX C

FORM OF OPINION OF BOND

COUNSEL AND TAX EXEMPTION

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APPENDIX C – FORM OF OPINION OF BOND COUNSEL AND TAX EXEMPTION

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

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

City of New Britain
27 West Main Street
New Britain, Connecticut 06051

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of New Britain, Connecticut (the “City”) of its \$38,235,000 General Obligation Bond Anticipation Notes, dated March 29, 2011 (the “Notes”).

In connection with our representation of the City as bond counsel with respect to the Notes, we have examined the executed Tax Certificate and Tax Compliance Agreement of the City, each dated as of March 29, 2011, the executed Notes, and certified records of proceedings of the City authorizing the Notes. In addition, we have examined and relied on originals or copies, identified to us as genuine, of such other documents, instruments or records, and have made such investigations of law as we considered necessary or appropriate for the purposes of this opinion. In making the statements contained in this opinion, we have assumed, without independently verifying, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of documents submitted to us as certified or photostatic copies, and the legal capacity and authority of all persons executing such documents.

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

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

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

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

necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes will not be includable in the gross income of the owners thereof for federal income tax purposes under the Code. In our opinion, under existing law:

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

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

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

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

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

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

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

Very truly yours,

Shipman & Goodwin LLP

CERTAIN FEDERAL TAX CONSEQUENCES.

The following is a brief discussion of certain federal income tax matters with respect to the Notes under existing statutes. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective owners of the Notes, particularly those that may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Notes in order that the interest on the Notes be and remain excluded from gross income for federal income tax purposes. Non-compliance with such requirements could cause interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. The Tax Compliance Agreement and Tax Certificate, which will be executed and delivered by the City concurrently with the Notes, contain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Notes in order to comply with such requirements of the Code. Pursuant to the Tax Compliance Agreement and Tax Certificate, the City also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel based on existing statutes and court decisions and assuming continuing compliance by the City with its covenants and the procedures contained in the Tax Compliance Agreement and Tax Certificate, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. However, such interest on the Notes is taken into account in the calculation of adjusted current earnings for purposes of calculating the federal alternative minimum tax imposed on certain corporations.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals and corporations. The alternative minimum tax is imposed on alternative minimum taxable income, which includes items of tax preference items. The interest on certain tax-exempt “private activity bonds” is treated as an item of tax preference. The City’s Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not “private activity bonds” so that interest on the Notes will not be treated as an item of tax preference for individuals or corporations in calculating alternative minimum taxable income.

The Code provides, however, that for most corporations 75% of the excess of adjusted current earnings (which includes tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation’s alternative minimum tax.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than “qualified tax-exempt obligations”. The Notes will not be designated by the City as “qualified tax-exempt obligations” for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Changes in Federal Tax Law. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or

proposed after the date of issuance of the Notes will not have an adverse effect on the tax-exempt status or market price of the Notes.

Other. As noted above, interest on the Notes may be taken into account in computing the tax liability of corporations subject to the federal alternative minimum tax. Interest on the Notes may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Ownership of the Notes may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for federal income tax purposes.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

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

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

The opinion of Bond Counsel regarding the exclusion from Connecticut taxable income of interest on the Notes is based on existing statutes, regulations, rulings and case law as of the date of the opinion.