

## Preliminary Official Statement Dated March 13, 2013

New Issue – Book-Entry Only

Ratings: See “Ratings” herein.

In the opinion of Bond Counsel, based on existing law and rendered in reliance upon and assuming the material accuracy of representations, statements of intention, certification of fact and continuing compliance by the City of New Britain with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the “Code”), interest on the Bonds and the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax however, with respect to certain corporations, (as defined for federal income tax purposes) subject to the federal alternative tax, such interest is taken into account in the computing of the federal alternative minimum tax. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and 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. See “Tax Exemption” herein.

### City of New Britain, Connecticut \$19,225,000

#### General Obligation Bonds, Issue of 2013

Dated: Date of Delivery

Due: Serially, March 15, 2014 – 2033

As detailed below:

Interest on the Bonds will be payable on September 15, 2013 and semiannually thereafter on March 15 and September 15 in each year until maturity. The Bonds will be issued in book-entry-only form whereby the beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, and interest payments on, the Bonds will be made by the City of New Britain, Connecticut (the “City”) to The Depository Trust Company, New York, New York (“DTC”), or its nominee as registered owner of the Bonds. DTC will credit its participants in accordance with their respective holdings shown in the records of DTC. It is anticipated that the beneficial owners of the Bonds will receive payment or credit from DTC participants and other nominees of the beneficial owners. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. (See “Book-Entry-Only Transfer System” herein.)

The Bonds are subject to redemption prior to maturity as more fully described under “Redemption Provisions” herein.

Year	Principal Amount	Coupon Rate	Yield	CUSIP	Year	Principal Amount	Coupon Rate	Yield	CUSIP
2014	\$ 960,000	___%	___%	642713	2024	\$ 960,000	___%	___%	642713
2015	960,000	___%	___%	642713	2025	960,000	___%	___%	642713
2016	960,000	___%	___%	642713	2026	960,000	___%	___%	642713
2017	960,000	___%	___%	642713	2027	960,000	___%	___%	642713
2018	960,000	___%	___%	642713	2028	960,000	___%	___%	642713
2019	960,000	___%	___%	642713	2029	965,000	___%	___%	642713
2020	960,000	___%	___%	642713	2030	965,000	___%	___%	642713
2021	960,000	___%	___%	642713	2031	965,000	___%	___%	642713
2022	960,000	___%	___%	642713	2032	965,000	___%	___%	642713
2023	960,000	___%	___%	642713	2033	965,000	___%	___%	642713

The Bonds are being offered for sale in accordance with an official Notice of Sale date of March 13, 2013. Electronic bids via PARITY for the Bonds will be received until 11:30 A.M. (Eastern Time) on Tuesday, March 19, 2013 at the City of New Britain, City Hall, Office of the Mayor, 27 West Main Street, New Britain, Connecticut, 06051. See Appendix F hereof.

### \$25,280,000

#### General Obligation Bond Anticipation Notes

Dated: March 27, 2013

Rate: \_\_\_%

Due: March 26, 2014

Yield: \_\_\_%

Underwriter: TBD

CUSIP: 642713

The Notes will be issued in book-entry-only form and will be registered in the name of Cede & Co., as note owner and nominee for DTC, New York, New York. (See “Book-Entry-Only Transfer System” herein.) The Notes are not subject to redemption prior to maturity.

The Notes are being offered for sale in accordance with an official Notice of Sale date of March 13, 2013. Electronic bids via PARITY for the Notes will be received until 11:00 A.M. (Eastern Time) on Tuesday, March 19, 2013 at the City of New Britain, City Hall, Office of the Mayor, 27 West Main Street, New Britain, Connecticut, 06051. See Appendix G hereof.

The Bonds and Notes will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and the interest on the Bonds and Notes when due. (See “Security and Remedies” herein.)

The Registrar, Transfer Agent, Paying Agent, and Certifying Agent will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23<sup>rd</sup> Floor, Hartford, Connecticut 06103.

The Bonds and Notes are offered for delivery when, as and if issued, subject to the approving opinion of the City’s Bond Counsel, Pullman & Comley, LLC of Hartford, Connecticut and certain other conditions. It is expected that delivery of the Bonds and Notes in book-entry-only form will be made to DTC on or about March 27, 2013.



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

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and the Notes and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds and the Notes shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of this Official Statement.

The independent auditors for the City 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 their opinion in Appendix A), and they make no representation that they have independently verified the same.

Other than as to matters expressly set forth herein as the opinion of Bond Counsel, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that it has independently verified the same.

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## **Bond Issue Summary**

*The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Date of Sale:</b>	Tuesday, March 19, 2013 at 11:30 A.M. (Eastern Time).
<b>Location of Sale:</b>	City of New Britain, City Hall, Office of the Mayor, 27 West Main Street, New Britain, Connecticut, 06051
<b>Issuer:</b>	City of New Britain, Connecticut (the "City").
<b>Issue:</b>	\$19,225,000 General Obligation Bonds, Issue of 2013 (the "Bonds").
<b>Dated Date:</b>	Date of Delivery
<b>Principal and Interest Due:</b>	Principal due serially March 15, 2014 through March 15, 2033. Interest due March 15 and September 15 in each year until maturity, commencing September 15, 2013.
<b>Purpose:</b>	The Bond proceeds will be used to finance and refinance general purpose and school projects.
<b>Redemption:</b>	The Bonds are subject to redemption prior to maturity, as more fully described herein.
<b>Security:</b>	The Bonds will be general obligations of the City and the City will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
<b>Credit Rating:</b>	Application for a rating has been made to Moody's Investors Service on the Bonds. The City currently has outstanding ratings as follows: 'A1' from Moody's Investors Service; 'A' from Standard & Poor's Corporation; and 'A+' from Fitch Ratings.
<b>Bond Insurance:</b>	The City has not purchased a credit enhancement facility.
<b>Basis of Award:</b>	Lowest True Interest Cost (TIC).
<b>Tax Exemption:</b>	See "Tax Exemption" herein.
<b>Bank Qualification:</b>	The Bonds shall NOT be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
<b>Continuing Disclosure:</b>	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix D to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent, and Paying Agent:</b>	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.
<b>Financial Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Phone: (203) 878-4945.
<b>Legal Opinion:</b>	Pullman & Comley, LLC, of Hartford and Bridgeport, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry-only form will be made on or about March 27, 2013 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions concerning the Official Statement should be addressed to Ms. Rebecca Salerni, Acting Director of Finance, City Hall, 27 West Main Street, New Britain, Connecticut, 06051. Telephone (860) 826-3437.

## **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.*

<b>Date of Sale:</b>	Tuesday, March 19, 2013 at 11:00 A.M. (Eastern Time).
<b>Location of Sale:</b>	City of New Britain, City Hall, Office of the Mayor, 27 West Main Street, New Britain, Connecticut, 06051
<b>Issuer:</b>	City of New Britain, Connecticut (the "City").
<b>Issue:</b>	\$25,280,000 Bond Anticipation Notes, Issue of 2013 (the "Notes").
<b>Dated Date:</b>	March 27, 2013
<b>Principal &amp; Interest Due:</b>	At maturity: March 26, 2014.
<b>Purpose:</b>	The Notes proceeds will be used to finance and refinance general purpose and school projects.
<b>Redemption:</b>	The Notes are NOT subject to redemption prior to maturity.
<b>Security:</b>	The Notes will be general obligations of the City and the City will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
<b>Credit Rating:</b>	Application for a rating has been made to Moody's Investors Service on the Notes.
<b>Bond Insurance:</b>	The City has not purchased a credit enhancement facility.
<b>Basis of Award:</b>	Lowest Net Interest Cost (NIC).
<b>Tax Exemption:</b>	See "Tax Exemption" herein.
<b>Bank Qualification:</b>	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 of interest expense allocable to the Notes.
<b>Continuing Disclosure:</b>	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, and notices of material events with respect to the Notes pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix D to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent, and Paying Agent:</b>	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.
<b>Financial Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Phone: (203) 878-4945.
<b>Legal Opinion:</b>	Pullman & Comley, LLC, of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	It is expected that delivery of the Notes in book-entry-only form will be made on or about March 27, 2013 against payment in Federal Funds.
<b>Issuer Official:</b>	Questions concerning the Official Statement should be addressed to Ms. Rebecca Salerni, Acting Director of Finance, City Hall, 27 West Main Street, New Britain, Connecticut, 06051. Telephone (860) 826-3440.

## ***I. Bond & Note Information***

### ***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 issuance and sale of \$19,225,000 General Obligation Bonds, Issue of 2013 (the "Bonds") and \$25,280,000 General Obligation Bond Anticipation Notes (the "Notes") of the City.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds and 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.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents; and all references to the Bonds and the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and the Notes and such proceedings.

The City deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c-12(b)(1), but it is subject to revision or amendment.

The Bonds and the Notes are being offered for sale at public bidding. Notices of Sale for the Bonds and the Notes dated March 13, 2013 have been furnished to prospective bidders. Reference is made to the respective Notices of Sale for the terms and conditions of the bidding.

In accordance with the requirements of Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and notice of failure to file such annual financial information with respect to the Bonds and notices of material events with respect to the Bonds and the Notes pursuant to Continuing Disclosure Agreements to be executed substantially in the forms of Appendices D and E to this Official Statement. The successful bidder's obligation to purchase the Bonds and the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds and the Notes, an executed copy of the Continuing Disclosure Agreements.

U.S. Bank National Association will certify and act as the Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds and the Notes.

### ***Financial Advisor***

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the City with respect to the issuance of the Bonds and the Notes (the "Financial Advisor"). The information in this Official Statement has been prepared by the City with the help of the Financial Advisor. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## ***The Bonds***

### ***Description of the Bonds***

The Bonds will be dated the date of delivery and will bear interest at the rates per annum specified on the front cover page, payable semiannually on March 15 and September 15 in each year until maturity, commencing September 15, 2013. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the last business day of February and August in each year, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree. Principal will be payable at the principal office of U.S. Bank National Association. The Bonds will be issued as fully registered in denominations of \$5,000 or any integral multiple thereof.

### ***Redemption Provisions***

The Bonds maturing on or before March 15, 2021 are not subject to redemption prior to maturity. The Bonds maturing on March 15, 2022 and thereafter are subject to redemption prior to maturity, at the election of the City, on or after March 15, 2021, at any time, either in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the City may determine, at the redemption price or prices (expressed as a percentage of the principal amount of the Bonds to be redeemed), set forth in the following table, plus interest accrued and unpaid to the redemption date:

<b><i>Redemption Dates</i></b>	<b><i>Redemption Prices</i></b>
March 15, 2021 and thereafter.....	100.0%

Notice of redemption shall be given by the City or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner as the same shall last appear on the registration books for the Bonds. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of the redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date.

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

The City, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of portions of the Bonds of any maturity by the City will reduce the outstanding principal amount of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interest held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interests in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of reductions of interests in the Bonds to be redeemed will not be governed by the determination of the City authorizing the issuance of the Bonds and will not be conducted by the City, the Registrar or Paying Agent.

## ***The Notes***

### ***Description of the Notes***

The Notes will be dated March 27, 2013, and will be due and payable as to both principal and interest at maturity, March 26, 2014. The Notes will bear interest calculated on the basis of twelve 30-day months and a 360-day year at such rate or rates per annum as are specified by the successful bidder or bidders. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$1,000 or any multiple thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry Transfer System". The Notes are not subject to redemption prior to maturity.

The Certifying Agent, Paying Agent, Registrar and Transfer Agent for the Notes will be U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103.

### **Authorization and Purpose**

The Bonds and Notes are issued pursuant to Title 7, Chapter 109, Sections 7-369 et seq. of the Connecticut General Statutes ("CGS"), as amended, and the Charter of the City. Appropriation for the projects financed with the Bonds and Notes and issuance of the Bonds and the Notes were authorized at various meetings of the City's Common Council.

### **Use of Proceeds**

The Bonds and Notes are being issued to provide financing for the following projects:

Project	Total Amount Authorized	Notes Due	This Issue:		
		3/27/2013	Notes Due 3/26/2014	The Bonds	
<b>Education:</b>					
New Britain High School (28472-1)	\$ 16,595,000	\$ -	\$ -	\$ 40,000	
Smalley Academy Chiller (30207-1)	500,000	-	-	9,500	
NBHS Code Compliance	3,000,000	1,045,000	-	1,370,000	
Diloretto School (30944)	10,000,000	2,500,000	7,750,000	933,000	
Entrance/Security (30206-1)	1,700,000	-	-	12,500	
Refoof Five Schools (29023-1)	8,225,000	413,000	-	435,000	
<b>Capital Equipment:</b>					
2005 Capital Equipment (28576-1)	4,503,500	335,000	-	360,000	
2007 Capital Equipment (29502)	8,450,000	500,000	-	530,000	
2010 Capital Equipment (31127-3)	7,524,186	4,500,000	3,355,000	-	
<b>Public Improvement:</b>					
2011 Revaluation (28575)	1,360,000	1,106,000	535,000	-	
Police Hdqtrs (30892)	38,850,000	3,845,000	3,050,000	-	
Storm Water System Imp (27488-1)	4,750,000	760,000	1,185,000	-	
Environmental Remediation (27491-1)	6,750,000	775,000	-	845,000	
Hart St Extension/Recon (25913-1)	9,500,000	-	-	-	
Broad & Washington St (26188-1)	13,300,000	850,000	500,000	1,170,000	
Fafnir Smart Park (26325-1)	3,250,000	-	-	20,000	
Pinnacle Heights (29188-1)	7,946,000	1,995,000	-	2,185,000	
Willow Street (24238-6)	5,350,000	450,000	-	-	
Street Infrastructure (29503-1)	22,058,000	3,555,000	1,040,000	5,775,000	
Badolato/Szczesny Repairs (29559-1)	6,775,000	4,651,000	500,000	4,390,000	
Transfer Station Rehab (29504-1)	6,868,000	830,000	-	665,000	
Telecommunications	5,750,000	5,000,000	5,550,000	-	
AW Stanley Pool	500,000	-	500,000	-	
Cemetery Fence	275,000	-	275,000	-	
Beaver Street (30581)	7,300,000	-	90,000	-	
Bridge Program (29022)	5,775,000	-	950,000	-	
Information Technology (24238-6)	2,000,000	25,000	-	485,000	
<b>Total .....</b>	<b>\$ 208,854,686</b>	<b>\$ 33,135,000</b>	<b>\$ 25,280,000</b>	<b>\$ 19,225,000</b>	

### ***School Projects:***

**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.

**2010 CAPITAL EQUIPMENT:** \$7,524,186 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 September 8, 2010 and was amended by the Common Council at a meeting held on September 10, 2010.

***Public Improvement:***

**BADOLATO & SZCZESNY GARAGE REPAIRS:** An amendment to increase the original \$5,075,000 to 6,775,000 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. Blogoslawski 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 February 8, 2012 and was amended by the Common Council at a meeting held on February 8, 2012.

**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.

**BROAD AND WASHINGTON STREETS RECONSTRUCTION:** \$13,300,000 was appropriated, and the issuance of bonds and notes was authorized, for costs of improvements to Broad Street and Washington Street including all construction, equipment and land rights acquisition costs and all alterations, repairs and improvements in connection therewith. Improvements to sanitary sewers, storm drainage, roadway improvements, curbing, sidewalk replacement, signalization, access and parking improvements, site preparation, mobilization, maintenance, protections of traffic, dust and erosion control, restoration, contribution to a gas main relocation, advertising, printing, signage, engineering, design, the purchase and installation of parking control measuring devices for off-street parking lots and the creation of permanent parking lots and other ancillary expenses are also included in the project budget. The appropriation and authorization was most recently acted on by the standing bonding subcommittee at a meeting held on May 29, 2007, and amended by the common council at a meeting held on June 13, 2007.

**POLICE RENOVATION AND TELECOMMUNICATIONS UPGRADE:** An amendment to increase the \$35,000,000 appropriation and bond authorization for the construction of a new police headquarters to \$38,850,000 was adopted by the Common Council on the recommendations of the Standing Bonding Subcommittee of the Committee on Administration, Finance and Law adopted at its meetings held on February 8, 2012 for the construction of a new police headquarters. The project includes planning, design, architectural and engineering services, construction costs, materials, equipment, furniture and fixtures, temporary and permanent financing costs and other costs related to the project.

**CITYWIDE RADIO TELECOMMUNICATIONS SYSTEM:** \$5,750,000 was appropriated, and the issuance of bond and notes was authorized, for costs associated with the replacement of the citywide radio telecommunications system. The appropriation and authorization was most recently acted on by the Standing Bonding Subcommittee at a meeting held on February 8, 2012 and by the Common Council at a meeting held on February 8, 2012.

**2011 REVALUATION:** \$1,360,000 was appropriated, and the issuance of bonds and notes was authorized, for costs related to revaluation with full physical inspection of interiors of properties. The appropriation and authorization was acted on by the Standing Bonding Subcommittee at a meeting held on March 2, 2011 and approved by the Common Council at a meeting held on March 9, 2011.

**Hart Street Extension:** \$9,500,000 was appropriated, and the issuance of bonds and notes was authorized, for the New Britain Hart Street Extension project which provides for the acquisition of the rights of way, the design, acquisition and construction of a new sanitary sewer and water facilities, new electric and telephone utilities, a closed drainage system, new concrete sidewalks and street lighting, and all alterations, repairs and improvements necessary to meet such aims. The project also includes all expenses associated with the engineering, architectural and temporary and permanent financing costs of such a plan. [Original plan: Arch Street to South Main Street].

**AW Stanley Pool:** \$500,000 was appropriated, and the issuance of bonds and notes was authorized, for replacement of the wading and lg pools 2 filtration systems as well as the repair of the lg pool's concrete walls and floor.

**Cemetery Fence:** \$275,000 was appropriated, and the issuance of bonds and notes was authorized, for the purchase and installation of a steel fence around the perimeter of Fairview cemetery.

### ***Book-Entry-Only Transfer System***

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

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, 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 a Standard & Poor's rating of AA+. 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](http://www.dtcc.com).

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 confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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 depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

### ***DTC Practices***

The City can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds or Notes act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

### ***Replacement Bonds***

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds or the Notes, and the City fails to identify another qualified securities depository for the Bonds or the Notes to replace DTC; or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds or the Notes, the City will issue fully registered Bond or Note certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds or the Notes, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds or Notes.

### ***Security and Remedies***

The Bonds and 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 Bonds and the Notes when due.

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues of the City. The City has the power under Connecticut statutes to levy ad valorem taxes on all property subject to taxation by 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 and of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the City and under existing statutes, the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds and 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 Bonds and 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 Bonds and the Notes, or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation debt and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the City. A Court of competent jurisdiction also has the power in appropriate proceedings to order a payment of a judgment on such Bonds and Notes from funds lawfully available therefor or, in the absence thereof, to order the City to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts could 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 Bonds and 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 by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied.

Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy under Chapter 9 of Title 11 of the United States Code without the express prior written consent of the Governor. This prohibition applies to any Town, city, borough, metropolitan district and any other political subdivision of the State of Connecticut having the power to levy taxes and issue bonds or other obligations.

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

### ***Qualification for Financial Institutions***

The Bonds and 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 certain interest expense allocable to the Notes.

### ***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 Bonds, substantially in the form attached as Appendix D and the Notes, substantially in the form attached as Appendix E 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) annual financial information and failure to file such annual financial information with respect to the Bonds and timely notice of the occurrence of certain events with respect to the Bonds and the Notes. The Underwriter's obligation to purchase the Bonds or the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Bonds or the Notes, an executed copy of the Continuing Disclosure Agreement for the Bonds or the Notes as the case may be.

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***

Application has been made to Moody's Investors Service ("Moody's") for a rating on the Bonds and the Notes. 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 Bonds and 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 Bonds and the Notes. The rating agencies should be contacted directly for its ratings on the Bonds and the Notes and the explanation of such ratings.

The City currently has outstanding ratings as follows: 'A1' from Moody's Investors Service; 'A' from Standard & Poor's Corporation; and 'A+' from Fitch Ratings.

## ***Tax Exemption of the Bonds and the Notes***

***Federal Taxes.*** In the opinion of Pullman & Comley, LLC, Bond Counsel, under existing law, interest on the Bonds and the Notes (a) is not included in gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax however with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax.

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

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

income for federal income tax purposes if interest on the Bonds and the Notes is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in a Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such Bond and will be added to the owner's basis. Original issue discount will accrue on a constant-yield-to-maturity method based on regular compounding. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such a Bond. For certain corporations (as defined for federal income tax purposes), a portion of the original issue discount that accrues in each year to such Bond will not be included in the calculation of the corporation's federal alternative minimum tax liability.

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

**Original Issue Premium.** The initial public offering prices of certain maturities of the Bonds and the Notes may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the Bond for federal income tax purposes. Prospective purchasers of the Bonds and the Notes should consult their tax advisors regarding the amortization of premium and the effect upon basis.

**Other Federal Tax Matters.** Prospective purchasers of the Bonds and the Notes should be aware that ownership of the Bonds and the Notes may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds and the Notes should consult their tax advisors regarding collateral federal income tax consequences.

**State Taxes.** In the opinion of Bond Counsel, under existing statutes, interest on the Bonds and the Notes is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable 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 Bonds and the Notes is included in gross income for purposes of the Connecticut corporation business tax.

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

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

Owners of the Bonds and the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the Notes and the disposition thereof.

**General and Post Issuance Events.** Tax legislation, administrative actions or court decisions, at either the federal or state level, may adversely affect the tax exempt status of the interest on the Bonds and Notes under federal or state law or otherwise prevent beneficial owners of the Bonds and Notes from realizing the full current benefit of the tax status of such interest. In addition, such tax legislation, administrative actions or court decisions, could affect the market value of the Bonds and Notes and their marketability. This could arise from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds and Notes from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds and Notes may occur. Prospective purchasers of the Bonds and Notes should consult their own tax advisors regarding the impact of any change in law on the Bonds and Notes.

The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions. Bond Counsel expresses no opinion regarding any other federal or state tax consequences with respect to the Bonds and Notes. Bond Counsel expresses no opinion on the effect of any action taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal or state income tax purposes of interest on the Bonds and Notes.

### ***Legal Opinion***

The legal opinion for the Bonds and the Notes will be rendered by Pullman & Comley, LLC in substantially the forms set forth in Appendices B and C to this Official Statement.

### ***Registrar, Transfer Agent, Paying Agent and Certifying Agent***

The Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds and the Notes will be U.S. Bank National Association, Goodwin Square, 23rd Floor, 225 Asylum Street, Hartford, Connecticut 06103.

## ***II. The Issuer***

***[CONNECTICUT MAP WILL BE INSERTED IN FINAL OS]***

### ***Description of the Issuer***

The City of New Britain covers 13.3 square miles and was first settled as part of the City of Berlin in 1680. It was incorporated as a separate City 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.

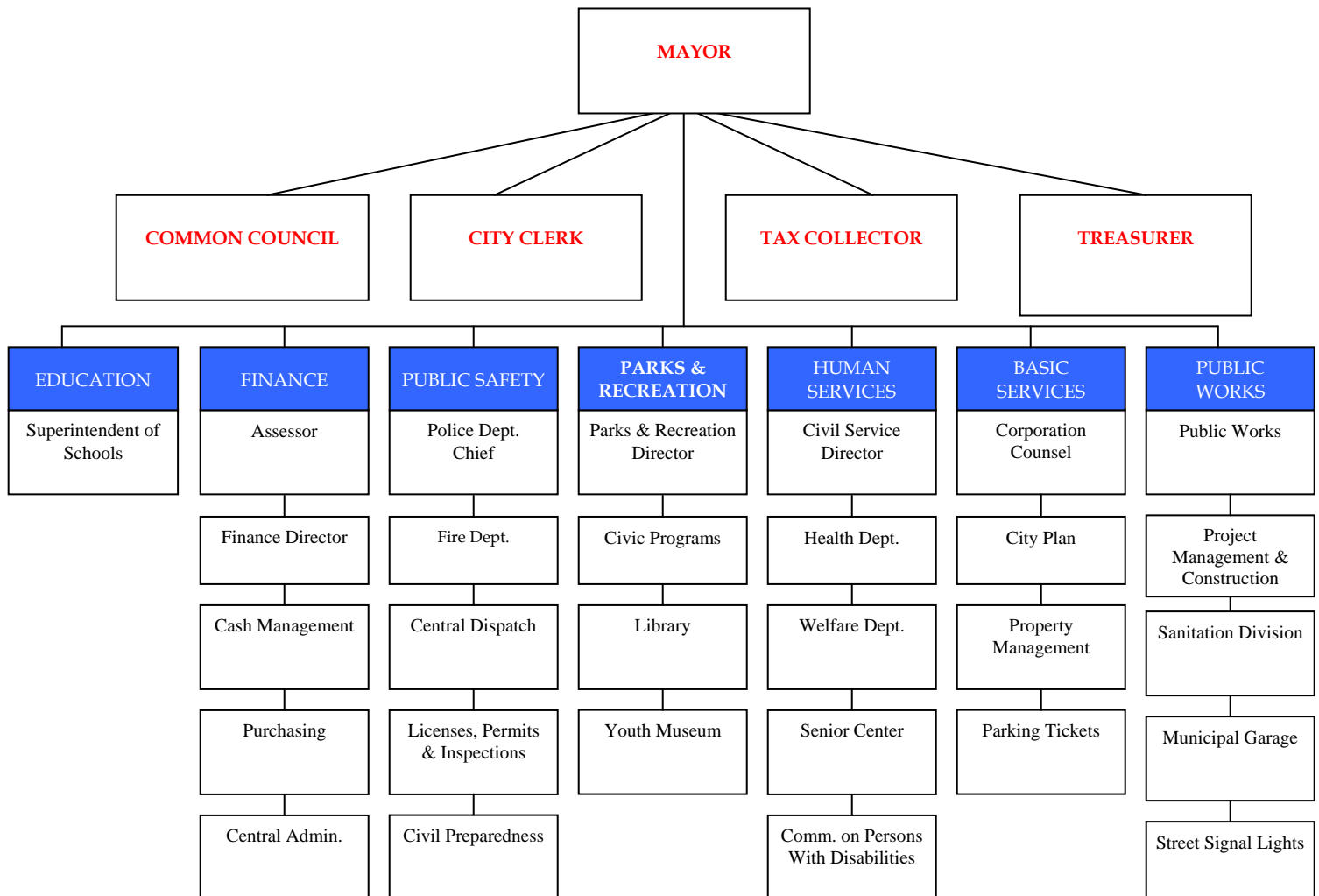
### ***Form of Government***

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**



**Principal Municipal Officials**

<i>Office</i>	<i>Name</i>	<i>Term</i>	<i>Commencement Date of Term</i>	<i>New Britain Years of Service In Current Position</i>	<i>Total Years of Municipal Service</i>
Mayor	Timothy E. O'Brien Jr.	2 Years	11/15/2011	1.5 years	1.5 years
Treasurer	Teresa Sapieha-Yanchak	2 Years	11/15/2011	8 years	8 years
Town & City Clerk	Peter J. Denuzze	4 Years	11/11/2009	20 years	29 years
Tax Collector	Cheryl Blogoslawski	2 Years	11/15/2011	5 years	6 years
Acting Finance Director	Rebecca Salerni	Appointment	6/8/2012	9 months	15 years
Assessor	Michael Konik	Appointment	12/8/2004	8 years	24 years
Superintendent of Schools	Ron Jakubowski	Appointment	7/1/2011	1.5 years	21 years

## Employee Relations

The City of New Britain currently employs 1,838 full-time personnel for general government and the Board of Education as shown by the table below:

### **Full-Time Municipal Employees Last Five Fiscal Years**

	<b>12/31/2012</b>	<b>12/31/2011</b>	<b>12/31/2010</b>	<b>12/31/2009</b>	<b>12/31/2008</b>
General Government <sup>1</sup> .....	544	595	1,333	1,364	1,334
Board of Education .....	1,294	1,332	637	637	627
<b>Total</b> .....	<b>1,838</b>	<b>1,927</b>	<b>1,970</b>	<b>2,001</b>	<b>1,961</b>

<sup>1</sup> Represents full time employees.

Source: Superintendent's Office, Director of Finance, City of New Britain.

### **General Government Employees by Department**

<b>General Government Department</b>	<b>Full-time Employees As of 12/31/12</b>
Police (including mgmt, civilians and dispatch) .....	157
Fire (including management) .....	137
Administrative, Financial, and All Other .....	98
Health & Welfare .....	22
Recreation & Parks; Stanley Golf .....	42
Public Works; Engineering; Sanitation; Garage .....	50
Water .....	38
<b>Total</b> .....	<b>544</b>

Source: City of New Britain - Finance Department

## ***Municipal Employee Bargaining Groups<sup>1</sup>*** ***As of March 2013***

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

		<b><i>12/31/11 Employees Represented</i></b>	<b><i>Current Contract Expiration Date</i></b>
<b><u>Board of Education Groups</u></b>			
Education Employees.....	American Federation of State, County & Municipal Employees – General Government Local 1186	189	6/30/2015
Teachers Aides.....	New Britain Federation of Para- Professionals - Teachers Aides 2407	260	6/30/2015
Teachers.....	New Britain Federation of Teachers - Teachers 871	755	6/30/2015
School Administrators.....	American Federation of School Administrators – Administration 51	27	6/30/2016
Supervisory Employees.....	American Federation of State, County Principal Employees - Local 818	11	6/30/2015
Support Services Administrators.....	American Federation of School Administrators – Administration 51	10	6/30/2016
<b><u>General Government Groups</u></b>			
City Hall Supervisors.....	American Federation of State, County & Municipal Employees - Supervisors - Local 818	34	12/31/2013
Firefighters.....	Hardware City Firefighters - Fire 992	136	6/30/2014
Police Officers.....	American Federation of State, County & Municipal Employees - Local 1165	127	6/30/2014
City Hall Employees.....	American Federation of State, County & Municipal Employees - Local 1186	172	6/30/2012 <sup>3</sup>
Managers & Professional Employees....	Non-Affiliated Association (MPA)	0	N/A
Professional Union.....	American Federation of State, County & Municipal Employees - Local 1303-332	34	6/30/2011 <sup>4</sup>
Non-Affiliated Employees.....	Management (Mgmt)	4	N/A
Emergency Dispatch Employees.....	Connecticut Independent Labor Union (CILU)	16	6/30/2010 <sup>2</sup>
Elected & Appointed.....	Non-affiliated	23	N/A
Grant Positions.....	Non-affiliated	0	N/A

<sup>1</sup> Undefined / Indefinite by ordinance

<sup>2</sup> In negotiations

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 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.

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.

<b><i>Location of Firehouses</i></b>	<b><i>Apparatus Located</i></b>	<b><i>Personnel</i></b>
Headquarters - 253 Beaver Street.....	Engine-1, Ladder-1, Rescue-1	31
Station #2 - 146 S. Main Street.....	Engine-2, Truck-2	32
Station #4 - 1085 Corbin Avenue.....	Engine-4	12
Station #5 - 915 Stanley Street.....	Engine-5	15
Station #7 - 60 Hartford Road.....	Engine-7	14
Station #8 - 2155 Corbin Avenue.....	Engine-8	12
Chief.....	n/a	1
Assistant Chief.....	n/a	0
Deputy Chiefs.....	n/a	4
Fire Prevention.....	n/a	7
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
<b><i>TOTAL.....</i></b>		<b>137</b>

## ***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. 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.

## **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% - City of Berlin; and 10% - City 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 2012-2013, as set by the Board of Public Works, is \$2.84 per one hundred cubic feet. Charges for the past four years were:

<i><b>Fiscal Year</b></i>	<i><b>Per one hundred cubic feet</b></i>
2012-2013	\$2.84
2011-2012	2.84
2010-2011	2.69
2009-2010	2.49

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**

<b>FY 2011-12</b>				
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-City retail rates for the City of Bristol, the City 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. A portion of the project cost is expected to be paid prior to the end of the current fiscal year.

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 \$118,000 were incurred year ending June 30, 2012 related to the City’s participation in TROC.

Unassigned fund balance for the fiscal year ended June 30, 2012 as reflected in the TROC’s financial statements is \$890,670. 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 Cities 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 expenditures to the BRRFOC amounted to \$2,770,000 for fiscal year ended June 30, 2012.

BRRFOC’s general fund balance for the fiscal year ended June 30, 2012 as reflected in BRRFOC’s financial statements is \$8.45 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 \$15.91 million.

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 City of Berlin.

### ***Solid Waste Disposal Operating Budget***

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b><i>Expended</i></b>	<b><i>Expended</i></b>	<b><i>Expended</i></b>	<b><i>Expended</i></b>
Personnel Costs .....	369,558	388,802	383,665	319,093
Operating Expenses .....	61,744	137,607	110,683	132,743
Disposal Tip Fees .....	2,902,245	2,962,875	3,132,709	3,159,779
Curb-Side Collection Contract ...	1,758,570	1,715,259	1,697,951	1,729,440
<b><i>Total Expended</i></b> .....	<b>5,092,117</b>	<b>5,204,543</b>	<b>5,325,008</b>	<b>5,341,055</b>
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b><i>Revenue</i></b>	<b><i>Revenue</i></b>	<b><i>Revenue</i></b>	<b><i>Revenue</i></b>
Transfer Station .....	1,268,354	1,313,232	1,373,884	1,409,660
Landfill .....	534,225	582,447	748,449	1,038,929
Other Income .....	529,090	491,681	399,682	338,083
<b><i>Total Revenue</i></b> .....	<b>2,331,669</b>	<b>2,387,360</b>	<b>2,522,015</b>	<b>2,786,672</b>
<b><i>NET COST TO CITY</i></b> .....	<b>2,760,448</b>	<b>2,817,183</b>	<b>2,802,993</b>	<b>2,554,383</b>
<u>Net Taxable Grand List .....</u>	<u>2,450,232,418</u>	<u>2,949,080,086</u>	<u>2,919,676,735</u>	<u>2,943,290,463</u>
<b>Mill Rate Impact</b> .....	<b>1.13</b>	<b>0.96</b>	<b>0.96</b>	<b>0.87</b>

### ***Educational System***

The Board of Education, consisting of nine elected members, is responsible for the operation of the City of New Britain School District (the "District").

### ***Board of Education***

The District consists of 11 schools for students in grades Kindergarten through 5; three middle schools for students in grades 6 through 8; and two high schools for students in grades 9 through 12. The School District also operates a pre-school program at McKinley Elementary School; an Early Childhood Center for pre-school children with special needs; a Program for Alternative Learning and COOP Program for high school students; and a Continuing Education Program for adults.

## School Facilities

<b>School</b>	<b>Grade</b>	<b>Date Occupied</b>	<b>Additions &amp; Renovations</b>	<b>Enrollment 10/1/2012 <sup>1</sup></b>	<b>City Rated Capacity</b>
Chamberlain .....	K-5	1952	1982, 1989, 1993	564	757
DiLoreto .....	K-5	1951	1982, 1991	901	822
Gaffney .....	K-5	1959	1982, 1990	579	639
Holmes .....	K-5	1955	1978, 1991, 1997	408	697
Jefferson .....	K-5	1956	1982, 1991, 1997	482	567
Lincoln .....	K-5	1925	1976, 1982, 1994	754	610
Northend .....	K-5	1932	1982, 2005	155	330
Smalley .....	K-5	1971	1982, 1997	556	816
Smith .....	K-5	1952	1982, 1993	733	767
Vance .....	K-5	1926	1988, 1994, 2005	623	592
Pulaski Middle <sup>2</sup> .....	6 thru 8	1961	1982, 1992, 1994	517	1,350
Roosevelt .....	6 thru 8	1993	1993	427	792
Slade .....	6 thru 8	1960	1982, 1992, 1994	726	1,190
New Britain High School .....	9 thru 12	1972	1982, 1989, 1998	2,530	2,094
Outside Placement.....	--	--	--	92	0
HALS <sup>3</sup> .....	--	--	--	169	0
Alternative Center School.....	7 thru 12	2008	--	48	120
New Britain Transitional Center..	K thru 12	1990	--	47	120
CLIMB.....	Ages 18-21	1990	--	13	25
<b>City Total.....</b>				<b>10,216</b>	<b>12,023</b>

<sup>1</sup> Includes Special Education.

## School Enrollment and Projections

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

<b>School Year</b>	<b>Elementary</b>			<b>Total Enrollment</b>
	<b>Pre K-5 &amp; ECC</b>	<b>Middle School</b>	<b>High School</b>	
<b><u>Historical</u></b>				
2004-2005	4,474	2,023	2,401	8,898
2005-2006	4,677	2,092	2,438	9,207
2006-2007	4,798	2,088	2,538	9,424
2007-2008	4,877	2,221	2,611	9,709
2008-2009	4,993	2,285	2,643	9,921
2009-2010	4,870	2,411	2,751	10,032
2010-2011	5,396	2,129	2,522	10,047
2010-2011	5,447	2,134	2,556	10,137
2011-2012	5,462	2,165	2,641	10,268
2012-2013	5,521	2,161	2,642	10,324
<b><u>Projected</u></b>				
2013-2014	5,724	2,056	2,536	10,316
2014-2015	5,803	2,055	2,504	10,362
2015-2016	5,840	2,082	2,508	10,430

Source: City of New Britain, Board of Education.

### III. Economic and Demographic Information

#### Population and Density

<b>Year</b>	<b>Population</b>	<b>% Increase (Decrease)</b>	<b>Density<sup>1</sup></b>
1960	82,201	11.5%	6,181
1970	83,441	1.5%	6,274
1980	73,840	-11.5%	5,552
1990	75,491	2.2%	5,676
2000	71,538	-5.2%	5,363
2010	73,206	2.3%	5,358

<sup>1</sup> Per square mile: 13.34 square miles.

Sources: 1960 – 2010, U.S. Department of Commerce, Bureau of Census; 2010, State of Connecticut, Department of Public Health

#### Population by Age

	<b>City of New Britain</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Under 5 years.....	5,043	6.9	202,106	5.7
5 - 9 years.....	4,589	6.3	222,571	6.2
10 - 14 years.....	4,581	6.3	240,265	6.7
15 - 19 years.....	6,026	8.2	250,834	7.0
20 - 24 years.....	7,320	10.0	227,898	6.4
25 - 34 years.....	11,449	15.6	420,377	11.8
35 - 44 years.....	8,717	11.9	484,438	13.6
45 - 54 years.....	9,309	12.6	575,597	16.1
55 - 59 years.....	4,180	5.7	240,157	6.7
60 - 64 years.....	3,260	4.5	203,295	5.7
65 - 74 years.....	3,797	5.2	254,944	7.1
75 - 84 years.....	3,046	4.2	166,717	4.7
85 years and over.....	1,889	2.6	84,898	2.4
<b>Total.....</b>	<b>73,206</b>	<b>100.0</b>	<b>3,574,097</b>	<b>100.0</b>
Median Age (Years).....	32.6		40.0	

Sources: U.S. Census Bureau, Census 2010, State of Connecticut

### Income Distribution

<b>Income</b>	<b>City of New Britain</b>		<b>State of Connecticut</b>	
	<b>Families</b>	<b>Percent</b>	<b>Families</b>	<b>Percent</b>
Less than \$10,000.....	3,494	12.4	79,205	5.8
\$10,000 to \$14,999.....	1,783	6.3	59,768	4.4
\$15,000 to \$24,999.....	4,407	15.6	122,071	9.0
\$25,000 to \$34,999.....	3,944	14.0	111,137	8.2
\$35,000 to \$49,999.....	3,690	13.1	167,997	12.4
\$50,000 to \$74,999.....	5,892	20.8	230,952	17.0
\$75,000 to \$99,999.....	2,757	9.8	180,261	13.3
\$100,000 to \$149,999...	1,566	5.5	212,185	15.6
\$150,000 to \$199,999...	590	2.1	91,520	6.7
\$200,000 or more.....	108	0.4	103,713	7.6
<b>Total.....</b>	<b>28,231</b>	<b>100.0</b>	<b>1,358,809</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Income Levels

	<b>City of New Britain</b>	<b>State of Connecticut</b>
Per Capita Income, 2010 .....	\$18,660	\$35,078
Per Capita Income, 2000 .....	\$18,404	\$28,766
Median Family Income, 2010 .....	\$41,091	\$81,246
Percent Below Poverty, 2010 .....	16.40%	7.20%

Source: U.S. Department of Commerce, Bureau of Census, 2010

### Major Employers

<b>Employer</b>	<b>Business</b>	<b>Approximate Number Employed</b>
The Hospital of Central Connecticut .....	Hospital	3,100
City of New Britain .....	Municipality	1,838
Central CT State University.....	University	1,637
The Hospital for Special Care.....	Hospital	1,135
State of CT.....	Government	1,095
Stanley-Black & Decker.....	Manufacturing	933
Tilcon CT.....	Construction	735
Grove Hill Medical Center.....	Health Care	494
Dattco.....	Transportation	478
Webster Bank.....	Banking	375
<b>Total .....</b>		<b>11,820</b>

Source: City of New Britain, Office of Community and Economic Development.

### Employment Data

<i>Period</i>	<i>City of New Britain</i>		<i>Percentage Unemployed</i>		
	<i>Employed</i>	<i>Unemployed</i>	<i>City of New Britain</i>	<i>Hartford Labor Market</i>	<i>State of Connecticut</i>
December 2012	31,733	3,881	10.9	7.8	7.8
<b>Annual Average</b>					
2012	32,266	4,229	11.6	8.4	8.3
2011	31,209	4,475	12.5	8.9	8.8
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

Source: Department of Labor, State of Connecticut.

### Employment by Industry

<i>Sector</i>	<i>City of New Britain</i>		<i>State of Connecticut</i>	
	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
Agriculture, forestry, fishing/hunting, & mining .....	354	1.0	6,592	0.4
Construction .....	1,845	5.4	112,301	6.4
Manufacturing .....	5,430	16.0	207,476	11.7
Wholesale trade .....	646	1.9	47,436	2.7
Retail trade .....	4,414	13.0	195,667	11.1
Transportation and warehousing, and utilities .....	1,108	3.3	67,556	3.8
Information .....	365	1.1	46,077	2.6
Finance, insurance, real estate, rental & leasing .....	2,672	7.9	167,484	9.5
Professional, scientific, management, administrative, and waste mgmt services .....	2,957	8.7	189,671	10.7
Education, health and social services .....	7,921	23.3	438,801	24.8
Arts, entertainment, recreation, accommodation .....	4,197	12.3		
Other services (except public administration) .....	587	1.7	78,859	4.5
Public Administration .....	1,512	4.4	67,078	3.8
<b>Total Labor Force, Employed</b> .....	<b>34,008</b>	<b>100.0</b>	<b>1,765,549</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of Census, 2010.

### **Educational Attainment**

	<b>City of New Britain</b>		<b>State of Connecticut</b>	
	<b>Number<sup>1</sup></b>	<b>Percent</b>	<b>Number<sup>1</sup></b>	<b>Percent</b>
Less than 9th grade.....	4,387	9.6	111,914	4.6
9th to 12th grade, no diploma.....	7,227	15.9	165,094	6.8
High School graduate (includes equivalency).....	16,126	35.5	687,618	28.3
Some college, no degree.....	7,090	15.6	431,411	17.7
Associate degree.....	2,691	5.9	173,047	7.1
Bachelor's degree.....	4,849	10.7	491,990	20.2
Graduate or professional degree.....	3,111	6.8	373,309	15.3
<b>Total.....</b>	<b>45,481</b>	<b>100.0</b>	<b>2,434,383</b>	<b>100.0</b>
Total high school graduate or higher (%).....	74.5%		88.6%	
Total bachelor's degree or higher (%).....	17.5%		35.5%	

<sup>1</sup> Population 25 years and over.

Source: U.S. Department of Commerce, Bureau of Census, 2010.

### **Age Distribution of Housing**

<b>Year Built</b>	<b>City of New Britain</b>		<b>State of Connecticut</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
2000 or later	408	1.4	111,139	7.5
1990 to 1999 .....	233	0.8	106,593	7.2
1980 to 1989 .....	1,767	5.9	190,703	12.7
1960 to 1979 .....	7,673	25.7	402,575	27.1
1940 to 1959 .....	9,572	32.0	326,813	22.0
1939 or earlier .....	10,247	34.2	350,392	23.5
<b>Total Housing Units, 2010 .....</b>	<b>29,900</b>	<b>100.0</b>	<b>1,488,215</b>	<b>100.0</b>
Percent Owner Occupied, 2010 .....	42.6		71.4	

Source: U.S. Department of Commerce, Bureau of Census, 2010

### **Building Permits**

<b>Fiscal Year Ending</b>	<b>Residential</b>		<b>Commercial/Industrial</b>		<b>Total</b>	
	<b>No.</b>	<b>Value</b>	<b>No.</b>	<b>Value</b>	<b>No.</b>	<b>Value</b>
2012	722	\$ 15,447,085	130	\$ 27,080,171	852	\$ 42,527,256
2011	691	10,288,179	148	36,188,889	839	46,477,068
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	1,032	35,897,933
2005	749	8,548,608	139	8,934,874	888	17,483,482

### **Land Use Summary**

	<b>As of December 31, 2012</b>		<b>As of December 31, 2011</b>	
	<b>Acres</b>	<b>Percent</b>	<b>Acres</b>	<b>Percent</b>
<b>Residential:</b>				
Single Family .....	2,157.80	24.54	2,156.82	24.53
Two Family .....	485.55	5.52	485.55	5.52
Three Family .....	265.67	3.02	265.67	3.02
Multi-Family .....	293.41	3.34	293.41	3.34
Rooming House .....	1.81	0.02	1.81	0.02
Sub-Total .....	3,204.24	36.44	3,203.26	36.43
<b>Mixed Use:</b>				
Single Family & Business .....	14.61	0.17	14.61	0.17
Two Family & Business .....	18.91	0.22	18.91	0.22
Three Family & Business .....	9.01	0.1	9.01	0.1
Multi-Family & Business .....	42.99	0.49	42.99	0.49
Rooming House & Business .....	1.06	0.01	1.06	0.01
Sub-Total .....	86.58	0.99	86.58	0.99
Commercial .....	337.55	3.84	339.4	3.86
<b>Industrial:</b>				
Light Industry .....	165.91	1.88	177.36	2.02
Heavy Industry .....	311.98	3.55	311.98	3.55
Sub-Total .....	477.89	5.43	489.34	5.57
<b>Public:</b>				
Public .....	76.5	0.87	75.05	0.85
Parks - Open Space – Water .....	882.4	10.04	882.4	10.04
Schools .....	227.26	2.58	215.81	2.45
Sub-Total .....	1,186.16	13.49	1,173.26	13.34
<b>Semi-Public:</b>				
Churches .....	69.46	0.79	69.46	0.79
Cemeteries .....	179.04	2.04	179.04	2.04
Societies & Club .....	15.88	0.18	15.88	0.18
Institutions .....	343.37	3.91	343.37	3.91
Water Shed Land .....	51.18	0.58	51.18	0.58
Public Utilities .....	18.45	0.21	18.45	0.21
Sub-Total .....	677.38	7.71	677.38	7.71
<b>Circulation System (Streets –</b>				
Highway - Railroad) .....	1,573.59	17.9	1,573.19	17.89
Vacant .....	1,248.94	14.2	1,249.92	14.21
<b>Total .....</b>	<b>8,792.33</b>	<b>100.00</b>	<b>8,792.33</b>	<b>100.00</b>

Source: City of New Britain - City Plan Commission

## **IV. 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, 2012 and will be conducting a general revaluation of real property by physical inspection to be effective October 1, 2017. 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.

### Net Taxable Grand List

Grand List of 10/1	Residential Real Property (%)	Commercial & Industrial Real Property (%)	Unimproved Land (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List	% Growth
2012	56.3	23.7	0.5	9.1	10.5	\$ 2,563,057,836	\$ 112,825,418	\$ 2,450,232,418	-16.92%
2011	61.2	22.3	0.5	8.7	7.4	3,059,121,528	110,041,442	2,949,080,086	0.90%
2010	61.7	22.3	0.5	8.4	7.1	3,030,977,819	108,253,648	2,922,724,171	0.32%
2009	61.7	22.4	0.5	8.3	7.0	3,017,475,451	104,086,991	2,913,388,460	-0.30%
2008	61.7	22.7	0.5	8.1	7.0	3,017,815,363	95,695,577	2,922,119,786	-1.38%
2007 <sup>1</sup>	61.1	23.3	0.8	8.3	6.5	3,037,922,933	75,037,608	2,962,885,325	41.79%
2006	56.9	22.2	0.5	11.3	9.1	2,158,279,371	68,671,284	2,089,608,087	0.55%
2005	57.2	22.3	0.5	11.2	8.8	2,132,991,691	54,831,677	2,078,160,014	1.24%
2004	57.6	22.9	0.4	10.6	8.5	2,114,337,560	61,539,190	2,052,798,370	--

<sup>1</sup> Revaluation.

Source: City of New Britain, Assessor's Office.

### Tax Exempt Property

	Assessed Value 10/1/2012
<b>Publicly Owned</b>	
City of New Britain .....	\$ 302,843,730
State of Connecticut .....	61,452,020
Federal .....	3,380,440
City of Hartford .....	373,380
New Britain Housing Authority .....	17,719,730
<b>Total Publicly Owned .....</b>	<b>\$ 385,769,300</b>
<b>Privately Owned</b>	
Total Privately Owned <sup>1</sup> .....	\$ 631,371,830
<b>Total Tax Exempt .....</b>	<b>\$ 1,017,141,130</b>
Percent as compared to Net Taxable Grand List <sup>2</sup> ....	41.51%

<sup>1</sup> Includes two regional non-profit hospitals, state university, religious institutions, libraries, museums and all others.

<sup>2</sup> Based on a October 1, 2012 Net Taxable Grand List of \$2,450,232,418.

Source: City of New Britain, Assessor's Office.

### Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List <sup>1</sup>
Connecticut Light & Power .....	Utility	\$ 56,560,238	2.31%
Pebblebrook Apartments LLC.....	Apartments	20,865,530	0.85%
Stanley Black & Decker Inc.....	Manufacturing	18,431,308	0.75%
Connecticut Natural Gas Corp.....	Utility	12,491,565	0.51%
Investment Associates LTP.....	Medical Offices	11,704,623	0.48%
Inland Southeast New Britain LLC.....	Retail	11,232,130	0.46%
NB-BTMC LLC.....	Retail	10,888,850	0.44%
Farmington Hills 06 LLC.....	Apartments	10,282,590	0.42%
Webster Bank.....	Banks/Offices	9,026,249	0.37%
Paramount Plaza At New Brite LLC.....	Retail	8,840,440	0.36%
<b>Total .....</b>		<b>\$ 170,323,523</b>	<b>6.95%</b>

<sup>1</sup> Based on a October 1, 2012 Net Taxable Grand List of \$2,450,232,418.

Source: City of New Britain, Assessor's Office.

### Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending	Net Taxable Grand List	Mill Rate	Tax Levy	Percent of Annual Levy Collected at End of Fiscal Year	Uncollected	
						Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/12
2011	2013 <sup>1</sup>	\$2,949,080,086	36.63	\$107,541,357	<i>IN COLLECTION</i>		n/a
2010	2012	2,922,724,171	36.63	103,222,926	96.02%	3.98%	3.98%
2009	2011	2,913,388,460	36.63	103,479,111	95.88%	4.12%	1.94%
2008	2010	2,919,676,735	34.98	101,941,766	95.94%	4.06%	1.17%
2007	2009	2,962,955,325	34.98	103,424,611	95.72%	4.28%	0.75%
2006	2008	2,089,608,087	45.40	94,066,512	95.70%	4.30%	0.75%
2005 <sup>2</sup>	2007	2,078,160,014	45.88	95,916,505	96.55%	3.45%	0.64%
2004	2006	2,055,598,712	45.89	93,494,265	96.85%	3.15%	0.53%

<sup>1</sup> Unaudited estimate.

<sup>2</sup> Revaluation.

Source: City of New Britain, Tax Collector's Office.

### Property Taxes Receivable

Fiscal Year Ending 6/30	Total Uncollected Taxes	Uncollected in Fiscal Year of Levy
2012	\$13,521,743	\$4,187,568
2011	12,815,000	4,419,000
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

Source: City of New Britain, Tax Collector's Office.

## V. Debt Summary

### General Fund Long-Term Bonded Debt As of March 27, 2013 (Pro-Forma)

<i>Dated</i>	<i>Purpose</i>	<i>Original Issue Coupon Rate %</i>	<i>Original Issue Amount</i>	<i>Date of Fiscal Year Maturity</i>	<i>Balance Outstanding</i>
<b>Consolidated School District:</b>					
02/01/94	1994 Series	4.0-5.0	17,700,000	2014	885,000
04/15/97	1997 Series	4.4-5.1	13,115,000	2013	200,000
11/04/02	2002 Refunding Series	2.0-5.0	1,829,872	2014	382,160
04/06/06	2006 Series	4.0-5.0	11,000,000	2021	6,596,226
04/05/07	2007 Series	3.8-5.0	6,600,000	2022	4,400,110
04/03/08	2008 Series A	2.8-5.0	1,750,000	2022	1,399,275
04/01/08	2008 Series B (Refunding of Series 1999 & 2000B)	2.8-5.0	12,425,000	2020	1,385,000
03/31/09	2009 Series	3.0-5.0	3,975,000	2024	3,205,000
11/09/10	2010 Series C	3.0-5.0	1,840,000	2015	1,090,000
03/15/12	Schools	2.0-4.0	3,136,000	2027	2,890,000
<b>Sub-Total.....</b>			<b>\$73,370,872</b>		<b>\$22,432,771</b>
<b>Public Improvement:</b>					
11/04/02	2002 Refunding Series	2.0-5.0	2,240,128	2014	467,840
06/01/05	2005 MERF Pension Bond	4.93	1,450,000	2023	1,015,000
04/06/06	2006 Series	4.0-5.0	3,670,000	2021	3,280,125
04/05/07	2007 Series	3.8-5.0	6,975,000	2022	4,649,890
04/01/08	2008 Series A	2.8-5.0	11,215,000	2028	8,965,725
04/01/08	2008 Series B (Refunding of Series 1999 & 2000B)	2.8-5.0	12,080,000	2020	6,580,000
03/31/09	2009 Series	3.0-5.0	8,370,000	2024	7,545,000
03/30/10	2010A Series	2.5-5.25	11,715,000	2025	9,360,000
11/09/10	2010 Subseries B-1	3.0-4.0	7,065,000	2014	3,565,000
11/09/10	2010 Subseries B-2	2.89-5.53	18,000,000	2024	18,000,000
11/09/10	2010 Subseries B-3	5.69-5.82	9,935,000	2030	9,935,000
03/15/12	General Purposes	2.0-4.0	30,879,000	2027	28,455,000
<b>Sub-Total.....</b>			<b>\$123,594,128</b>		<b>\$101,818,580</b>
<b>General Obligation Pension Bonds (Taxable):</b>					
02/01/98	1998 Series	5.70-6.54	66,000,000	2021	35,955,000
05/30/08	2008 Series C <sup>1</sup>	6.371	40,700,000	2026	40,000,000
<b>Sub-Total.....</b>			<b>\$106,700,000</b>		<b>\$75,955,000</b>
<b>Water Bonds:</b>					
04/01/08	2008 Series B (Refunding of Series 2005 Revenue Bonds)	2.8-5.0	14,170,000	2032	10,504,000
<b>Sub-Total.....</b>			<b>\$14,170,000</b>		<b>\$10,504,000</b>
<b>Total General Fund Debt.....</b>			<b>\$317,835,000</b>		<b>\$210,710,351</b>
<b>This Issue</b>					
03/27/13	General Purposes	tbd	\$ 16,425,000		\$ 16,425,000
03/27/13	Schools	tbd	2,800,000		2,800,000
<b>Total Bonds This Issue .....</b>			<b>\$ 19,225,000</b>		<b>\$ 19,225,000</b>
<b>Grand Total .....</b>			<b>\$ 337,060,000</b>		<b>\$ 229,935,351</b>

<sup>1</sup> 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 27, 2013 (Pro-Forma)**

<b>Dated</b>	<b>Purpose</b>	<b>Original Issue Coupon Rate %</b>	<b>Principal Amount Outstanding (Pro Forma)</b>	<b>Date of Fiscal Year Maturity</b>	<b>Balance Outstanding</b>
<b>Sewer <sup>1</sup></b>					
01/31/04	2003 Series (Sewer Inflow & Infiltration – CWF 400-DC – Contract #1)	2.0	2,317,896	2023	1,149,298
05/30/05	2005 Series (Sewer Inflow & Infiltration – CWF 488-C – Contract #2 & #3)	2.0	2,695,515	2024	1,516,236
01/31/27	2008 Series (Sewer Inflow & Infiltration – CWF 583-DC – Contract #4)	2.0	1,173,344	2027	816,455
<b>Sub-Total.....</b>			<u>\$6,186,755</u>		<u>\$3,481,989</u>
<b>Stanley Golf Course:</b>					
04/06/06	2006 Series	4.0-5.0	990,000	2021	593,660
<b>Sub-Total.....</b>			<u>\$990,000</u>		<u>\$593,660</u>
<b>Water:</b>					
11/30/01	2001 Series - Drinking Water State Revolving Fund (DWSRF)	2.77	12,682,987	2021	5,548,849
10/01/04	2004 Series - Drinking Water State Revolving Fund (DWSRF)	2.43	24,000,000	2023	12,800,080
04/01/08	2008 Series B (Refunding of Series 2005 Revenue Bonds)	2.8-5.0	14,170,000	2035	2,016,000
<b>Sub-Total.....</b>			<u>\$50,852,987</u>		<u>\$20,364,929</u>
<b>Total General Fund Debt.....</b>			<u>\$58,029,742</u>		<u>\$24,440,578</u>

**Short –Term Debt**

The City currently has outstanding \$25,280,000 General Obligation Bond Anticipation Notes dated March 27, 2013 (the “2013 Notes”). The 2013 Notes will mature on March 26, 2014.

**Other Commitments**

None

**General Fund Annual Bonded Debt Maturity Schedule**  
**As of March 27, 2013 (Pro-Forma)**

<i>Fiscal Year Ended 6/30</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total Payments</i>	<i><u>This Issue:</u> General Purpose</i>	<i><u>This Issue:</u> Schools</i>	<i>Total This issue</i>	<i>Cumulative % of Principal Retired</i>
2013	\$ 7,123,944	\$ 2,153,401	\$ 9,277,345	\$ -	\$ -	\$ -	3.10%
2014	15,553,944	10,150,610	25,704,554	820,000	140,000	960,000	10.28%
2015	14,643,944	9,443,582	24,087,526	820,000	140,000	960,000	17.07%
2016	14,598,944	8,774,022	23,372,966	820,000	140,000	960,000	23.83%
2017	14,938,944	8,118,002	23,056,946	820,000	140,000	960,000	30.75%
2018	15,288,944	7,427,245	22,716,189	820,000	140,000	960,000	37.81%
2019	15,669,229	6,693,561	22,362,790	820,000	140,000	960,000	45.05%
2020	16,079,229	5,920,778	22,000,007	820,000	140,000	960,000	52.46%
2021	15,479,229	5,115,791	20,595,020	820,000	140,000	960,000	59.61%
2022	14,880,000	4,336,300	19,216,300	820,000	140,000	960,000	66.50%
2023	13,205,000	3,580,679	16,785,679	820,000	140,000	960,000	72.66%
2024	13,545,000	2,863,699	16,408,699	820,000	140,000	960,000	78.96%
2025	13,125,000	2,129,771	15,254,771	820,000	140,000	960,000	85.09%
2026	12,865,000	1,405,345	14,270,345	820,000	140,000	960,000	91.10%
2027	4,455,000	675,079	5,130,079	820,000	140,000	960,000	93.46%
2028	2,985,000	477,698	3,462,698	820,000	140,000	960,000	95.17%
2029	2,080,000	333,648	2,413,648	825,000	140,000	965,000	96.50%
2030	2,040,000	228,731	2,268,731	825,000	140,000	965,000	97.80%
2031	2,040,000	124,985	2,164,985	825,000	140,000	965,000	99.11%
2032	114,000	64,904	178,904	825,000	140,000	965,000	99.58%
2033	-	-	-	825,000	140,000	965,000	100.00%
<b>Total.....</b>	<b>\$ 210,710,351</b>	<b>\$ 80,017,829</b>	<b>\$ 290,728,180</b>	<b>\$ 16,425,000</b>	<b>\$ 2,800,000</b>	<b>\$ 19,225,000</b>	

**Self-Liquidating Annual Bonded Debt Maturity Schedule**  
**As of March 27, 2013 (Pro-Forma)**

<i>Fiscal Year Ended 6/30</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total Payments</i>	<i>Cumulative % of Principal Retired</i>
2013	\$ 780,695	\$ 303,163	\$ 1,083,859	3.19%
2014	2,209,544	726,315	2,935,858	12.23%
2015	2,209,544	659,985	2,869,528	21.28%
2016	2,209,544	592,793	2,802,337	30.32%
2017	2,209,544	526,380	2,735,923	39.36%
2018	2,209,544	459,008	2,668,552	48.40%
2019	2,209,260	392,197	2,601,457	57.44%
2020	2,209,260	324,619	2,533,880	66.48%
2021	2,209,260	257,192	2,466,452	75.51%
2022	1,773,567	196,998	1,970,565	82.77%
2023	1,461,048	152,927	1,613,975	88.75%
2024	582,212	117,015	699,227	91.13%
2025	58,667	104,001	162,669	91.37%
2026	58,667	93,422	152,089	91.61%
2027	34,223	82,926	117,149	91.75%
2028	-	73,378	73,378	91.75%
2029	-	64,058	64,058	91.75%
2030	-	54,740	54,740	91.75%
2031	-	45,506	45,506	91.75%
2032	421,000	36,272	457,272	93.47%
2033	535,000	75,762	610,762	95.66%
2034	530,000	50,350	580,350	97.83%
2035	530,000	25,176	555,176	100.00%
<b>Total.....</b>	<b>\$ 24,440,578</b>	<b>\$ 5,414,184</b>	<b>\$ 29,854,761</b>	

### ***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 has entered into the swap agreements from time to time 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.

The City currently is counterparty in one swap agreement. It entered into an interest rate swap agreement with Deutsche Bank on April 29, 2008 relating to the City's General Obligation Pension Bonds, Series 1998 (the "1998 Bonds"), which as of May 30, 2008, applied to the City's General Obligation Pension Bonds Series 2008C (the "2008C Bonds"), which were issued to refund the City's 1998 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. Notwithstanding such swap agreement, 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 the 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 the swap agreement if the other party fails to perform under the terms of the agreement. If the swap agreement is 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.

### ***Overlapping/Underlying Debt***

#### **Underlying Debt:**

The City does not have any underlying debt.

#### **Overlapping Debt:**

The City, along with the Cities 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.

As of June 30, 2012, the District has \$1,951,000 of outstanding debt.

**Debt Statement**  
**As of March 27, 2013 (Pro-Forma)**

**Long-Term Debt Outstanding: <sup>1</sup>**

General Purpose (Includes this issue) .....	\$ 118,243,580
Schools (Includes this issue) .....	25,232,771
Sewer - State Clean Water Fund (Self-Liquidating).....	3,481,989
Water .....	10,504,000
Pension Obligation Bonds.....	75,955,000
Stanley Golf Course (Self-Liquidating).....	593,660
Water (Self-Liquidating) .....	20,364,929
<b>Total Long-Term Debt</b> .....	<b>254,375,929</b>

**Short-Term Debt:**

Bond Anticipation Notes (this issue) .....	25,280,000
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<b>Total Short-Term Debt</b> .....	<b>25,280,000</b>
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<b>Total Direct Debt</b> .....	<b>279,655,929</b>
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Less: State of Connecticut School Grants Receivable (6/30/12) <sup>2</sup> .....	(2,943,213)	
Sewer I & I - State Clean Water Fund .....	(3,481,989)	
Stanley Golf Course .....	(593,660)	
Drinking Water (self liquidating).....	(20,364,929)	(27,383,791)

<b>Total Overall Net Debt</b> .....	<b>\$ 252,272,138</b>
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<sup>1</sup> Excludes capital leases.

<sup>2</sup> For school building projects approved prior to July 1, 1996, the State of Connecticut will reimburse the City for eligible principal and interest costs over the life of outstanding bonds. Amount shown is for principal only. See "School Projects" herein.

**Current Debt Ratios**  
**As of March 27, 2013 (Pro-Forma)**

Population <sup>1</sup> .....	73,206
Net Taxable Grand List (10/1/2012) .....	\$ 2,450,232,418
Estimated Full Value (Net Taxable Grand List/70%) .....	\$ 3,500,332,026
Equalized Net Taxable Grand List (2010) <sup>2</sup> .....	\$ 3,797,502,495
Income per Capita (2000) <sup>3</sup> .....	\$18,404
Income per Capita (2010) <sup>1</sup> .....	\$18,660

	<b>Total Direct Debt \$279,655,929</b>	<b>Total Overall Net Debt \$252,272,138</b>
Debt Per Capita .....	\$ 3,820.12	\$ 3,446.06
Ratio to Net Taxable Grand List .....	11.41%	10.30%
Ratio to Estimated Full Value (Net Taxable Grand List/70%) .....	7.99%	7.21%
Ratio to Equalized Net Taxable Grand List .....	7.36%	6.64%
Debt per Capita to Income per Capita (2000) .....	20.76%	18.72%
Debt per Capita to Income per Capita (2010) .....	20.47%	18.47%

<sup>1</sup> Department of Commerce, U.S. Bureau of the Census, 2010.

<sup>2</sup> State of Connecticut, Office of Policy and Management.

<sup>3</sup> Department of Commerce, U.S. Bureau of the Census, 2000.

### ***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 27, 2013 (Pro-Forma)**

<b>Total tax collections (including interest and lien fees) received by</b>	
<b>Treasurer for year ended June 30, 2012</b> .....	\$ 108,841,000
Reimbursement for revenue loss on:	
Tax Relief for Elderly .....	8,000
<b>Base</b> .....	108,849,000

<b>Debt Limitation:</b>	<b>General Purposes</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Unfunded Past Pension</b>
2 1/4 times base .....	\$ 244,910,250	\$ -	\$ -	\$ -	\$ -
4 1/2 times base .....	-	489,820,500	-	-	-
3 3/4 times base .....	-	-	408,183,750	-	-
3 1/4 times base .....	-	-	-	353,759,250	-
3 times base .....	-	-	-	-	326,547,000
<b>Total Debt Limitation</b> .....	244,910,250	489,820,500	408,183,750	353,759,250	326,547,000

**Indebtedness :**

Outstanding Debt:

Bonds Payable <sup>1,2</sup> .....	112,322,580	22,432,771	3,481,989	-	-
Pension Obligation Bonds .....	75,955,000	-	-	-	-
Bonds (This Issue) .....	16,425,000	2,800,000	-	-	-
Notes (This Issue) .....	17,530,000	7,750,000	-	-	-
Authorized But Unissued Debt <sup>3</sup> .....	46,498,109	5,176,386	11,588,245	-	-
Overlapping Debt .....	-	-	1,951,000	-	-
<b>Total Outstanding Debt</b> .....	268,730,689	38,159,157	17,021,234	-	-

Less:

School Grants Receivable <sup>4</sup> .....	-	(2,943,213)	-	-	-
Self-Liquidating Debt .....	-	-	(3,481,989)	-	-
Statutory Exclusion – Pension Bonds .....	(75,955,000)	-	-	-	-
<b>Total Outstanding Net Debt</b> .....	192,775,689	35,215,944	13,539,245	-	-

**DEBT LIMITATION IN EXCESS**

<b>OF INDEBTEDNESS</b> .....	\$ 52,134,561	\$ 454,604,556	\$ 394,644,505	\$ 353,759,250	\$ 326,547,000
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<sup>1</sup> Includes \$10,504,000 of Water Debt which is funded by the General Fund. Excludes \$20,364,929 of self supporting water debt.

<sup>2</sup> Excludes \$593,660 of self-supporting Golf Bonds.

<sup>3</sup> Please see Authorized But Unissued chart on the following page.

<sup>4</sup> 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.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$761,943,000.

**Authorized but Unissued Debt**  
**As of March 27, 2013 (Pro-Forma)**

	Original		Previously		This Issue:		
	Authorization	Total Amount	Bonded	Estimated	Notes Due		Authorized but
Project	Date	Authorized	or Paid-down	Grants	3/26/2014	The Bonds	Unissued Debt
<b>Education:</b>							
New Britain High School (28472-1)	28-Feb-07	\$ 16,595,000	\$ 5,647,000	\$ 10,549,941	\$ -	\$ 40,000	\$ 358,059
Lincoln/Northend/Vance (26789-1)	26-Sep-07	43,800,000	17,750,000	24,463,528	-	-	1,586,472
Smalley Academy Chiller (30207-1)	12-Nov-08	500,000	490,000	-	-	9,500	500
NBHS Code Compliance	12-Nov-08	3,000,000	52,250	1,406,449	-	1,370,000	171,301
Diloretto School (30944)	1-May-10	10,000,000	26,750	-	7,750,000 <sup>1</sup>	933,000	1,290,250
Entrance/Security (30206-1)	9-Jul-08	1,700,000	387,000	-	-	12,500	1,300,500
Refoof Five Schools (29023-1)	22-Aug-07	8,225,000	2,364,000	4,956,696	-	435,000	469,304
<b>Capital Equipment:</b>							
2005 Capital Equipment (28576-1)	13-Jun-07	4,503,500	3,945,000	-	-	360,000	198,500
2007 Capital Equipment (29502)	26-Sep-07	8,450,000	5,770,000	-	-	530,000	2,150,000
2010 Capital Equipment (31127-3)	13-Oct-10	7,524,186	-	-	3,355,000	-	4,169,186
<b>Public Improvement:</b>							
EMS (27719-1/28697-1)	11-Apr-07	3,000,000	2,900,000	-	-	-	100,000
2011 Revaluation (28575)	9-Mar-11	1,360,000	-	-	535,000	-	825,000
Beaver, Broad, Main & North (23214-1)	24-Mar-04	6,600,000	-	-	-	-	6,600,000
Police Hdqtrs (30892)	24-Feb-10	38,850,000	35,000,000	-	3,050,000	-	800,000
Storm Water System Imp (27488-1)	9-Jul-09	4,750,000	2,725,000	-	1,185,000	-	840,000
Environmental Remediation (27491-1)	24-Mar-04	6,750,000	5,500,000	-	-	845,000	405,000
Hart St Extension/Recon (25913-1)	13-Dec-06	9,500,000	3,412,750	-	-	-	6,087,250
Broad & Washington St (26188-1)	13-Jun-07	13,300,000	6,070,000	2,274,177	500,000	1,170,000	3,285,823
New Britain Machine (26276-1)	14-Feb-01	3,600,000	2,335,000	-	-	-	1,265,000
Fafnir Smart Park (26325-1)	9-Jul-08	3,250,000	2,175,000	620,233	-	20,000	434,767
Pinnacle Heights (29188-1)	28-Jun-06	7,946,000	4,550,000	1,000,000	-	2,185,000	211,000
Fafnir Booth Industrial Park (23307-1)	12-Nov-08	8,550,000	2,825,000	4,861,117	-	-	863,883
Willow Street (24238-6)	28-Jan-09	5,350,000	4,900,000	-	-	-	450,000
Street Infrastructure (29503-1)	11-Apr-07	22,058,000	14,401,750	-	1,040,000	5,775,000	841,250
Badolato/Szczesny Repairs (29559-1)	12-Mar-08	6,775,000	1,018,050	-	500,000	4,390,000	866,950
Transfer Station Rehab (29504-1)	28-Feb-07	6,868,000	1,041,500	-	-	665,000	5,161,500
Telecommunications	8-Feb-12	5,750,000	-	-	5,550,000	-	200,000
AW Stanley Pool	10-Oct-12	500,000	-	-	500,000	-	-
Cemetery Fence	8-Aug-12	275,000	-	-	275,000	-	-
Beaver Street (30581)	10-Jun-09	7,300,000	560,000	-	90,000	-	6,650,000
Bridge Program (29022)	13-Sep-06	5,775,000	1,075,000	-	950,000	-	3,750,000
Forward Interest Rate Swap Termination	8-Feb-12	2,750,000	2,418,000	-	-	-	332,000
Information Technology (24238-6)	26-Sep-07	2,000,000	1,504,000	-	-	485,000	11,000
<b>Self Liquidating:</b>							
Sewer I&I - (26189-1)	13-Dec-00	17,775,000	6,186,755	-	-	-	11,588,245
<b>Total</b>		\$294,929,686	\$ 137,029,805	\$ 50,132,141	\$25,280,000	\$19,225,000	\$ 63,262,740

<sup>1</sup> The City is expecting State of Connecticut School Building Grants in the amount of \$7,750,000 for this project.

**Ratio of Net Long-Term Debt to Valuation, Population and Income  
Last Five Fiscal Years**

<b>Fiscal Year</b>	<b>Net Assessed Value</b>	<b>Estimated Full Value</b>	<b>Net Long-Term Debt<sup>1</sup></b>	<b>Ratio of Net Long-Term Debt to Net Assessed Value</b>	<b>Ratio of Net Long-Term Debt to Estimated Full Value</b>	<b>Population<sup>2</sup></b>	<b>Net Long-Term Debt Per Capita</b>	<b>Ratio of Net Long-Term Debt Per Capita to Per Capita Income<sup>3</sup></b>
2012	\$ 2,922,724,171	\$ 4,175,320,244	\$ 225,411,000	7.71%	5.40%	73,206	3,079	16.50%
2011	2,913,388,460	4,161,983,514	192,571,000	6.61%	4.63%	73,206	2,631	14.10%
2010	2,922,119,786	4,174,456,837	169,601,000	5.80%	4.06%	73,206	2,317	12.42%
2009	2,962,885,325	4,232,693,321	171,064,000	5.77%	4.04%	73,206	2,337	12.52%
2008	2,089,608,087	2,985,154,410	169,788,263	8.13%	5.69%	73,206	2,319	12.43%

<sup>1</sup> Amounts rounded. Includes Clean Water Fund Project Loan Obligations paid out of the general fund, but excludes capital leases. Long-term debt is net of estimated school building grants receivable at the end of every fiscal year for school building projects approved prior to July 1, 1996. See "School Projects" herein.

<sup>2</sup> Department of Commerce, U.S. Bureau of the Census, 2010.

<sup>3</sup> U.S. Department of Commerce, Bureau of the Census, 2010: Income per Capita of \$18,660.

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

<b>Fiscal Year Ended 6/30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total General Fund Debt Service</b>	<b>Total General Fund Expenditures</b>	<b>Ratio of General Fund Debt Service To Total General Fund Expenditures</b>
2012	\$ 22,384,000	\$ 9,433,000	\$ 31,817,000	\$ 241,616,000	13.17%
2011	15,858,000	10,443,000	26,301,000	216,088,000	12.17%
2010	15,507,000	10,631,000	26,138,000	213,740,000	12.23%
2009	14,836,000	11,510,000	26,346,000	223,883,000	11.77%
2008	14,360,000	11,014,000	25,374,000	221,139,000	11.47%

**Principal Amount of Outstanding Debt**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Long-Term Debt</b>					
General Obligation Bonds Payable from:					
General Fund... <sup>1</sup>	\$ 225,411,000	\$ 198,146,000	\$ 177,837,000	\$ 181,939,000	\$ 183,700,000
Self-Liquidating Fund... <sup>2</sup>	21,588,000	34,336,000	36,573,000	26,447,000	41,168,000
<b>Short-Term Debt</b>					
Bond Anticipation Notes .....	33,135,000	38,235,000	32,450,000	27,455,000	19,255,000
<b>Totals</b> .....	\$ 280,134,000	\$ 270,717,000	\$ 246,860,000	\$ 235,841,000	\$ 244,123,000

<sup>1</sup> Includes Clean Water Fund Project Loan Obligations paid out of the general fund.

<sup>2</sup> Includes Clean Water Fund Project Loan Obligations that are self supporting, classified as "Business Activities".

## **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:

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;

Informs private businesses and citizens about proposed public improvements so that they may make sounder judgments concerning their own construction programs;

Enables the City to take better advantage of federal and state grant-in-aid programs; and Leads to balanced development throughout the City.

The 2014-2018 Capital Improvement Program budget is expected to be adopted in June 2013 and is outlined below.

### **Capital Improvement Program**

<b>Department</b>	<b>2013-2014</b>	<b>2014-2015</b>	<b>2015-2016</b>	<b>2016-2017</b>	<b>2017-2018</b>	<b>Total</b>
Fire.....	\$ 2,160,400	\$ 2,310,000	\$ -	\$ -	\$ -	\$ 4,470,400
Legal Services.....	28,000	-	-	-	-	28,000
Public Works.....	4,565,000	2,930,000	7,025,000	950,000	1,560,000	17,030,000
Stanley Golf Course....	3,000,000	500,000	200,000	-	-	3,700,000
Water Department.....	794,093	248,445	307,251	298,928	243,854	1,892,571
<b>Total</b> .....	<b>\$ 10,547,493</b>	<b>\$ 5,988,445</b>	<b>\$ 7,532,251</b>	<b>\$ 1,248,928</b>	<b>\$ 1,803,854</b>	<b>\$ 27,120,971</b>

<sup>1</sup> 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.

## ***VI. Financial 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, 2012, the financial statements of the various funds of the City were audited by McGladrey LLP, Certified Public Accountants, of New Haven, Connecticut. The auditors have not been asked nor have they given permission to print the financial statements in this Official Statement.

### ***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.

### ***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 approved, 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 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, 2009 through 2012 are as follows:

<b><i>Fiscal Year Ended</i></b>	<b><i>City Contribution Amount</i></b>	<b><i>Employee Contribution Amount</i></b>	<b><i>Total Contribution Amount</i></b>	<b><i>Total Payroll covered by the MERF</i></b>
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
June 30, 2011	5,198,000	2,537,000	7,735,000	55,881,000
June 30, 2012	6,162,289	2,498,849	8,661,138	49,978,820

## **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, 2012, the City's contributions were \$450,000 and \$744,000 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:**

<b>Actual Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)(c)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as % of Covered Payroll (c/d)</b>
1/1/2007	\$ 83,474	\$ 74,781	\$ (8,693)	\$ 5,698	-152.6%
1/1/2009	82,462	78,501	(3,961)	4,971	-79.7%
1/1/2011	79,711	79,785	74	4,853	1.5%

#### **Police Plan:**

<b>Actual Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)(c)</b>	<b>Covered Payroll (d)</b>	<b>UAAL as % of Covered Payroll (c/d)</b>
1/1/2007	\$ 83,762	\$ 74,590	\$ (9,172)	\$ 6,356	-144.3%
1/1/2009	79,361	80,340	979	5,829	16.8%
1/1/2011	73,662	80,338	6,676	5,866	113.8%

### **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 \$48,213,000 with respect to the plan and \$974,000 plan assets and unfunded actuarial liability of \$47,239,000. 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.

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 by fiscal year is presented below.

**(\$ in Thousands)**

<b><i>Fiscal Year Ended</i></b>	<b><i>Annual OPEB Cost (AOC)</i></b>	<b><i>Actual Contribution</i></b>	<b><i>Percentage of AOC Contributed</i></b>	<b><i>Net OPEB Obligation (Asset)</i></b>
6/30/2009	\$ 3,937	\$ 4,421	112.29%	\$ (389)
6/30/2010	3,977	3,438	86.45%	150
6/30/2011	4,194	3,744	89.27%	600
6/30/2012	4,604	4,410	95.79%	794

**General Fund Revenues and Expenditures  
Last Four Fiscal Years and Current Budget**

	<b>Budget 2013 <sup>1</sup></b>	<b>Actual 2012</b>	<b>Actual 2011</b>	<b>Actual 2010</b>	<b>Actual 2009</b>
<b>Revenues:</b>					
Property Taxes .....	\$ 106,261	\$ 110,013	\$ 106,904	\$ 103,052	\$ 104,141
Intergovernmental Revenue .....	90,001	106,402	92,313	94,014	106,705
Charges for Services .....	12,764	10,247	9,029	9,844	7,280
Investment Earnings.....	50	99	2,720	1,523	758
Miscellaneous.....	9,675	2,873	449	373	1,025
Transfers from Other Funds.....	13,733	11,709	6,737	4,278	849
<b>Total Revenues</b> .....	<b>232,484</b>	<b>241,343</b>	<b>218,152</b>	<b>213,084</b>	<b>220,758</b>
<b>Expenditures:</b>					
General Government .....	9,153	10,896	6,891	6,406	5,429
Public Safety .....	41,026	42,833	39,668	38,781	33,361
Public Works .....	13,970	14,138	13,457	12,908	12,725
Health & Welfare .....	1,854	2,583	2,569	2,324	2,021
Education .....	127,250	132,786	118,812	120,254	129,357
Parks and Recreation .....	9,115	9,467	8,173	7,892	7,623
Other Expenditures .....	-	-	-	-	-
Debt and Sundry .....	30,116	28,640	26,301	-	-
Transfers to Other Funds.....	-	273	217	25,507	33,367
<b>Total Expenditures and Transfers</b> .....	<b>232,484</b>	<b>241,616</b>	<b>216,088</b>	<b>214,072</b>	<b>223,883</b>
<b>Results of Operations</b> .....	<b>-</b>	<b>(273)</b>	<b>2,064</b>	<b>(988)</b>	<b>(3,125)</b>
<b>Other Financing Sources (Uses):</b>					
Issuance of Bonds.....	n/a	426	910	-	-
Proceeds from the sale of refunding bonds .....	n/a	-	1,840	-	-
Premium on refunding bonds .....	n/a	-	101	-	-
Payment to refund bond escrow agent .....	n/a	-	(1,904)	-	-
<b>Total Other Financing Sources (Uses):</b> .....	<b>-</b>	<b>426</b>	<b>947</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b> .....	<b>-</b>	<b>153</b>	<b>3,011</b>	<b>(988)</b>	<b>(3,125)</b>
<b>Fund Balance (beginning)</b> .....	<b>12,200</b>	<b>12,047</b>	<b>9,036 <sup>2</sup></b>	<b>10,015</b>	<b>13,140</b>
<b>Fund Balance (ending)</b> .....	<b>n/a</b>	<b>12,200</b>	<b>12,047</b>	<b>9,027</b>	<b>10,015</b>

<sup>1</sup> Subject to audit.

<sup>2</sup> As restated following implementation of GASB #54 which changed fund balance designations.

**Analysis of General Fund Balance**

	<b>Budget 2013</b>	<b>Actual 2012</b>	<b>Actual 2011</b>	<b>Actual 2010</b>	<b>Actual 2009</b>
Assigned .....	N/A	\$ 41	\$ 379	\$ 1,372	\$ 2,803
Commmtted .....	N/A	-	5	-	-
Unassigned .....	N/A	12,159	11,663	7,655	7,212
<b>Total Fund Equity</b> .....	<b>N/A</b>	<b>\$ 12,200</b>	<b>\$ 12,047</b>	<b>\$ 9,027</b>	<b>\$ 10,015</b>

## ***Fiscal Year 2012 and Anticipated Fiscal Year 2013 Operations and Recent Financial Initiatives***

The City ended fiscal year 2012 with a general fund balance of \$12.2 million which was a slight increase over the \$12.047 million fund balance in fiscal year 2011. The 2012 fund balance equates to 5.4% of operating revenues for such fiscal year.

Currently, the City's fiscal year 2013 revenues are below what had been anticipated. However, based on the anticipated success of a variety of initiatives, the City expects to close fiscal year 2013 with revenues equal to expenditures. Such initiatives include, but are not limited to, the combination of various City departments, allowing numerous City positions to remain unfilled and increased focus on the collection of uncollected tax levies.

## ***Governor's Proposed Fiscal Year 2014 Budget***

The Governor's proposed Fiscal Year 2014 budget includes significant changes to municipal grant programs including payment in lieu of taxes (PILOT) grants, school aid and the elimination of the motor vehicle tax. While some State aid programs, like PILOT payments, will be cut under the proposed budget, the proposed budget provides additional funding to the City for the Town Aid Road, Local Capital Improvement Program and the Education Cost Sharing Grant plus adds a "Hold Harmless Grant." The overall financial impact to the City will not be known until the final State budget is adopted by the General Assembly.

The Governor has also proposed an exemption on the first \$28,500 of a car's book value from the City's tax levy. As proposed, the exemption would not become mandatory until Fiscal Year 2015. If this proposal is adopted as currently proposed, the loss to the City could exceed \$8.3 million per year. Any such loss in motor vehicle taxes would be expected to be replaced, at least in part, with additional real property taxes.

## ***Reduced Federal Funding***

Federal funding received by the City may be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. 112-25) (the "Budget Control Act"), which was signed into law by the President on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act - has been triggered. Implementation of the sequestration began on March 1, 2013, and will result in automatic cuts to federal spending on designated agencies and programs of \$1.2 trillion over 10 years. The City does not know at this time what impact, if any, sequestration may have on federal funds received by the City.

In addition to sequestration, the City may face reduced federal grant awards in future years as a result of overall efforts to control federal spending. The reduction to federal grant revenues is a separate issue from the estimated effects of sequestration or other potential federal cutbacks on the City's revenues as a result of overall reduced federal funding for activities in the City and the region. In particular, the loss of federal funding for defense spending and for research by local colleges, universities and health care institutions may adversely affect the overall regional economy. However, it is not possible at this time to predict how these potential reductions may affect the regional economy and City revenues.

## ***VII. Legal and Other Information***

### ***Legal Matters***

Pullman & Comley, LLC is serving as Bond Counsel with respect to the authorization and issuance of the Bonds and the Notes and will render its opinions in substantially the forms attached hereto as Appendices B and C.

### ***Litigation***

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the issuance of the Bonds or 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.

### ***Transcript and Closing Documents***

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

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 Bonds or 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 the 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 bids were accepted on the Bonds and the Notes, the descriptions and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds and the Notes.
4. Executed continuing disclosure agreements for the Bonds and the Notes substantially in the forms attached hereto as Appendices D and E, respectively.
5. The approving opinions of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut.
6. The City of New Britain has prepared an Official Statement for the Bonds and the Notes which is dated March \_\_, 2013. The City deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The City will make available to the winning purchaser of the Bonds fifty (50) copies and to each winning purchaser of the Notes ten (10) copies of the final Official Statement at the City's expense. The copies of the Official Statement will be made available to the winning purchasers within seven business days of the bid opening. If the City's Financial Advisor is provided with the necessary information from the winning purchasers by noon of the day following the day bids on the Bonds and the Notes are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or re-offering prices, the name of the managing underwriter, and the name of the insurer, if any, on the Bonds and the Notes. The winning purchasers shall arrange with the Financial Advisor the method of delivery of the copies of the Official Statement. Additional copies of the Official Statement may be obtained by the winning purchasers at their own expense by arrangement with the printer.

A transcript of the proceedings taken by the City in authorizing the Bonds will be kept on file at the offices of U.S. Bank, National Association, 225 Asylum Street, Hartford, Connecticut 06103 and may be examined upon reasonable request.

### ***Other Information***

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.

### ***Concluding Statement***

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and 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 Bonds and Notes.

### **CITY OF NEW BRITAIN, CONNECTICUT**

By: \_\_\_\_\_  
Timothy E. O'Brien Jr., *Mayor*

By: \_\_\_\_\_  
Teresa Sapieha-Yanchak, *Treasurer*

**March \_\_, 2013**

## ***Appendix A***

### ***2012 General Purpose Financial Statements***

The following includes excerpts from the Comprehensive Annual Financial Report of the City of New Britain, Connecticut for the fiscal year ended June 30, 2012. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460. Telephone (203) 878-4945.



## INDEPENDENT AUDITOR'S 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 (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New Britain, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Britain, Connecticut, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13 to the basic financial statements, the beginning net assets/fund balance of the Government Activities and Non-Major Governmental Funds have been restated for correction of an error. We also audited the adjustments described in Note 13 that were applied to restate net assets/fund balance of July 1, 2011. In our opinion, the adjustments are appropriate and have been properly applied.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013 on our consideration of the City of New Britain, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to

be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Britain, Connecticut's basic financial statements. The introductory section, combining fund financial statements and other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and other schedules are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*McGladrey LLP*

New Haven, Connecticut  
February 28, 2013

**City of New Britain, Connecticut**  
**Management's Discussion and Analysis**  
**June 30, 2012**

This discussion and analysis of the City of New Britain, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2012. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

**Financial Highlights**

- The City's net assets decreased as a result of this year's operations. While net assets of the business-type activities increased by \$2.6 million, net assets of the governmental activities decreased by \$6.8 million.
- In its governmental activities, the City had revenues of \$268.7 million and expenses of \$275.5 million.
- In the City's business-type activities, revenues were \$12.8 million while expenses were \$10.2 million, thus increasing the net assets of the business-type funds by \$2.6 million.
- The General Fund reported a fund balance of \$12.2 million.
- The tax collection rate for the current levy was 95.88%.

**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 nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net assets and the statement of activities, 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 (such as the Sewer Fund) or to show that it is meeting legal responsibilities for using grants and other money (such as 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 lower than they were one year ago, decreasing from \$161 million to \$159 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.

**CITY OF NEW BRITAIN, CONNECTICUT**  
**NET ASSETS (\$000S)**  
(In Thousands)

**TABLE 1**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 108,895	\$ 123,431	\$ 12,475	\$ 21,196	\$ 121,370	\$ 144,627
Noncurrent assets	20,205	15,795	-	-	20,205	15,795
Capital assets:						
Capital assets not being depreciated	114,925	146,732	1,977	1,977	116,902	148,709
Capital assets being depreciated, net	200,352	138,015	58,992	60,242	259,344	198,257
<b>Total assets</b>	<b>444,377</b>	<b>423,973</b>	<b>73,444</b>	<b>83,415</b>	<b>517,821</b>	<b>507,388</b>
Long-term debt outstanding	278,366	243,519	21,780	34,559	300,146	278,078
Other liabilities	57,614	67,804	733	548	58,347	68,352
<b>Total liabilities</b>	<b>335,980</b>	<b>311,323</b>	<b>22,513</b>	<b>35,107</b>	<b>358,493</b>	<b>346,430</b>
Net Assets:						
Invested in capital assets, net of debt	147,800	137,210	39,381	27,883	187,181	165,093
Restricted	8,109	2,883	-	-	8,109	2,883
Unrestricted (deficit)	(47,512)	(27,443)	11,550	20,425	(35,962)	(7,018)
<b>Total net assets</b>	<b>\$ 108,397</b>	<b>\$ 112,650</b>	<b>\$ 50,931</b>	<b>\$ 48,308</b>	<b>\$ 159,328</b>	<b>\$ 160,958</b>

Net assets of the City's governmental activities decreased in FY12 by 3.8% (\$108.4 million compared to \$112.7 million). Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – totaled \$(47.2) million at June 30, 2012.

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

- Increase in employee benefit payments

The net assets of business-type activities increased by 5% (\$50.9 million compared to \$48.3 million) in 2012.

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

- Conservative spending – spending cuts imposed upon the city as a whole

**CITY OF NEW BRITAIN, CONNECTICUT**  
**CHANGES IN NET ASSETS (\$000S)**  
**(In Thousands)**

**TABLE 2**

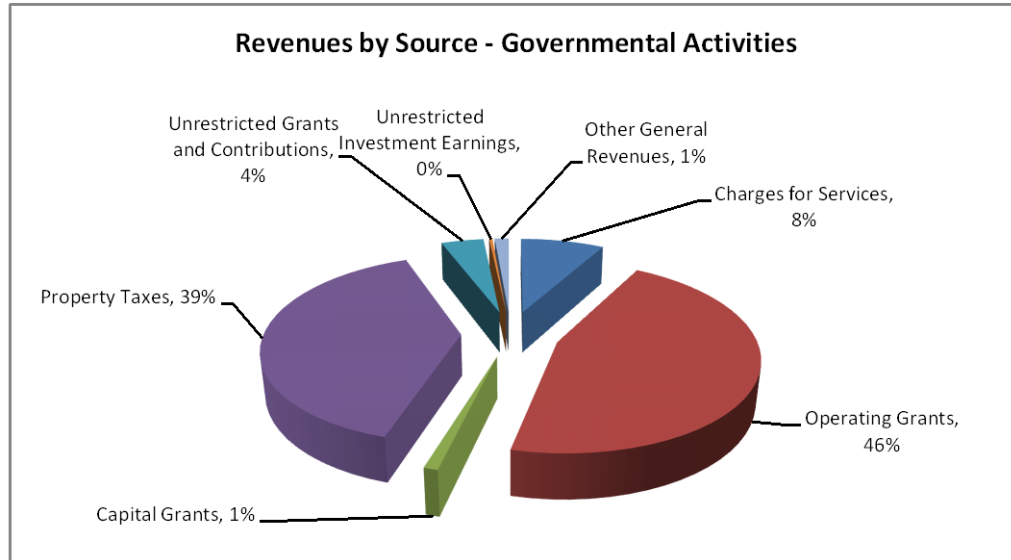
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 21,703	\$ 19,467	\$ 12,840	\$ 12,012	\$ 34,543	\$ 31,479
Operating grants and contributions	122,717	135,289	-	-	122,717	135,289
Capital grants and contributions	2,632	2,080	-	-	2,632	2,080
General revenues:						
Property taxes	106,069	108,741	-	-	106,069	108,741
Grants and contributions not restricted to specific programs	11,024	10,557	-	-	11,024	10,557
Unrestricted investment earnings	870	6,070	19	28	889	6,098
Other general revenues	3,654	967	\$ -	\$ -	3,654	967
<b>Total revenues</b>	<b>268,669</b>	<b>283,171</b>	<b>12,859</b>	<b>12,040</b>	<b>281,528</b>	<b>295,211</b>
<b>Program Expenses</b>						
General government	12,124	12,083	-	-	12,124	12,083
Public safety	45,290	41,086	-	-	45,290	41,086
Public works	20,309	23,171	-	-	20,309	23,171
Health and welfare	6,574	8,225	-	-	6,574	8,225
Parks, recreation and libraries	13,077	11,462	-	-	13,077	11,462
Education	164,084	173,807	-	-	164,084	173,807
Interest on long-term debt	14,052	10,907	-	-	14,052	10,907
Water	-	-	10,236	10,432	10,236	10,432
<b>Total program expenses</b>	<b>275,510</b>	<b>280,741</b>	<b>10,236</b>	<b>10,432</b>	<b>285,746</b>	<b>291,173</b>
<b>(Decrease) increase in net assets before transfers</b>	<b>(6,841)</b>	<b>2,430</b>	<b>2,623</b>	<b>1,608</b>	<b>(4,218)</b>	<b>4,038</b>
Transfers, net	-	5,000	-	(5,000)	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ (6,841)</b>	<b>\$ 7,430</b>	<b>\$ 2,623</b>	<b>\$ (3,392)</b>	<b>\$ (4,218)</b>	<b>\$ 4,038</b>

The City's total revenues were \$281.5 million. The total cost of all programs and services was \$285.7 million. In FY11, the City of New Britain's Board of Education received over \$10 million in ARRA Grant funds which were not received in FY 12. This is the primary reason for the decrease in both operating grants and contributions as well as Education expenses in FY 12.

Our analysis below separately considers the operations of governmental and business-type activities.

## Governmental Activities

Revenues for governmental activities totaled \$268.7 million; property taxes (39.4%), operating grants (45.7%) and charges for services (8.1%) are the major revenue sources – contributing approximately 93.2% of the City's revenues.



Expenses for governmental activities were \$275.5 million, of which 55% were supported by program revenues and 45% were supported from general revenues. Expenses by function include education (59.6%), public safety (16.4%), public works (7.4%), and parks, recreation and libraries (4.8%), which made up 88.2% of the total governmental expenses.

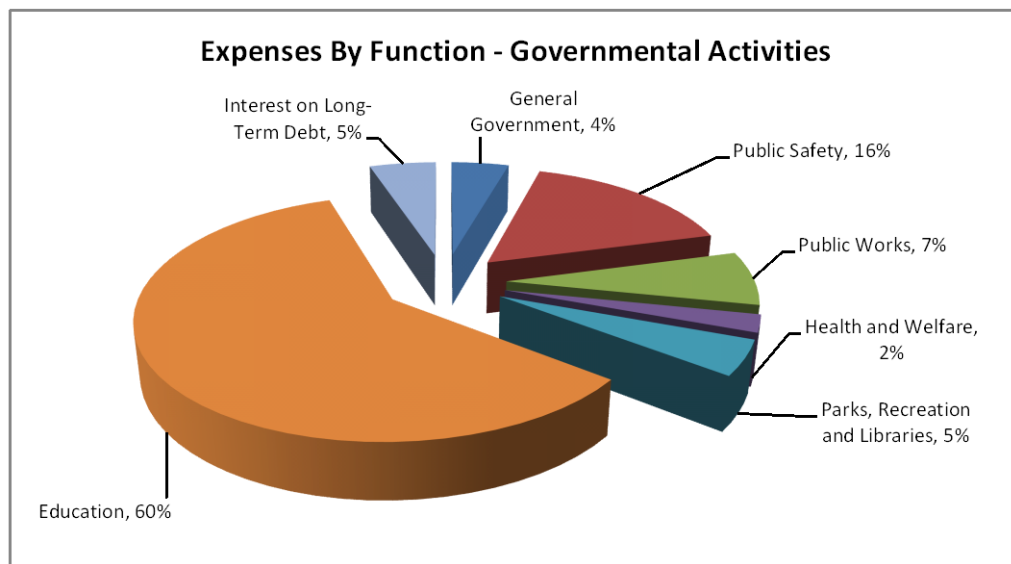
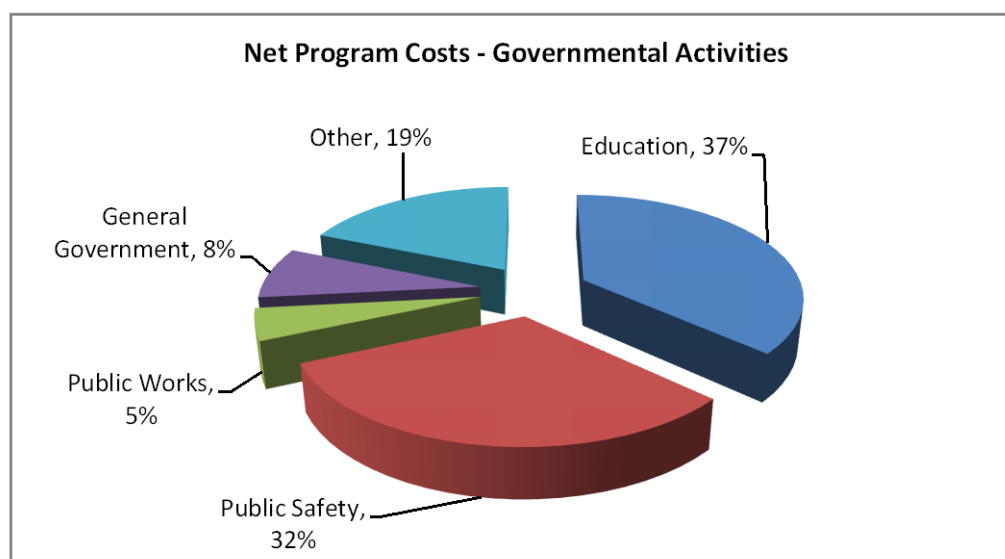


Table 3 presents the cost of each of the City's four largest programs – education, public safety, public works, and general government – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the final burden that was placed on the City's tax payers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

**CITY OF NEW BRITAIN, CONNECTICUT**  
**GOVERNMENTAL ACTIVITIES**  
(In Thousands)

**TABLE 3**

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Education	\$ 164,084	\$ 173,807	\$ 47,197	\$ 47,023
Public safety	45,290	41,086	40,699	37,846
Public works	20,309	23,171	6,306	6,412
General government	12,124	12,083	10,218	11,070
All others	33,703	30,594	24,038	21,554
<b>Totals</b>	<b>\$ 275,510</b>	<b>\$ 280,741</b>	<b>\$ 128,458</b>	<b>\$ 123,905</b>



### **Business-Type Activities**

Revenues and expenses of the City's business-type activities amounted to \$12.8 million and \$10.2 million, respectively. Net assets increased by 5% (from \$48.3 million to \$50.9 million).

### **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 \$3 million, which is a decrease from last year's total of \$8.2 million. Included in this year's total change in fund balance is a slight increase of \$153K in the General Fund. The increase in the capital projects fund balance can be attributed to the fact that the City had \$3.1m

more in payables this year compared to that of the previous year which was offset by the fact that the city had \$5m less interim financing liability in FY12.

### **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 \$11.5 million and those for the internal service funds amounted to negative \$2.3 million. The decrease in unrestricted net assets for the Water Enterprise Fund of \$8.8 million was mainly a result the transfer of cash to the General Fund in exchange for the General Fund's assumption of Water Fund debt. The increase in net assets for the internal service funds was \$1.4 million. This is the result of an increase in investments, a decrease in the liability due to other funds and offset by an increase in claim reserves. 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**

- The General Fund received \$10.5m in cash from Water Fund in exchange for the assumption of Water Fund debt through April 1, 2032.
- Additional transfer of \$6.6m into the Medical Self Insurance Fund for employee benefits.
- \$1.3m in savings from staffing vacancies, including early retirements and city-wide hiring freeze.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2012, the City had \$376 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 \$29 million, or 8.4% over last year.

**CITY OF NEW BRITAIN, CONNECTICUT**  
**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**  
**(In Thousands)**

**TABLE 4**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011	2012	2011
Land	\$ 13,417	\$ 13,395	\$ 1,977	\$ 1,977	\$ 15,394	\$ 15,372
Construction in progress	101,508	133,337	-	-	101,508	133,337
Buildings and improvements	144,714	84,324	-	-	144,714	84,324
Equipment	2,423	2,338	-	-	2,423	2,338
Vehicles	6,466	4,893	-	-	6,466	4,893
Infrastructure	46,749	46,460	-	-	46,749	46,460
Water filtration assets	-	-	58,992	60,242	58,992	60,242
<b>Totals</b>	<b>\$ 315,277</b>	<b>\$ 284,747</b>	<b>\$ 60,969</b>	<b>\$ 62,219</b>	<b>\$ 376,246</b>	<b>\$ 346,966</b>

\* As restated.

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

More detailed information about the City's capital assets is presented in Note 5 to the financial statements.

### **Long-Term Debt**

At June 30, 2012, the City had \$222,829 in bonds and notes outstanding versus \$206,069 last year - an increase of 8.1% - as shown in Table 5.

**CITY OF NEW BRITAIN, CONNECTICUT  
OUTSTANDING DEBT, AT YEAR-END  
(In Thousands)**

**TABLE 5**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds (backed by the City)	221,724	\$ 194,150	\$ 2,016	\$ 12,930	\$ 223,740	\$ 207,080
Less deferred amount: For issuance discounts on refunding	(911)	(1,011)	-	-	(911)	(1,011)
<b>Totals</b>	<b>\$ 220,813</b>	<b>\$ 193,139</b>	<b>\$ 2,016</b>	<b>\$ 12,930</b>	<b>\$ 222,829</b>	<b>\$ 206,069</b>

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

City of New Britain, CT, General Obligation Bonds, Series 2012, dated and issued March 27, 2012 consisting of \$34,015,000.

The City's general obligation bond rating from Standard & Poor's, Moody's and Fitch, all national rating agencies, is A, A- and AA-, respectively. 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 \$762 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave and liabilities from two interest rate swaps. 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 2012 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 11.8% versus 13.2% a year ago. This compares with the State's unemployment rate of 9.1% and the national rate of 9.5%.

These indicators were taken into account when adopting the General Fund budget for 2012-13. Amounts available for appropriation in the General Fund budget are \$232 million, an increase of 2.2% over the final 2012 budget of \$227 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.





**STATEMENT OF NET ASSETS**  
**June 30, 2012**  
**(In Thousands)**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 43,828	\$ 4,812	\$ 48,640
Investments	25,096	94	25,190
Receivables, net	39,640	6,352	45,992
Due from fiduciary funds	86	-	86
Other deferred asset	-	1,071	1,071
Inventory	245	146	391
Net pension assets	1,265	-	1,265
Deferred cash outflows under interest rate swaps	18,940	-	18,940
Capital assets:			
Capital assets not being depreciated	114,925	1,977	116,902
Capital assets being depreciated, net	200,352	58,992	259,344
<b>Total assets</b>	<b>444,377</b>	<b>73,444</b>	<b>517,821</b>
<b>Liabilities</b>			
Accounts and other payables	24,128	733	24,861
Bond anticipation notes payable	33,135	-	33,135
Unearned revenue	351	-	351
Long-term liabilities:			
Due within one year	23,803	1,919	25,722
Due in more than one year	254,563	19,861	274,424
<b>Total liabilities</b>	<b>335,980</b>	<b>22,513</b>	<b>358,493</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	147,800	39,381	187,181
Restricted for:			
Trust purposes:			
Expendable	2,645	-	2,645
Restricted	5,464	-	5,464
Unrestricted (deficit)	(47,512)	11,550	(35,962)
<b>Total net assets</b>	<b>\$ 108,397</b>	<b>\$ 50,931</b>	<b>\$ 159,328</b>

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

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2012**  
**(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	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ (12,124)	\$ 1,632	\$ 274	\$ -	\$ (10,218)	\$ -	\$ (10,218)
Public safety	(45,290)	3,810	781	-	(40,699)	-	(40,699)
Public works	(20,309)	11,820	2,183	-	(6,306)	-	(6,306)
Health and welfare	(6,574)	877	4,978	-	(719)	-	(719)
Parks , recreation and libraries	(13,077)	3,057	753	-	(9,267)	-	(9,267)
Education	(164,084)	507	113,748	2,632	(47,197)	-	(47,197)
Interest on long-term debt	(14,052)	-	-	-	(14,052)	-	(14,052)
<b>Total governmental activities</b>	<b>(275,510)</b>	<b>21,703</b>	<b>122,717</b>	<b>2,632</b>	<b>(128,458)</b>	<b>-</b>	<b>(128,458)</b>
Business-type activities:							
Water	(10,236)	12,840	-	-	-	2,604	2,604
<b>Total business-type activities</b>	<b>(10,236)</b>	<b>12,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,604</b>	<b>2,604</b>
<b>Total primary government</b>	<b>\$ (285,746)</b>	<b>\$ 34,543</b>	<b>\$ 122,717</b>	<b>\$ 2,632</b>	<b>(128,458)</b>	<b>2,604</b>	<b>(125,854)</b>
General revenues:							
Property taxes					106,069	-	106,069
Grants and contributions not restricted to specific programs					11,024	-	11,024
Unrestricted investment income					870	19	889
Miscellaneous					3,654	-	3,654
<b>Total general revenues</b>					<b>121,617</b>	<b>19</b>	<b>121,636</b>
Change in net assets					(6,841)	2,623	(4,218)
Net assets, beginning of year, as restated (see Note 13)					115,238	48,308	163,546
Net assets, end of year					<b>\$ 108,397</b>	<b>\$ 50,931</b>	<b>\$ 159,328</b>

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

## BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

(In Thousands)

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 4,883	\$ 26,386	\$ 11,574	\$ 42,843
Investments	-	-	3,761	3,761
Accounts receivable, net	24,314	90	15,197	39,601
Due from other funds	16,417	-	-	16,417
Inventories	-	-	245	245
<b>Total assets</b>	<b>\$ 45,614</b>	<b>\$ 26,476</b>	<b>\$ 30,777</b>	<b>\$ 102,867</b>
<b>Liabilities</b>				
Accounts payable	\$ 12,643	\$ 4,873	\$ 3,703	\$ 21,219
Due to other funds	-	-	13,393	13,393
Deferred revenue	20,771	-	10,998	31,769
Unearned revenue	-	-	351	351
Bond anticipation notes payable	-	33,135	-	33,135
<b>Total liabilities</b>	<b>33,414</b>	<b>38,008</b>	<b>28,445</b>	<b>99,867</b>
<b>Fund Balances (Deficits)</b>				
Nonspendable	-	-	2,890	2,890
Restricted	-	-	5,464	5,464
Committed	-	-	898	898
Assigned	41	-	-	41
Unassigned	12,159	(11,532)	(6,920)	(6,293)
<b>Total fund balances (deficits)</b>	<b>12,200</b>	<b>(11,532)</b>	<b>2,332</b>	<b>3,000</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 45,614</b>	<b>\$ 26,476</b>	<b>\$ 30,777</b>	<b>\$ 102,867</b>

(Continued)

**BALANCE SHEET - GOVERNMENTAL FUNDS, Continued**  
**June 30, 2012**  
**(In Thousands)**

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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)	\$	3,000
--	----	-------

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds:

Governmental capital assets	\$	533,110	
Less accumulated depreciation		<u>(217,833)</u>	
			315,277

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

Net pension asset	1,265
Property tax receivables greater than 60 days	9,661
Interest receivable on property taxes	7,876
Housing loans receivable	5,441
Sewer use	2,985
Grants receivable	2,863
Receivable from the state for school construction projects	2,943
Deferred cash outflows under interest rate swaps	18,940

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.

(2,304)

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	(221,724)
Clean water notes payable	(3,687)
Interest payable on bonds and notes	(2,739)
Compensated absences	(7,893)
Net pension obligation	(518)
Net OPEB obligation	(794)
Deferred charges on refunding	911
Unamortized bond premium	(3,782)
Deferred cash inflows under interest rate swaps	<u>(19,324)</u>

Net Assets of Governmental Activities (Exhibit I)

\$ 108,397

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -  
GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2012  
(In Thousands)

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 110,013	\$ -	\$ -	\$ 110,013
Intergovernmental	106,402	643	30,258	137,303
Licenses, fees and charges for goods and services	10,247	300	11,085	21,632
Investment earnings	99	-	209	308
Miscellaneous	2,873	157	624	3,654
<b>Total revenues</b>	<b>229,634</b>	<b>1,100</b>	<b>42,176</b>	<b>272,910</b>
<b>EXPENDITURES</b>				
Current:				
General government	10,896	-	131	11,027
Public safety	42,833	-	756	43,589
Public works	14,138	-	9,398	23,536
Health and welfare	2,583	-	4,001	6,584
Education	132,786	-	27,691	160,477
Parks and recreation	9,467	-	3,102	12,569
Capital outlay	-	30,378	-	30,378
Debt and sundry	28,640	3,177	-	31,817
<b>Total expenditures</b>	<b>241,343</b>	<b>33,555</b>	<b>45,079</b>	<b>319,977</b>
<b>Revenues over (under) expenditures</b>	<b>(11,709)</b>	<b>(32,455)</b>	<b>(2,903)</b>	<b>(47,067)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,709	-	56	11,765
Transfers out	(273)	-	(996)	(1,269)
Issuance of bonds	426	34,015	-	34,441
<b>Total other financing sources (uses)</b>	<b>11,862</b>	<b>34,015</b>	<b>(940)</b>	<b>44,937</b>
<b>Net changes in fund balances (deficits)</b>	<b>153</b>	<b>1,560</b>	<b>(3,843)</b>	<b>(2,130)</b>
<b>FUND BALANCES (DEFICITS), as restated (see Note 13)</b>	<b>12,047</b>	<b>(13,092)</b>	<b>6,175</b>	<b>5,130</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 12,200</b>	<b>\$ (11,532)</b>	<b>\$ 2,332</b>	<b>\$ 3,000</b>

(Continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS, Continued**  
**For the Year Ended June 30, 2012**  
**(In Thousands)**

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Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
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)	\$ (2,130)
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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	35,826
Depreciation expense	(7,885)

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	(2,632)
Property tax receivable and interest/lien - accrual basis change	(3,944)
Housing loans receivable and interest	(980)
Grants and other	2,863
Sewer use fee receivable	(86)

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:

Proceeds from general obligation bonds	(34,015)
Bond principal payments	16,945
Payments on clean water fund notes	309
Transfer of debt	(10,504)

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	(1,187)
Accrued interest	360
Amortization of deferred charge on refunding	(100)
Amortization of bond premium	(175)
Net OPEB expense	(194)
Net pension expense	(313)
Swap	(467)

Internal service funds are used by management to charge costs to individual funds.

The net revenue of certain activities of internal service funds is reported with  
governmental activities.

---

1,468

Change in Net Assets of Governmental Activities (Exhibit II)

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\$ (6,841)

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

## STATEMENT OF NET ASSETS (DEFICITS) - PROPRIETARY FUNDS

June 30, 2012

(In Thousands)

	Business-Type Activities	Governmental Activities
	Water Enterprise Fund	Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,812	\$ 1,071
Investments	94	21,335
Other deferred asset	1,071	-
Receivables:		
Other, net of allowance for uncollectible	6,352	44
Inventory	146	-
<b>Total current assets</b>	<b>12,475</b>	<b>22,450</b>
Noncurrent assets:		
Capital assets, net	60,969	-
<b>Total assets</b>	<b>73,444</b>	<b>22,450</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	733	173
Compensated absences	85	-
Due to other funds	-	3,026
Current portion of bonds and notes payable	1,834	-
<b>Total current liabilities</b>	<b>2,652</b>	<b>3,199</b>
Noncurrent liabilities:		
Bonds and notes payable	19,754	-
Compensated absences	107	-
Claims reserves	-	21,555
<b>Total noncurrent liabilities</b>	<b>19,861</b>	<b>21,555</b>
<b>Total liabilities</b>	<b>22,513</b>	<b>24,754</b>
<b>NET ASSETS (DEFICITS)</b>		
Invested in capital assets, net of related debt	39,381	-
Unrestricted	11,550	(2,304)
<b>Total net assets (deficits)</b>	<b>\$ 50,931</b>	<b>\$ (2,304)</b>

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

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS (DEFICITS)

## PROPRIETARY FUNDS

For the Year Ended June 30, 2012

(In Thousands)

	Business-Type Activities	Governmental Activities
	Water Enterprise Fund	Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for services and goods	\$ 12,840	\$ -
Charges to other funds	-	27,248
Other	-	-
<b>Total operating revenues</b>	<b>12,840</b>	<b>27,248</b>
<b>OPERATING EXPENSES</b>		
Cost of sales, services and administration	7,327	-
Administration and general expense	-	405
Depreciation expense	1,631	-
Claims incurred	-	26,423
<b>Total operating expenses</b>	<b>8,958</b>	<b>26,828</b>
<b>Operating income</b>	<b>3,882</b>	<b>420</b>
<b>NONOPERATING REVENUE (EXPENSE)</b>		
Income on investments	19	1,048
Interest expense	(1,278)	-
<b>Total nonoperating revenue (expense)</b>	<b>(1,259)</b>	<b>1,048</b>
<b>Change in net assets before transfers</b>	<b>2,623</b>	<b>1,468</b>
Transfers:		
Transfers out - cash to general fund	(10,504)	-
Transfers in - debt transfer to governmental activities	10,504	-
<b>Total transfers</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>2,623</b>	<b>1,468</b>
<b>NET ASSETS (DEFICITS), beginning of year</b>	<b>48,308</b>	<b>(3,772)</b>
<b>NET ASSETS (DEFICITS), end of year</b>	<b>\$ 50,931</b>	<b>\$ (2,304)</b>

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

## STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Year Ended June 30, 2012

(In Thousands)

	Business-Type Activities Water Enterprise Fund	Governmental Activities Internal Service Fund
<b>Cash Flows From Operating Activities</b>		
Cash received from charges to other funds	\$ -	\$ 27,263
Cash received from customers	12,302	-
Cash paid for premiums and other operating expenses	(7,600)	(355)
Cash payments for claims made	-	(26,903)
<b>Net cash provided by operating activities</b>	<b>4,702</b>	<b>5</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers to other funds	(10,504)	-
<b>Net cash used in noncapital financing activities</b>	<b>(10,504)</b>	<b>-</b>
<b>Cash Flows From Capital Financing Activities</b>		
Acquisition of capital assets	(381)	-
Payment of loan obligation	(2,244)	-
Interest paid on capital debt	(1,278)	-
<b>Net cash used in capital financing activities</b>	<b>(3,903)</b>	<b>-</b>
<b>Cash Flows From Investing Activities</b>		
Income on investments	19	1,048
Sale of investments	-	(719)
<b>Net cash provided by investing activities</b>	<b>19</b>	<b>329</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(9,686)</b>	<b>334</b>
<b>Cash and Cash Equivalents</b>		
Beginning	14,498	737
Ending	\$ 4,812	\$ 1,071
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income	\$ 3,882	\$ 420
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,631	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(538)	14
(Increase) decrease in other deferred asset	47	-
(Increase) decrease in inventory	(1)	-
Increase (decrease) in accounts payable and accrued expenses	154	722
Increase (decrease) in due to other funds	(473)	(1,151)
<b>Net cash provided by operating activities</b>	<b>\$ 4,702</b>	<b>\$ 5</b>
<b>Noncash Investment Activities:</b>		
Net increase in fair value of investments	\$ 19	\$ -
<b>Noncash Financing Activities:</b>		
Decrease in debt due to transfer to governmental activities	\$ 10,504	\$ -

The notes to the financial statements are an integral part of this statement.

## STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2012

(In Thousands)

	Pension Trust Funds	Other Post- Employment Benefits Fund	Agency Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,940	\$ 1	\$ 426
Investments:			
Investments:			
Asset and Mortgage Backed	23,578	-	-
Fixed income	100	-	175
Mutual funds	75,662	-	-
Pooled Common and Collective Funds	11,412	-	-
Federal agency bonds	4,077	1,170	-
Corporate bonds/securities	11,950	-	-
Foreign bonds	1,931	-	-
Government Bonds	15,040	-	-
CDs	-	-	86
Accounts receivable	417	-	-
<b>Total assets</b>	<b>146,107</b>	<b>1,171</b>	<b>687</b>
<b>LIABILITIES</b>			
Accounts payable	3,648	-	-
Due to other funds	35	-	51
Due to beneficiaries	-	-	636
<b>Total liabilities</b>	<b>3,683</b>	<b>-</b>	<b>687</b>
<b>NET ASSETS</b>			
Held in Trust for Pension and			
Other Post-Retirement Benefits	\$ 142,424	\$ 1,171	\$ -

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2012**  
**(In Thousands)**

	Pension Trust Funds	Other Post- Employment Benefits Fund
<b>Additions</b>		
Contributions:		
Employer	\$ 1,200	\$ 4,410
Employee	635	-
<b>Total contributions</b>	<b>1,835</b>	<b>4,410</b>
Investment income:		
Net appreciation (depreciation) in fair value of investments	(2,370)	9
Interest and dividends	4,191	38
Miscellaneous	11	
<b>Total investment income</b>	<b>1,832</b>	<b>47</b>
Less investment expense	262	
<b>Net investment income</b>	<b>1,570</b>	<b>47</b>
<b>Total additions</b>	<b>3,405</b>	<b>4,457</b>
<b>Deductions</b>		
Benefits	11,357	3,902
Administrative costs	123	516
<b>Total deductions</b>	<b>11,480</b>	<b>4,418</b>
<b>Change in net assets</b>	<b>(8,075)</b>	<b>39</b>
<b>Net Assets</b>		
Beginning of year	150,499	1,132
End of year	\$ 142,424	\$ 1,171

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

## **CITY OF NEW BRITAIN, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2012**

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#### **Note 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). 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 \$118 were incurred in 2011-12 related to the City's participation in TROC. The City has no equity interest in TROC.

## **CITY OF NEW BRITAIN, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2012**

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#### **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). 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 BRRFOC amounted to \$2,770 this year. The City has no equity interest in BRRFOC.

#### **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 District is not a component unit of the City as it does not have the potential to impose specific financial burdens or benefits to the City. 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, pension and other post-retirement benefits and claims and judgments, are recorded only when payment is due.

Property taxes, when levied for, intergovernmental revenue when eligibility requirements are met, charges for services, licenses and interest associated with the current fiscal period are all considered to be measurable and available 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 major sources of revenue for this fund are property taxes and governmental grants.

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 major sources of revenue for this fund are bond proceeds and governmental grants.

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.

## **CITY OF NEW BRITAIN, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2012**

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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.

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. Unrestricted resources are used in the following order: committed, assigned then unassigned.

#### **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.

## **CITY OF NEW BRITAIN, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2012**

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#### **E. Interfunds**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

#### **F. Property Taxes**

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 \$750,000 for property taxes receivable that are deemed to be uncollectible.

#### **G. Allowance for Doubtful Accounts**

Accounts and notes receivable, including property taxes receivable, are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon past collection history and management's assessment of creditor's ability to pay.

#### **H. 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.

#### **I. 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 and proprietary fund 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 five 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.

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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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	5-10
Infrastructure	10-65

Capital outlay is reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

#### **J. Compensated Absences**

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement.

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts due, for example, as a result of employee resignations and retirements. The general fund is typically used to liquidate the liability.

#### **K. 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.

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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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. Principal payments on debt are recorded as debt service expenditures.

**L. Derivative Instruments**

The City has entered into two interest rate swap agreements for the primary purposes of investing and for the purpose of hedging interest rates on its outstanding long-term debt. The interest rate swaps have been recorded at fair value. In accordance with Governmental Accounting Standards Board Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," all activity related to the interest rate swap agreements has been recorded in the financial statements. One interest rate swap is considered an effective hedge and is reported as a deferred outflow on the government-wide financial statements; the other swap is not effective and is recorded as investment income (loss) on the government-wide financial statements.

**M. Fund Equity**

Equity in the government-wide and proprietary fund financial statements is defined as "net assets" and is classified in the following categories:

***Invested in Capital Assets, Net of Related Debt*** - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

***Restricted Net Assets*** - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

***Unrestricted Net Assets*** - This component consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The equity of the governmental fund financial statements is defined as "fund balance" and is classified in the following categories:

***Nonspendable Fund Balance*** - This represents amounts that cannot be spent because they are not in spendable form, or because they are legally or contractually required to remain intact.

***Restricted Fund Balance*** - Net assets are restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

***Committed Fund Balance*** - This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City of New Britain Common Council) in the form of a Resolution. Once adopted, the limitation imposed by the resolution/ordinance remains in place until similar action is taken to remove or revise the limitation.

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2012

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**Assigned Fund Balance** - For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the City Charter. Under the City's adopted policy, the Director of Finance has the authority to assign amounts for a specific purpose.

**Unassigned Fund Balance** - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

#### Note 2. Deficit Fund Equity and Overexpended Appropriations

##### A. Deficit Fund Equity

The following funds have a deficit fund balance/net assets at (in thousands) June 30, 2012:

Major:	Capital Projects Fund	\$	11,532
Nonmajor:	Stanley Quarter Park		349
	Sewer Use		1,819
	BOE State and Federal Grants		1,829
	Police & Youth Grants		22
	New Britain Marketing Collaborative		7
	Local Capital Improvement		365
	Police Explorers		2
	21st Century After School Grant		8
	Exercise the Right Choice II		9
	Bullet Proof Vest Grant		6
	System of Care Grant		6
	Public Safety		304
	Centralized and Distribution Services		235
	Federal Omnibus Grant		66
	CT Health Foundation		1
	STD Control Program		3
	Highway Safety Grant		134
	Assistance to CCSU Police Department		56
	Public Works Grant		1,621
	School Rental Account		119
	Business Outreach Center		52
	Emergency Shelter Grant		45
	Redevelopment Commission		6
	EFSP Program		6
	Neighborhood Stabilization Program		35

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.

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### B. Overexpended Appropriations

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

Department	Final Budget	Actual	Variance
Public Safety:			
Central Emergency Dispatch	1,547	1,549	(2)
Other Financing Uses:			
Other Financing Uses	381	390	(9)

#### Note 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.

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

### Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposit will not be returned. The City 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, \$36,500 of the City's bank balance of \$52,936 was exposed to custodial credit risk.

### Cash Equivalents

At June 30, 2012, the City's cash equivalents amounted to \$450. The following table provides a summary of the City's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	Standard & Poor's
State Short-Term Investment Fund (STIF)	AAAm
Financial Investors Trust Portfolio Money Market Fund	AAAm
Cutwater - Cooperative Liquid Assets Securities System (CLASS)	AAAm

### Investments

*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.

Information about the exposure of the City's debt type investments to interest rate risk using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Fair Value	Investment Maturities (Years)				
		N/A	Less Than 1 Year	1-5 Years	5-10 Years	Greater Than More Than 10
Asset and Mortgage Backed	\$ 34,360	\$ -	\$ -	\$ 195	\$ 2,139	\$ 32,026
Other Fixed Income	1,464	2	-	1,462	-	-
Federal agency bond funds	4,077	-	-	3,656	421	-
Treasury Tips	1,741	-	-	474	-	1,267
Corporate bonds/securities	11,949	-	-	3,220	5,816	2,913
Government Bonds	15,217	-	-	3,276	11,122	819
Foreign Bonds	1,931	-	-	930	775	226
Total	\$ 70,739	\$ 2	\$ -	\$ 13,213	\$ 20,273	\$ 37,251

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

*Credit risk – investments:* Generally, credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The following are the actual ratings by Standards and Poors.

Actual Rating	Asset and Mortgage Backed	Other Fixed Income	Federal Agency	Treasury Tips	Corporate Bonds	Gov't. Bonds	Foreign Bonds
AAA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 108
AA+	-	-	3,656	-	-	69	379
A+	108	-	-	-	340	-	-
A	-	-	421	-	636	-	-
A-	-	-	-	-	1,440	-	-
BBB+	-	-	-	-	1,008	-	-
BBB	-	-	-	-	2,308	-	-
BBB-	-	-	-	-	3,007	-	-
BB+	-	-	-	-	925	-	-
BB	-	39	-	-	368	-	-
BB-	-	-	-	-	829	-	-
B+	-	-	-	-	487	-	-
B	-	-	-	-	316	-	-
B-	-	-	-	-	285	-	-
Unrated	34,252	1,425	-	1,741	-	15,148	1,444
	<u>\$ 34,360</u>	<u>\$ 1,464</u>	<u>\$ 4,077</u>	<u>\$ 1,741</u>	<u>\$ 11,949</u>	<u>\$ 15,217</u>	<u>\$ 1,931</u>

*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.

The City had uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were in the City's name.

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Note 4. Receivables**

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

	General	Capital Projects	Nonmajor and Other Funds	Business Activities Water Enterprise	Total
Receivables:					
Interest	\$ 9,876	\$ -	\$ -	\$ -	\$ 9,876
Taxes	13,152	-	-	-	13,152
Water	-	-	-	6,793	6,793
Sewer	-	-	4,112	-	4,112
Accounts	2,793	90	1,432	-	4,315
Intergovernmental	2,943	-	4,235	-	7,178
Housing loans	-	-	5,781	-	5,781
Gross receivables	28,764	90	15,560	6,793	22,443
Less allowance for uncollectibles	(4,450)	-	(363)	(441)	(5,254)
Net Total Receivables	<u>\$ 24,314</u>	<u>\$ 90</u>	<u>\$ 15,197</u>	<u>\$ 6,352</u>	<u>\$ 45,953</u>

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 and interest	\$ 4,450
Water receivables	317
Loan receivables	363
Total	<u>\$ 5,130</u>

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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

	Deferred	Unearned
Delinquent property taxes and interest receivable	\$ 17,537	\$ -
Housing loans	5,441	-
School building grants	2,943	-
Grants and other	2,863	-
Sewer user fees	2,985	-
Grant drawdowns prior to meeting all eligibility requirements	-	351
Total	<u>\$ 31,769</u>	<u>\$ 351</u>

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning* Balance, as Restated	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 13,395	\$ 22	\$ -	13,417
Construction in progress	75,248	30,921	(4,661)	101,508
Total capital assets, not being depreciated	<u>88,643</u>	<u>30,943</u>	<u>(4,661)</u>	<u>114,925</u>
Capital assets, being depreciated:				
Land improvements	14,053	2,889	-	16,942
Buildings	251,058	1,732	-	252,790
Machinery and equipment	13,576	420	-	13,996
Vehicles	19,008	1,799	(1,186)	19,621
Infrastructure	112,115	2,721	-	114,836
Total capital assets being depreciated	<u>409,810</u>	<u>9,561</u>	<u>(1,186)</u>	<u>418,185</u>
Less accumulated depreciation for:				
Land improvements	11,082	419	-	11,501
Buildings	108,891	4,626	-	113,517
Machinery and equipment	11,238	335	-	11,573
Vehicles	14,115	209	(1,169)	13,155
Infrastructure	65,791	2,296	-	68,087
Total accumulated depreciation	<u>211,117</u>	<u>7,885</u>	<u>(1,169)</u>	<u>217,833</u>
Total capital assets, being depreciated, net	<u>198,693</u>	<u>1,676</u>	<u>(17)</u>	<u>200,352</u>
Governmental activities capital assets, net	<u>\$ 287,336</u>	<u>\$ 32,619</u>	<u>\$ (4,678)</u>	<u>\$ 315,277</u>

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

	Beginning Balance	Increases/ Transfers	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,977	\$ -	\$ -	\$ 1,977
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	1,977	-	-	1,977
Capital assets, being depreciated:				
Source of supply	7,221	(1,261)	-	5,960
Pumping plant	2,838	(12)	-	2,826
Water treatment plant	2,424	(124)	-	2,300
Filter plant	57,289	18	-	57,307
Machinery and equipment	549	1,500	-	2,049
Transmission and distribution	11,167	10	(47)	11,130
General plant and administrative equipment	5	306	-	311
Total capital assets, being depreciated	81,493	437	(47)	81,883
Less accumulated depreciation for:				
Source of supply	2,500	129	-	2,629
Pumping plant	1,653	51	-	1,704
Water treatment plant	1,765	(1,449)	-	316
Filter plant	7,758	1,146	-	8,904
Machinery and equipment	75	1,452	-	1,527
Transmission and distribution	7,459	230	(47)	7,642
General plant and administrative equipment	5	164	-	169
Total accumulated depreciation	21,215	1,723	(47)	22,891
Total capital assets, being depreciated, net	60,278	(1,286)	-	58,992
Governmental activities capital assets, net	\$ 62,255	\$ (1,286)	\$ -	\$ 60,969

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 1,217
Public safety	275
Public works	2,234
Health and social services	10
Parks and recreation	516
Education	3,633
Total depreciation expense – governmental activities	\$ 7,885
Business-type activities:	
Enterprise Fund - water depreciation expense business-type activities	\$ 1,723

**CITY OF NEW BRITAIN, CONNECTICUT****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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**Construction Commitments**

The City has active construction projects as of June 30, 2012. The following is a summary of capital projects as of June 30, 2012:

Project	Project Authorization	Cumulative Expenditures	Remaining Commitment
Public buildings	\$ 42,350	\$ 30,830	\$ 7,628
Schools	83,820	74,954	6,025
Infrastructure	89,258	61,661	1,851
Parks and recreation	6,125	5,472	17
Other	66,079	11,636	1,821
<b>Total</b>	<b>\$ 287,632</b>	<b>\$ 184,553</b>	<b>\$ 17,342</b>

**Note 6. Interfund Receivables, Payables and Transfers**

During the course of operations, transactions are processed through one 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, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Internal Service Fund	\$ 3,026
	Nonmajor Fund	8,384
	Fiduciary Funds	86
	BOE State and Federal Grants	5,009
<b>Total</b>		<b>\$ 16,505</b>

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

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

Interfund transfers:

	Transfers In		
	General Fund	Nonmajor Funds	Total Transfers
Transfers Out:			
General	\$ -	\$ 56	\$ 56
Nonmajor governmental	996	-	996
Enterprise Funds	10,504	-	10,504
<b>Total</b>	<b>\$ 11,500</b>	<b>\$ 56</b>	<b>\$ 11,556</b>

Other than the transfer in from the Enterprise Fund, all transfers represent routine transactions that occur annually to move resources from one fund to another. The transfer in from the Enterprise Fund represents a transfer of cash related to the obligation that was transferred from the Enterprise Fund to the General Fund.

**Note 7. Bond Anticipation Notes**

The following bond anticipation notes were outstanding at June 30, 2012:

Description	Fund	Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2011 Bond Anticipation Notes	Capital Projects Fund	1.25%	03/27/2012	\$ 38,235	\$ -	\$ 38,235	\$ -
2012 Bond Anticipation Notes	Capital Projects Fund	2.00%	03/28/2013	-	33,135	-	33,135
				<u>\$ 38,235</u>	<u>\$ 33,135</u>	<u>\$ 38,235</u>	<u>\$ 33,135</u>

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**Note 8. Long-Term Debt**

A schedule of bond indebtedness as of June 30, 2012 is as follows:

	Interest Rate (%)	Original Issue	Date of Issue	Date of Maturity	Balance Outstanding
Consolidated School District:					
General Obligation Bonds:					
1993 Series A	3.8% - 6.0%	\$ 13,300	02/01/93	10/01/12	\$ 735
1994 Series	4.0% - 5.0%	17,700	02/01/94	02/04/14	1,770
1997 Series	4.4% - 5.1%	13,115	04/15/97	04/15/13	200
2002 Refunding Series	2.0% - 5.0%	1,830	11/04/02	05/01/14	382
2006 Series	5.0% - 4.125%	11,000	04/15/06	04/15/21	6,596
2007 Series	5.0% - 3.75%	6,600	04/05/07	04/15/22	4,400
2008 Series A	2.8% - 5.0%	1,750	04/01/08	04/01/28	1,399
2008 Series B Refunding Bonds	2.8% - 5.0%	12,425	04/01/08	04/01/35	1,385
2009 Series	3.0% - 4.5%	3,975	03/25/09	04/01/24	3,205
2010 Series C	3.0% - 4.0%	1,840	10/28/10	04/01/15	1,090
2012 Series	2.0% - 4.0%	3,136	03/15/12	03/15/27	3,136
Subtotal		<u>86,671</u>			<u>24,298</u>
Public Improvement:					
General Obligation Bonds:					
2002 Refunding Series	2.0% - 5.0%	2,240	11/04/02	05/01/14	468
2005 MERF Pension Bond	4.93%	1,450	06/01/05	06/05/23	1,015
2006 Series	5.0% - 4.125%	6,460	04/15/06	04/15/21	3,874
2007 Series	5.0% - 3.75%	6,975	04/05/07	04/15/22	4,650
2008 Series A	2.8% - 5.0%	11,215	04/01/08	04/01/28	8,966
2008 Series B Refunding Bonds	2.8% - 5.0%	22,584	04/01/08	04/01/35	17,084
2009 Series	3.0% - 4.5%	9,410	03/25/09	04/01/24	7,545
2010 Series A	2.5% - 5.5%	11,715	03/30/10	03/01/25	10,145
2010 Series B	2.8% - 5.8%	35,000	10/28/10	10/01/30	33,250
2012 Series	2.0% - 4.0%	30,879	03/15/12	03/15/27	30,879
Subtotal		<u>137,928</u>			<u>117,876</u>
General Obligation Pension Bonds:					
1998 Series	5.72% - 6.64%	<u>66,000</u>	02/01/98	02/01/26	<u>39,550</u>
General Obligation Pension Bonds:					
2008 Series C Refunding Bonds	6.371%	<u>40,700</u>	05/30/08	02/01/26	<u>40,000</u>
Total Governmental Activities		<u>\$ 331,299</u>			<u>\$ 221,724</u>

**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.

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance	Due Within One Year
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds	\$ 194,150	\$ 34,015	\$ (16,945)	\$ 10,504	\$ 221,724	\$ 17,610
Less deferred amounts:						
For issuance discounts on refunding	(1,011)	-	100	-	(911)	-
Bond premiums	3,607	426	(251)	-	3,782	-
<b>Total general obligaton bonds</b>	196,746	34,441	(17,096)	10,504	224,595	17,610
Notes payable:						
Clean Water notes	3,996	-	(309)	-	3,687	309
Other liabilities:						
OPEB obligation	600	194	-	-	794	-
Compensated absences	6,706	2,491	(1,304)	-	7,893	2,084
Net pension obligation	205	313	-	-	518	-
Risk management	20,804	26,748	(25,997)	-	21,555	3,800
Interest rate swaps	14,462	4,862	-	-	19,324	-
<b>Governmental activity long-term liabilities</b>	<b>\$ 243,519</b>	<b>\$ 69,049</b>	<b>\$ (44,706)</b>	<b>\$ 10,504</b>	<b>\$ 278,366</b>	<b>\$ 23,803</b>
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>						
Bonds payable	\$ 12,930	\$ -	\$ (410)	\$ (10,504)	\$ 2,016	\$ -
Notes payable:						
Clean Water notes	21,406	-	(1,834)	-	19,572	1,834
Compensated absences	223	59	(90)	-	192	85
<b>Business-Type Activities Long-Term Liabilities</b>	<b>\$ 34,559</b>	<b>\$ 59</b>	<b>\$ (2,334)</b>	<b>\$ (10,504)</b>	<b>\$ 21,780</b>	<b>\$ 1,919</b>

**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:

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 244,910	\$ 194,678	\$ 50,232
Schools	489,821	76,575	413,246
Sewer	408,184	16,299	391,885
Urban renewal	353,759	-	353,759
Pension deficit	326,547	-	326,547

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation of \$761,943.

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

The indebtedness above includes \$109,549 of authorized bonds which were unissued as of June 30, 2012.

### Prior Year Defeasements

In the prior year, the City had defeased certain general obligation bonds by place in the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are no included in the City's financial statements. The outstanding balance of the defeased bonds as of June 30, 2012 is \$9,925.

### Overlapping Debt

As explained in Note 1, the Mattabassett District has been empowered by the State of Connecticut to issue bonds in its own name. The Mattabassett District has overlapping debt in the amount of \$1,951 as of June 30, 2012.

Annual debt service requirements for G.O. bonds and notes as of June 30, 2012 are as follows (assuming that the liquidity facility agreements with respect to the variable rate Series 2008C Taxable G.O. Variable Rate Demand Bonds are renewed.)

Year Ending June 30,	Principal General Obligation	Principal Clean Water Notes	Interest* General Obligation	Interest Clean Water Notes	Total
2013	\$ 17,610	\$ 309	\$ 10,957	\$ 71	\$ 28,947
2014	15,620	309	10,267	65	26,261
2015	14,710	309	9,550	59	24,628
2016	14,665	309	8,867	52	23,893
2017	15,005	309	8,201	46	23,561
2018-2022	77,660	1,547	29,747	138	109,092
2023-2027	57,195	595	10,721	18	68,529
2028-2032	9,259	-	1,228	-	10,487
	<u>\$ 221,724</u>	<u>\$ 3,687</u>	<u>\$ 89,538</u>	<u>\$ 449</u>	<u>\$ 315,398</u>

\* Interest amounts for the 2008 Pension G.O. Bond are calculated using the fixed interest rate of 6.371% under the terms of the SWAP Agreement.

The maturities relating to all bonds and series notes of the business-type activities of the City as of June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 1,834	\$ 688	\$ 2,522
2014	1,834	636	2,470
2015	1,834	579	2,413
2016	1,834	521	2,355
2017	1,834	464	2,298
2018-2022	8,802	1,459	10,261
2023-2027	1,600	533	2,133
2028-2032	-	274	274
2033-2035	2,016	151	2,167
	<u>\$ 21,588</u>	<u>\$ 5,305</u>	<u>\$ 26,893</u>

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### Series 2008C Taxable General Obligation Variable Rate Demand Bonds

The City has a \$40,700,000 Series 2008C Taxable General Obligation Variable Rate Demand Bonds (the Bonds) which are remarketed every seven days at a reset interest rate. Liquidity for the Bonds are secured by a direct-pay Letter of Credit issued by JP Morgan Chase Bank, NA which permits for draws for payment of the bonds. Draws made under the Letter of Credit are immediately due and payable by the City. The Letter of Credit was issued in the amount of \$40,000,000 on May 24, 2011 and expires May 27, 2014. The City plans to replace or renew the Letter of Credit prior to the current expiration date. As of June 30, 2012, the Series 2008C outstanding balance was \$40 million, which is included in the table of debt services payments for governmental activities, as maturing through 2026. If the 2008C bonds are mandatorily redeemed, 2014 debt service for G.O. Bond principal will be \$55.6 million, rather than the \$15.6 million as shown in the table above.

The City is required to pay quarterly fees; the fee is calculated at a rate of 0.70% per annum of the daily average amount available to be drawn under the Letter of Credit during that period. The Letter of Credit fees shall be increased by 0.10% per annum for each notch downgrade to the financial strength of the City by Moody's, Fitch or Standard and Poor's.

#### Interest Rate Swap Agreements (Not Rounded)

*Objective* - As a means to lower its future borrowing costs, the City has two 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. Only one of the interest rate swaps is considered to be an effective cash flow hedge.

*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* - The swaps had net negative fair values as of June 30, 2012, 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, 2012, 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.

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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*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.

	Pension - Fxd	Pension - CMS
Counterparty	Deutsche Bank AG	Deutsche Bank AG
Bond Issue	2008C	2008C
Original Notional Amount	\$40,000,000	\$40,000,000
Outstanding Notional Amount	\$40,000,000	\$40,000,000
Effective Date	5/1/2008	2/1/2017
Maturity Date	2/1/2026	2/1/2026
Rate Paid	6.37%	100% of 1M LIBOR
Rate Received	1M LIBOR	78% of 10Y LIBOR
Fair Value	\$(18,940,913)	\$(384,154)
Counterparty Credit Rating:		
Moody's Investor Service	A2	A2
Standard & Poor's	A+	A+
Effective	Yes	No

The following is a summary of the changes in fair value of the interest rate swaps for the years ended June 30, 2012 (not rounded):

	Pension - Fxd	Pension - CMS
Fair value at June 1, 2011	\$ (11,899,609)	\$ (1,137,710)
Change in fair value for the year ended June 30, 2012	(7,041,304)	753,556
Fair value at June 30, 2012	<u>\$ (18,940,913)</u>	<u>\$ (384,154)</u>
Deferred outflow	<u>\$ 18,940,913</u>	<u>N/A</u>

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### **Note 9. 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.

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, 2011 to June 30, 2012. The City has obtained coverage that 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 \$1,780 is reported in the internal service fund at June 30, 2012, 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.

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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 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 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.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs).

The changes in the claim reserves for the fiscal years ended June 30, 2012 and 2011, are as follows:

	June 30, 2012			June 30, 2011		
	Medical	Workers' Compensation	General Accident Casualty and Liability	Medical	Workers' Compensation	General Accident Casualty and Liability
Beginning of year claim reserve	\$ 1,543	\$ 17,253	\$ 2,008	\$ 1,765	\$ 17,253	\$ 2,002
Current year incurred claims and changes in prior year estimate	24,730	1,835	183	25,319	1,794	45
Claim payments	(24,493)	(1,400)	(104)	(25,541)	(1,794)	(39)
End of Year Claim Reserve	\$ 1,780	\$ 17,688	\$ 2,087	\$ 1,543	\$ 17,253	\$ 2,008

## **CITY OF NEW BRITAIN, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2012**

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#### **Note 10. 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 5 years of service or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

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

##### **Funding Policy**

Covered employees are required by State statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the Plan. The contribution requirements of the City are established and may be amended by the State Retirement System.

**CITY OF NEW BRITAIN, CONNECTICUT****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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The current rate is 17% of covered payroll. The City's and employee contributions to MERF for the years ended June 30, 2012, 2011 and 2010 are as follows:

Fiscal Year Ended	City Contribution Amount	Employee Contribution Amount	Total Contribution Amount	Total Payroll Covered by the MERF
June 30, 2010	\$ 3,773	\$ 2,385	\$ 6,158	\$ 47,716
June 30, 2011	5,198	2,537	7,735	55,881
June 30, 2012	6,162	2,498	8,660	49,979

**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%.

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

The financial information of the PERS is as follows:

**Statement of Plan Net Assets**  
**June 30, 2012**

	Pension Trust Funds		
	Firemen's Pension Fund	Police Benefit Fund	Totals
<b>Assets</b>			
Cash and cash equivalents	\$ 927	\$ 1,013	\$ 1,940
Investments	74,661	69,089	143,750
Accounts receivable	260	157	417
<b>Total assets</b>	<b>75,848</b>	<b>70,259</b>	<b>146,107</b>
<b>Liabilities</b>			
Accounts payable	-	3,648	3,648
Due to other funds	-	35	35
<b>Total liabilities</b>	<b>-</b>	<b>3,683</b>	<b>3,683</b>
<b>Net Assets Held in Trust</b>	<b>\$ 75,848</b>	<b>\$ 66,576</b>	<b>\$ 142,424</b>

**Statement of Changes in Plan Net Assets**  
**Year Ended June 30, 2012**

	Firemen's Pension Fund	Police Benefit Fund	Total
<b>Additions</b>			
Contributions:			
Employer	\$ 451	\$ 749	\$ 1,200
Employee	329	306	635
<b>Total contributions</b>	<b>780</b>	<b>1,055</b>	<b>1,835</b>
Investment income:			
Net depreciation in fair value of investments	(857)	(1,513)	(2,370)
Interest and dividends	2,237	1,954	4,191
Miscellaneous	2	9	11
	1,382	450	1,832
Less investment expense	148	114	262
	1,234	336	1,570
<b>Total additions</b>	<b>2,014</b>	<b>1,391</b>	<b>3,405</b>
<b>Deductions</b>			
Benefits	5,393	5,964	11,357
Administration	72	51	123
<b>Total deductions</b>	<b>5,465</b>	<b>6,015</b>	<b>11,480</b>
<b>Net decrease</b>	<b>(3,451)</b>	<b>(4,624)</b>	<b>(8,075)</b>
<b>Net Assets Held in Trust</b>			
Beginning of year	79,299	71,200	150,499
End of year	\$ 75,848	\$ 66,576	\$ 142,424

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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

	Fire	Police
Retirees and beneficiaries currently receiving benefits	166	180
Active members	70	75
Terminated-vested	-	2
	<u>236</u>	<u>257</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, 2012, these required contributions were \$531 and \$1,054 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:

	Fire	Police
Annual required contribution (ARC)	\$ 531	\$ 1,054
Interest on net pension obligation	(100)	15
Adjustment to annual required contribution	87	(13)
<b>Annual pension cost</b>	<u>518</u>	<u>1,056</u>
Contributions made	<u>(450)</u>	<u>(743)</u>
<b>Increase in net pension obligation</b>	68	313
Net pension obligation (asset), beginning of year	<u>(1,333)</u>	<u>205</u>
Net pension obligation (asset), end of year	<u>\$ (1,265)</u>	<u>\$ 518</u>

**CITY OF NEW BRITAIN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012**

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

	Fire	Police
Actuarial Valuation Date	January 1, 2011	January 1, 2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Percentage of Payroll-Closed	Level Percentage of Payroll-Closed
Remaining Amortization Period	25 years	25 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%	3.5%

\* Includes inflation at 4%

**Trend Information**

	Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
<u>Fire Plan</u>	6/30/2010	\$ 455	\$ 211	47%	\$ (1,341)
	6/30/2011	458	450	98%	(1,333)
	6/30/2012	519	450	87%	(1,265)
<u>Police Plan</u>	6/30/2010	\$ 744	\$ 85	11%	\$ 212
	6/30/2011	742	749	101%	205
	6/30/2012	1,056	744	71%	518

**Schedule of Funding Progress**

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (c)(b-a)	Covered Payroll (d)	UAAL as a % of Covered Payroll (c/d)
<u>Fire Plan</u>	01/01/2011	\$ 79,711	\$ 79,785	\$ 74	\$ 4,853	1.5%
<u>Police Plan</u>	01/01/2011	\$ 73,662	\$ 80,338	\$ 6,676	\$ 5,866	113.8%

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### **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 and retired elected officials with over 20 years service. 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 82 years.

There are 11 retirees, 10 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 \$543. The "pay-as-you-go" plan does not have a net pension obligation as of June 30, 2012.

#### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2010	\$ 575	\$ 575	100%	N/A
6/30/2011	597	597	100%	N/A
6/30/2012	543	543	100%	N/A

#### **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.

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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#### Plan Description

The City, in accordance with various collective bargaining agreements, provides retiree medical benefits for retired members and covered dependents until death. 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, 2010, plan membership consisted of the following:

Active members	1,759
Retired members	754
Spouses of retired members	122
Total	<u>2,635</u>

#### Funding Policy

The City currently pays for postemployment health care benefits on a pay-as-you-go basis. As of June 30, 2011, 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%
20-40	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.

## CITY OF NEW BRITAIN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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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:

Years of Service	City Pays
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 1, 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:

Years of Service	City Pays
20+	100%
15-19	80%
5-9	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.

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

### 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 30 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)	\$	4,594
Interest on OPEB obligation		48
Adjustment to annual required contribution		(38)
<b>Annual OPEB cost (expense)</b>		<u>4,604</u>
Contributions made		<u>4,410</u>
<b>Increase in net OPEB obligation</b>		194
Net pension obligation, beginning of year		<u>600</u>
Net pension obligation, end of year	\$	<u><u>794</u></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, 2012 is presented below.

Fiscal Year Ended	Annual OPEB COST (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2010	\$ 3,977	\$ 3,438	86.5%	\$ 150
6/30/2011	4,194	3,744	89.2%	600
6/30/2012	4,604	4,410	95.8%	794

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.

**CITY OF NEW BRITAIN, CONNECTICUT****NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2012****Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2010	\$ 974	\$ 48,213	\$ 47,239	2.0%	N/A	N/A

Historical Trend Information – The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

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, 2010 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 amortization method is level percent. The amortization period is 30 years decreasing. The valuation type is closed group. The ultimate inflation rate is 4.70%. 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, 2012, the certified employees of the City contributed \$4,674 to this plan, and the total payroll for certified employees covered by this plan for the year was \$64,473.

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, 2012, the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$13,241 as payments made by the State of Connecticut on behalf of the City.

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

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.

### Note 11. 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 that would materially affect its financial position. Based upon the advice of the legal counsel, management believes that the ultimate resolution of these matters will not have a material adverse effect on the financial statements of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

### Note 12. Fund Balance

The components of fund balance for the governmental funds at June 30, 2012 are as follows (in thousands):

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Fund balance:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ 245	\$ 245
Trust purposes	-	-	2,645	2,645
Restricted for:				
Education	-	-	834	834
General government	-	-	2,431	2,431
Public safety	-	-	1,957	1,957
Health and welfare	-	-	242	242
Committed to:				
General government	-	-	52	52
Public safety	-	-	124	124
Health and welfare	-	-	194	194
Parks, recreation and libraries	-	-	352	352
Education	-	-	176	176
Assigned to:				
Education	41	-	-	41
Unassigned	12,159	(11,532)	(6,920)	(6,293)
<b>Total Fund Balances</b>	<b>\$ 12,200</b>	<b>\$ (11,532)</b>	<b>\$ 2,332</b>	<b>\$ 3,000</b>

Significant encumbrances at June 30, 2012 are contained in the above table in the assigned categories.

# CITY OF NEW BRITAIN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2012

### Note 13. Restatement

The June 30, 2011 government-wide financial statements and the sewer use fund were restated due to an error in recording capital assets and deferred revenues. As a result, for the fiscal year beginning July 1, 2011, the following restatements were made to beginning net assets fund balances for governmental activities and nonmajor governmental funds:

	Net Assets Government- Wide	Fund Balance Sewer Use Fund
Beginning Net Assets/Fund Balance	\$ 112,650	\$ 824
Add: Increase in historical cost	9,629	-
Deduct: Increase in accumulated depreciation	(7,041)	-
Deduct: Deferred revenue	-	(3,071)
Beginning Net Assets/Fund Balance (Deficit), as Restated	<u>\$ 115,238</u>	<u>\$ (2,247)</u>

The effect on previous years' financial statements was not readily determinable.

### Note 14. Governmental Accounting Standards Board Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

- **GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements***, issued November 2010, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- **GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34***, issued November 2010, will be effective for the Town beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

- **GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements***, issued January 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- **GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***, issued July 2011, will be effective for the City beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***, was issued March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.
- **GASB Statement No. 66, *Technical Corrections—2012***, was issued in March 2012. *The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.*
- **GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25***, was issued in June 2012. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting

NOTES TO FINANCIAL STATEMENTS, Continued  
June 30, 2012

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assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2014.

- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, was issued in June 2012.** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2015.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***, provides guidance for:
  - Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations.
  - Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations.
  - Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based on their acquisition values in a government acquisition.
  - Reporting the disposal of government operations that have been transferred or sold.

The requirements of this Statement are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.

**Required Supplementary  
Information**



**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS)  
For the Year Ended June 30, 2012  
(In Thousands)**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
PROPERTY TAXES				
General property taxes	\$ 106,924	\$ 107,040	\$ 108,082	\$ 1,042
Interest and liens	2,000	1,929	1,929	-
Total property taxes	108,924	108,969	110,011	1,042
INTERGOVERNMENTAL REVENUES (STATE)				
State Education for the Blind	81	60	60	-
H.E.W. Private Schools	73	93	93	-
Special School Transportation	174	220	220	-
Elementary & Secondary Transportation	1,490	1,394	1,394	-
Special Education	3,512	3,761	3,761	-
Education Equalization	72,451	72,338	72,338	-
State Infraction Distribution	23	30	30	-
Principal Subsidy	2,676	2,631	2,631	-
Interest Subsidy	943	943	943	-
DCA Tax Abatements	30	33	33	-
Town Aid Road Fund	382	386	386	-
Veterans Exemption Reimbursement	29	29	29	-
Tax Relief for the Elderly	441	444	444	-
State Property Tax Relief	3,199	3,200	3,200	-
Telephone Access Line Tax Relief	135	145	145	-
Municipal Video Competition Grant	18	14	14	-
Civil Defense	25	-	-	-
Off-Track Betting	175	214	214	-
State PILOT Hospital Colleges	2,399	2,399	2,399	-
State PILOT Model Housing	-	217	217	-
Manufacturers in Distress	212	162	162	-
Municipal Revenue Sharing	259	803	803	-
Bingo	1	1	1	-
Disability Exemption	14	9	9	-
Manufacturing Equipment Tax Reimbursement	1,182	1,182	1,182	-
Legalized Gaming Distribution	2,256	2,312	2,312	-
Boat License	11	-	-	-
Total intergovernmental revenues (State)	92,191	93,020	93,020	-

(Continued)

## REVENUES BY CLASSIFICATION - BUDGET AND ACTUAL (BUDGET BASIS), Continued

## GENERAL FUND

For the Year Ended June 30, 2012

(In Thousands)

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>LICENSES AND PERMITS</b>				
Building Structures and Equipment	695	1,208	917	(291)
Protection	105	176	176	-
Health	56	65	65	-
Finance	18	10	10	-
Planning and Zoning	11	8	8	-
<b>Total license and permits</b>	<b>885</b>	<b>1,467</b>	<b>1,176</b>	<b>(291)</b>
<b>CHARGES FOR SERVICES</b>				
City Hall Commissions Rent	96	97	97	-
Town Clerk	1,298	1,032	1,040	8
Recreation	809	1,064	1,064	-
Public Safety	1,067	1,441	1,441	-
Parking	2,415	2,147	2,147	-
Health	40	25	25	-
Sanitation and Fleet	2,237	2,555	2,555	-
Assessor	3	1	1	-
Senior Center	78	59	59	-
Water Overhead	263	263	263	-
Telecommunications	18	2	2	-
Capital Projects	177	501	501	-
Corporate Counsel	6	13	13	-
Evictions	-	5	5	-
Probate	51	46	46	-
<b>Total charges for services</b>	<b>8,558</b>	<b>9,251</b>	<b>9,259</b>	<b>8</b>
<b>Total licenses, permits and charges for services</b>	<b>9,443</b>	<b>10,718</b>	<b>10,435</b>	<b>(283)</b>
<b>OTHER REVENUE</b>				
Investment Income	100	40	37	(3)
Miscellaneous	-	211	211	-
Sale of Estate Property	5,020	1,825	1,825	-
Board of Education	230	109	109	-
Sale of Equipment	-	95	95	-
Hybrid Bus Lease	18	18	18	-
BAN/Bond Prem.	-	426	426	-
Grants and Contributions	-	20	20	-
<b>Total other revenue</b>	<b>5,368</b>	<b>2,744</b>	<b>2,741</b>	<b>(3)</b>
<b>Total revenues</b>	<b>215,926</b>	<b>215,451</b>	<b>216,207</b>	<b>756</b>

(Continued)

## REVENUES BY CLASSIFICATION - BUDGET AND ACTUAL (BUDGET BASIS), Continued

## GENERAL FUND

For the Year Ended June 30, 2012

(In Thousands)

	Budgeted Amounts		Actual Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>OTHER FINANCING SOURCES</b>				
Transfers in	1,096	11,506	11,506	-
<b>Total budgeted revenues and transfers</b>	<u>\$ 217,022</u>	<u>\$ 226,957</u>	227,713	<u>\$ 756</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.

13,241

Underliquidation of prior year encumbrances is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes.

196

GASB 54 Activity of Certain Special Revenue Funds now consolidated into the General Fund

619

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

\$ 241,769

See Note to Required Supplementary Information.

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS)  
For the Year Ended June 30, 2012**

	Budgeted Amount		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>GENERAL GOVERNMENT</b>				
Legislative	\$ 127	\$ 149	\$ 149	\$ -
Boards and Commissions	32	19	19	-
Judicial	115	114	114	-
Elections	497	428	428	-
Mayor's Office	360	383	383	-
Planning and Zoning	197	220	221	(1)
Finance	3,214	2,335	2,335	-
Recording and Reporting	503	486	487	(1)
Legal	1,035	938	938	-
Central Services	30	27	27	-
<b>Total general government</b>	<b>6,110</b>	<b>5,099</b>	<b>5,101</b>	<b>(2)</b>
<b>PUBLIC SAFETY</b>				
Police	14,236	13,941	13,941	-
Fire	11,976	11,364	11,364	-
Lighting	825	768	768	-
Building	551	508	508	-
Civil Preparedness	114	106	106	-
Central Emergency Dispatch	1,591	1,547	1,549	(2)
<b>Total public safety</b>	<b>29,293</b>	<b>28,234</b>	<b>28,236</b>	<b>(2)</b>
<b>PUBLIC WORKS</b>				
Administration	358	347	347	-
Street Services	3,368	2,958	2,958	-
Public Buildings	2,586	2,323	2,323	-
Capital Project	625	602	602	-
Signals and Control	202	185	185	-
Waste Disposal	5,659	5,092	5,092	-
<b>Total public works</b>	<b>12,798</b>	<b>11,507</b>	<b>11,507</b>	<b>-</b>
<b>PARKS AND RECREATION</b>				
Administration	384	410	410	-
Forestry	195	196	196	-
Horticulture	277	266	266	-
Maintenance	2,246	2,131	2,131	-
Special Projects	10	3	3	-
Recreation Department	1,039	998	998	-
Willow Brook Sports Complex	-	-	-	-
City Supported Agencies	3,294	3,184	3,184	-
Cultural Organizations	31	32	32	-
<b>Total parks and recreation</b>	<b>7,476</b>	<b>7,220</b>	<b>7,220</b>	<b>-</b>

(Continued)

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS), Continued  
For the Year Ended June 30, 2012**

	Budgeted Amount		Actual	Variance With
	Original	Final	Budgetary	Final Budget
			Basis	Positive
				(Negative)
<b>HEALTH AND SOCIAL SERVICES</b>				
Rights and Opportunities Commission	87	80	80	-
Civil Service Commission	200	172	172	-
Nursing	333	318	311	7
Environmental Control	282	190	190	-
Administration	170	174	174	-
Social Services	10	5	5	-
Senior Center	481	452	452	-
Handicap Services	92	78	78	-
Veterans Services	53	68	68	-
<b>Total health and social services</b>	<b>1,708</b>	<b>1,537</b>	<b>1,530</b>	<b>7</b>
<b>GENERAL ADMINISTRATION</b>				
Pension Contribution	5,951	5,762	5,762	-
Contingency	538	447	447	-
Municipal and Health Insurance	13,235	19,471	19,466	5
<b>Total general administration</b>	<b>19,724</b>	<b>25,680</b>	<b>25,675</b>	<b>5</b>
<b>EDUCATION</b>	<b>119,223</b>	<b>119,032</b>	<b>119,033</b>	<b>(1)</b>
<b>DEBT SERVICE</b>	<b>30,047</b>	<b>28,268</b>	<b>28,640</b>	<b>(372)</b>
<b>Total expenditures</b>	<b>226,379</b>	<b>226,577</b>	<b>226,942</b>	<b>(365)</b>
<b>OTHER FINANCING USES</b>				
Transfers out:				
Dog Fund	114	108	117	(9)
Capital Nonrecurring	-	50	50	-
System of care grant	43	43	43	-
YSB Care Unit	219	180	180	-
Other	(9,733)	-	-	-
<b>Total other financing uses</b>	<b>(9,357)</b>	<b>381</b>	<b>390</b>	<b>(9)</b>
<b>Total expenditures and other financing uses</b>	<b>\$ 217,022</b>	<b>\$ 226,958</b>	<b>\$ 227,332</b>	<b>\$ (374)</b>

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.

13,241

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 financing reporting purposes.

432

GASB 54 Activity of Certain Special Revenue Funds now consolidated

into the General Fund

611

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

**\$ 241,616**

See Note to Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION  
PENSIONS AND OTHER POST RETIREMENT BENEFITS  
SCHEDULE OF FUNDING PROGRESS  
June 30, 2012  
(In Thousands)

**Schedule of Funding Progress*****City of New Britain Fire Plan***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Covered Payroll	UAAL as a % of Covered Payroll
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)%
01/01/2011	79,711	79,785	74	4,853	1.5%

***City of New Britain Police Plan***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Covered Payroll	UAAL as a % of Covered Payroll
01/01/2007	\$ 83,762	\$ 74,590	(9,172)	\$ 6,356	(144.3)%
01/01/2009	79,361	80,340	979	5,829	16.8%
01/01/2011	73,662	80,338	6,676	5,866	113.8%

***Single-Employer Defined Benefit Pension Plan***

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

***OPEB***

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2006	\$ -	\$ 42,853	\$ 42,853	0.0%	N/A	N/A
7/1/2008	-	41,258	41,258	0.0%	N/A	N/A
7/1/2010	974	48,213	47,239	2.0%	N/A	N/A

REQUIRED SUPPLEMENTARY INFORMATION  
PENSIONS AND OTHER POST RETIREMENT BENEFITS  
SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS  
June 30, 2012  
(In Thousands)

<i><b>Fire Plan</b></i>			<i><b>Police Plan</b></i>		
Fiscal Year Ended	Annual Required Contributions	Percentage Contributed	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
6/30/2007	\$ 433	174%	6/30/2007	\$ 394	107%
6/30/2008	211	101%	6/30/2008	85	101%
6/30/2009	211	101%	6/30/2009	85	101%
6/30/2010	450	46%	6/30/2010	743	11%
6/30/2011	450	100%	6/30/2011	743	101%
6/30/2012	531	85%	6/30/2012	1,054	71%

<i><b>Single-Employer Defined Benefit Plan</b></i>			<i><b>OPEB</b></i>		
Fiscal Year Ended	Annual Required Contributions	Percentage Contributed	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
6/30/2007	\$ 787	100%	6/30/12	\$ 4,594	95.79%
6/30/2008	738	100%	6/30/11	4,191	89.33%
6/30/2009	751	100%	6/30/10	3,983	86.47%
6/30/2010	575	100%			
6/30/2011	597	100%			
6/30/2012	543	100%			

## **CITY OF NEW BRITAIN, CONNECTICUT**

### **REQUIRED SUPPLEMENTARY INFORMATION NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2012**

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#### **Note 1. 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.

An additional \$9,932 was appropriated from unanticipated revenues during the fiscal year.

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 assignments 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 are included in either restricted, committed or assigned fund balance depending on their level of restriction and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

## ***Appendix B***

### ***Form of Legal Opinion of Bond Counsel – The Bonds***

March \_\_, 2013

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

**Re: \$19,225,000 General Obligation Bonds, Issue of 2013**

Ladies and Gentlemen:

We have acted as bond counsel to the City of New Britain, Connecticut (the "City") in connection with the sale and issuance of the City's \$19,225,000 General Obligation Bonds, Issue of 2013, dated the Date of Delivery (the "Bonds").

We have examined a record of proceedings of the City authorizing the Bonds, a Tax Compliance Agreement of the City dated March \_\_, 2013 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that:

1. When the Bonds are duly certified by U.S. Bank National Association, they will be valid and binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the City and it was duly authorized by the City.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

2. Under existing law, interest on the Bonds is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. In rendering our opinion, we have

relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that, for federal income tax purposes, interest on the Bonds be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the Bonds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Bonds, the City will execute the Agreement containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Agreement, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, 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 Agreement with respect to matters affecting the status of interest paid on the Bonds, and (ii) continuing compliance by the City with the procedures and covenants set forth in the Agreement as to such tax matters.

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

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated March \_\_, 2013 and other offering material relating to the Bonds except to the extent stated in the Official Statement and we express no opinion relating thereto excepting only the matters set forth as our opinion in the Official Statement.

We have not undertaken to advise whether any events after the date of issuance of the Bonds, including the adoption of Federal tax legislation, may affect the tax status of the Bonds.

Respectfully,

PULLMAN & COMLEY, LLC

## ***Appendix C***

### ***Forms of Legal Opinion of Bond Counsel – The Notes***

March \_\_, 2013

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

**Re: \$25,280,000 General Obligation Bond Anticipation Notes, dated March 27, 2013**

Ladies and Gentlemen:

We have acted as bond counsel to the City of New Britain, Connecticut (the "City") in connection with the sale and issuance of the City's \$25,280,000 General Obligation Bond Anticipation Notes, dated March 27, 2013 (the "Notes").

We have examined a record of proceedings of the City authorizing the Notes, a Tax Compliance Agreement of the City dated March \_\_, 2013 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that:

1. When the Notes are duly certified by U.S. Bank National Association, they will be valid and binding general obligations of the City payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the City and it was duly authorized by the City.

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

2. Under existing law, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into

account in computing the federal alternative minimum tax. In rendering our opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City and others in connection with the Notes, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code") to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance and delivery of the Notes in order that, for federal income tax purposes, interest on the Notes be not included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the Notes, restrictions on the investment of Note proceeds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become subject to federal income taxation retroactive to their date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of delivery of the Notes, the City will execute the Agreement containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Agreement, the City covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest paid on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, 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 Agreement with respect to matters affecting the status of interest paid on the Notes, and (ii) continuing compliance by the City with the procedures and covenants set forth in the Agreement as to such tax matters.

3. 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.

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as to the effect of any action

hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for federal income tax purposes of interest on the Notes.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement dated March \_\_, 2013 and other offering material relating to the Notes except to the extent stated in the Official Statement and we express no opinion relating thereto excepting only the matters set forth as our opinion in the Official Statement.

We have not undertaken to advise whether any events after the date of issuance of the Notes, including the adoption of Federal tax legislation, may affect the tax status of the Notes.

Respectfully,

PULLMAN & COMLEY, LLC

## ***Appendix D***

### ***Form of Continuing Disclosure Agreement – The Bonds***

## **CONTINUING DISCLOSURE AGREEMENT**

### **In Connection With The Issuance and Sale of \$19,225,000 General Obligation Bonds, Issue of 2013**

This Continuing Disclosure Agreement (“Agreement”) is executed and delivered as of March \_\_, 2013, by the City of New Britain, Connecticut (the “Issuer”) acting by its undersigned officers, duly authorized, in connection with the issuance of its \$19,225,000 General Obligation Bonds, Issue of 2013, dated March \_\_, 2013 (the “Bonds”).

**Section 1. Definitions.** In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 2 of this Continuing Disclosure Agreement.

“EMMA” means the Electronic Municipal Market Access System as described in the 1934 Act Release #59062 and maintained by the Municipal Securities Rulemaking Board for the purposes of the Rule and as further described in Section 13 hereof.

“Final Official Statement” means the official statement of the Issuer dated March \_\_, 2013, prepared in connection with the issuance of the Bonds.

“Fiscal Year End” shall mean the last day of the Issuer’s fiscal year, currently June 30.

“Listed Events” shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

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

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

### **Section 2. Annual Reports.**

(a) The Issuer shall provide or cause to be provided to the MSRB, in accordance with the provisions of the Rule and of this Agreement, the following annual financial information and operating data regarding the Issuer (commencing with the information and data for the fiscal year ending June 30, 2013):

(i) Audited financial statements of the Issuer as of and for the year ending on its Fiscal Year End prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer is required to prepare audited financial statements of its various funds and accounts.

(ii) To the extent not included in the audited financial statements described in (i) above, financial information and operating data as of and for the year ending on its Fiscal Year End of the following type:

- (A) the amounts of the gross and net taxable grand list;
- (B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (C) the percentage and amount of the annual property tax levy collected and uncollected;
- (D) a schedule of the long-term debt through maturity on outstanding long-term bonded indebtedness;
- (E) a calculation of the total net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);
- (F) the total direct debt, total net direct debt and total overall net debt of the Issuer per capita;
- (G) the ratios of total direct debt and total overall net debt of the Issuer to the Issuer's net taxable grand list;
- (H) a statement of statutory debt limitations and debt margins;
- (I) the funding status of the Issuer's pension benefit obligations;
- (J) the funding status of the Issuer's OPEB obligation; and
- (K) any other financial information and operating data not included in the audited financial statements.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB's internet web site or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or the annual adopted budget.

(c) Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

**Section 3. Timing.** The Issuer shall provide the information and data referenced in Section 2(a) not later than eight months after each Fiscal Year End for which such information is being provided.

The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information when available.

**Section 4.     Event Notices.**

**(a)**     The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Bonds, notice of the occurrence of such event:

- (i)**     principal and interest payment delinquencies;
- (ii)**    unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii)**   unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv)**    substitution of credit or liquidity providers, or their failure to perform;
- (v)**     adverse tax opinions, the issuance by the Internal Revenue Service or 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 Bonds, or other events affecting the tax status of the security;
- (vi)**    tender offers;
- (vii)**   bankruptcy, insolvency, receivership, or a similar proceeding by the Issuer;
- (viii)**   Bond defeasances; and
- (ix)**    rating changes.

**(b)**     The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Bonds, notice of the occurrence of such event, if material:

- (i)**     non-payment related defaults;
- (ii)**    modifications to rights of Bond holders;
- (iii)**   Bond calls;
- (iv)**    release, substitution, or sale of property securing repayment of the Bonds;
- (v)**     consummation of a merger, consolidation, acquisition involving the Issuer, other than the ordinary course of business, or the sale of all or substantially all the assets of the Issuer, or the entry into a definitive agreement to engage in such a transaction, or a termination of such an agreement, other than in accordance with its terms; and

(vi) appointment of a successor or additional trustee, or the change in the name of the trustee.

**Section 5. Notice of Failure.** The Issuer agrees to provide or cause to be provided, in a timely manner to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2(a) of this Continuing Disclosure Agreement on or before the date set forth in Section 3 hereof.

**Section 6. Termination of Reporting Obligation.** The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

**Section 7. Agent.** The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended 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. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

**Section 9. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communications, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Enforceability.** The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. The present address of the Issuer is City of New Britain, 27 West Main Street, New Britain, CT 06051, ATTN: Mayor. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

**Section 11. Governing Law.** This Agreement shall be governed by the laws of the State of Connecticut.

**Section 12. Method of Filing.** To the extent filings are required to be made to the MSRB under this Agreement, the Issuer shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA as provided at <http://emma.msrb.org/> or any similar system that is acceptable to the SEC.

**IN WITNESS WHEREOF**, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

**CITY OF NEW BRITAIN, CONNECTICUT**

By: \_\_\_\_\_  
Timothy E. O'Brien Jr.  
Mayor

By: \_\_\_\_\_  
Teresa Sapieha-Yanchak  
Treasurer

## ***Appendix E***

### ***Forms of Continuing Disclosure Agreement – The Notes***

## CONTINUING DISCLOSURE AGREEMENT

### In Connection With The Issuance and Sale of \$25,280,000 General Obligation Bond Anticipation Notes, dated March 27, 2013

This Continuing Disclosure Agreement (“Agreement”) is executed and delivered as of March \_\_, 2013, by the City of New Britain, Connecticut (the “Issuer”) acting by its undersigned officers, duly authorized, in connection with the issuance of its \$25,280,000 General Obligation Bond Anticipation Notes dated March 27, 2013 (the “Notes”).

**Section 1. Definitions.** In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

“EMMA” means the Electronic Municipal Market Access System as described in the 1934 Act Release #59062 and maintained by the Municipal Securities Rulemaking Board for the purposes of the Rule and as further described in Section 13 hereof.

“Final Official Statement” means the official statement of the Issuer dated March \_\_, 2013, prepared in connection with the issuance of the Notes.

“Fiscal Year End” shall mean the last day of the Issuer’s fiscal year, currently June 30.

“Listed Events” shall mean any of the events listed in Section 2 of this Continuing Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

“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. Event Notices.**

(a) The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Notes, notice of the occurrence of such event:

- (i) principal and interest payment delinquencies;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;

(v) adverse tax opinions, the issuance by the Internal Revenue Service or 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 Notes, or other events affecting the tax status of the security;

(vi) tender offers;

(vii) bankruptcy, insolvency, receivership, or a similar proceeding by the Issuer;

(viii) Bond defeasances; and

(ix) rating changes.

(b) The Issuer agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Notes, notice of the occurrence of such event, if material:

(i) non-payment related defaults;

(ii) modifications to rights of Bond holders;

(iii) Bond calls;

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

(v) consummation of a merger, consolidation, acquisition involving the Issuer, other than the ordinary course of business, or the sale of all or substantially all the assets of the Issuer, or the entry into a definitive agreement to engage in such a transaction, or a termination of such an agreement, other than in accordance with its terms; and

(vi) appointment of a successor or additional trustee, or the change in the name of the trustee.

**Section 3. Termination of Reporting Obligation.** The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

**Section 4. Agent.** The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

**Section 5. Amendment; Waiver.** Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes and (ii) the Agreement as so amended 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. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided

on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

**Section 6. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communications, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 7. Enforceability.** The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Notes. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Notes of such failure. The present address of the Issuer is City of New Britain, 27 West Main Street, New Britain, CT 06051, ATTN: Mayor. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Notes to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Notes.

**Section 8. Governing Law.** This Agreement shall be governed by the laws of the State of Connecticut.

**Section 12. Method of Filing.** To the extent filings are required to be made to the MSRB under this Agreement, the Issuer shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA as provided at <http://emma.msrb.org/> or any similar system that is acceptable to the SEC.

**IN WITNESS WHEREOF**, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

**CITY OF NEW BRITAIN, CONNECTICUT**

By: \_\_\_\_\_  
Timothy E. O'Brien Jr.  
Mayor

By: \_\_\_\_\_  
Teresa Sapieha-Yanchak  
Treasurer

## ***Appendix F***

### ***Notice of Sale – The Bonds***

**Notice Of Sale**  
**City of New Britain, Connecticut**  
**\$19,225,000 General Obligation Bonds, Issue of 2013**  
**dated the Date of Delivery**  
**(the “Bonds”)**

ELECTRONIC BIDS VIA **PARITY**® will be received by the **CITY OF NEW BRITAIN, CONNECTICUT**, (the “City”) at the New Britain City Hall, 27 West Main Street, New Britain, Connecticut 06051, until **11:30 A.M. (E.T.) on Tuesday,**

**March 19, 2013**

for the purchase, when issued, at not less than par and accrued interest, if any, from the date of the Bonds to the date of delivery, of the whole of

\$19,225,000 General Obligation Bonds, Issue of 2013  
dated the Date of Delivery

The Bonds are payable annually on March 15, in the principal amounts and years as set forth below:

<u><b>Amount</b></u>	<u><b>Due</b></u>
\$960,000	2014-2028
\$965,000	2029-2033

Interest on the Bonds will be payable on September 15, 2013 and semiannually thereafter on the 15<sup>th</sup> day of March and September in each year until maturity. The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be delivered to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in the principal amount of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium (if any) and interest on the Bonds will be payable by the City to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the City fails to identify another qualified securities depository to replace DTC, or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the City will authenticate and deliver replacement Bonds in the form of fully registered Bond certificates directly to the beneficial owners of the Bonds or their nominees. (The record dates for the Bonds will be the last day of February and August, or the preceding business day if such day is not a business day.) The Bonds will be certified by the Registrar, Transfer Agent and Paying Agent which shall be U.S. National Bank Association.

The Bonds maturing on or before March 15, 2021 are not subject to redemption prior to maturity. The Bonds maturing on March 15, 2022 and thereafter are subject to redemption prior to maturity, at the option of the City, on or after March 15, 2021, either in whole or in part at any time, in such order of maturity and amount as the City may determine, and by lot within a maturity, at the respective prices (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth as follows, plus interest accrued and unpaid to the redemption date:

<u><b>Redemption Dates</b></u>	<u><b>Redemption Price</b></u>
March 15, 2021 and thereafter	100%

Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and shall specify in a multiple of one-eighth (1/8) or

one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear, but shall NOT specify (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds which exceeds the interest rate specified in such proposal for any other Bonds by more than three (3) percentage points. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery, if any. No bid for less than par and accrued interest will be considered.

Unless all bids are rejected, the Bonds will be awarded to the bidder whose bid will result in the lowest true interest cost ("TIC") to the City. The TIC will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to March 27, 2013, the dated date of the Bonds, results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery of the Bonds. In the event that two or more bidders offer bids at the same lowest TIC, the City will determine by lot which of such bidders will be awarded the Bonds. The purchase price must be paid in federal funds.

Electronic bids for the purchase of the Bonds may be submitted through the facilities of **PARITY**<sup>®</sup> until 11:30 A.M. (E.T.) on Tuesday, March 19, 2013. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY**<sup>®</sup>, including any fee charged, may be obtained from **PARITY**<sup>®</sup>, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 404-8102 - email notice: [PARITY@i-Deal.com](mailto:PARITY@i-Deal.com)). The City neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**<sup>®</sup> is communicated to the City, it shall constitute an irrevocable offer in response to this Notice of Sale, and shall be binding upon the bidder. By submitting a bid for the Bonds via **PARITY**<sup>®</sup>, the bidder represents and warrants to the City that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the City will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice of Sale. **The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY<sup>®</sup>, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY<sup>®</sup>, the use of PARITY<sup>®</sup> facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

**Disclaimer.** Each **PARITY**<sup>®</sup> prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY**<sup>®</sup> for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor **PARITY**<sup>®</sup> shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the City nor **PARITY**<sup>®</sup> shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**<sup>®</sup>. The City is using **PARITY**<sup>®</sup> as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of **PARITY**<sup>®</sup> to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**<sup>®</sup> are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY**<sup>®</sup> at (212) 404-8102. If any provision of this Notice of Sale shall conflict with information provided by **PARITY**<sup>®</sup>, this Notice of Sale shall control.

The Bonds will be general obligations of the City payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limit as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to provisions of the Connecticut General Statutes. Under existing statutes the State of Connecticut is obligated to pay to the City the amount of tax revenue which the City would have received except for the limitation upon its power to tax such dwelling houses.

At or prior to the delivery of the Bonds the successful bidder shall be furnished, without cost, with the approving opinion of its Bond Counsel, Pullman & Comley, LLC of Hartford, Connecticut, substantially in the form set out in Appendix B to the Official Statement. The winning bidder will also be furnished with a receipt of payment for the Bonds, a Signature and No Litigation Certificate dated as of the date of delivery of the Bonds, stating that there is no litigation pending, or to the knowledge of the signers thereof, threatened, affecting the validity of the Bonds or the power of the City to levy and collect taxes to pay them. A signed copy of the Official Statement prepared for this Bond issue will also be furnished together with a certificate of the City relating to the accuracy and completeness of the Official Statement.

The opinion of Bond Counsel will provide: (i) that the Bonds will be valid general obligations of the City when duly certified; (ii) that, assuming the accuracy of and continued compliance by the City with its representations, statements of intention, certifications of fact and covenants contained in a certain Tax Regulatory and Compliance Agreement (the "Agreement") relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code") and other certifications received from the City, as to which bond counsel has made no independent verification, under existing law interest on the Bonds is not included in the gross income of the owners thereof for federal income tax purposes pursuant to the Code and although interest on the Bonds is not treated as a preference item for purposes of calculating the federal alternative minimum tax, in the case of certain corporations (as defined for federal tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax and, (iii) that interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. In rendering the legal opinion, Pullman & Comley, LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Agreement entered into by the City for the benefit of the owners of the Bonds and further, will assume continuing compliance by the City with the covenants and procedures set forth in the Agreement. Copies of the opinion will be printed upon each of the Bonds, and a signed opinion will be filed with the Paying Agent.

The City has prepared a Preliminary Official Statement dated March 13, 2013 for the Bonds, which is deemed final as of its date for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. Bidders must acknowledge in their respective bids that they have received and reviewed such Preliminary Official Statement. The City will make available to the winning purchaser 50 copies of the Official Statement, dated March 19, 2013, as prepared by the City at the City's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of the City's financial advisor, Phoenix Advisors, LLC, by the seventh business day after the day bids on the Bonds are received. If the City's financial advisor is provided with the necessary information from the winning purchaser by noon of the date following the day bids on the Bonds are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriting, the name of the insurer, if any, on the Bonds and any corrections. The purchaser shall arrange with the financial advisor the method of delivery of the copies of the Official Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

The City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix D to the Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds and (iii) timely notice of a failure by the City to provide the required annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Bonds will not be designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for federal income tax purposes of a portion of interest expense allocable to tax exempt obligations.

It shall be the responsibility of the purchaser to furnish to Pullman & Comley, LLC, Hartford, Connecticut, in writing before delivery of the Bonds the reoffering prices at which a substantial portion of the bonds of each maturity initially were sold. The completed certificate should be delivered to Marie V. Phelan, Esq. Pullman & Comley, LLC, 90 State House Square, Hartford, Connecticut 06103, (860) 424-4337.

The Bonds will be delivered to U.S. Bank National Association as agent for DTC in New York, New York on or about March 27, 2013 against payment in immediately available federal funds. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Bonds prior to delivery and the City will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning purchaser to obtain such numbers and to supply them to the City in a timely manner.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the City, reference is made to the Preliminary Official Statement dated March 13, 2013. Copies of the Preliminary Official Statement may be obtained from Ms. Rebecca Salerni, Acting Director of Finance, City Hall, 27 West Main Street, New Britain, Connecticut 06051 (860) 826-3440 or from Mr. Matthew Spoerndle, Phoenix Advisors, LLC (203) 878-4945.

Timothy E. O'Brien Jr.  
Mayor

Teresa Sapieha-Yanchak  
Treasurer

March 13, 2013

## ***Appendix G***

### ***Notices of Sale – The Notes***

**Notice Of Sale**  
**City of New Britain, Connecticut**  
**\$25,280,000 General Obligation Bond Anticipation Notes**  
**Dated March 27, 2013    Due March 26, 2014**

ELECTRONIC BIDS VIA **PARITY**<sup>®</sup> will be received by the **CITY OF NEW BRITAIN**, Connecticut (the "City") at New Britain City Hall, 27 West Main Street, New Britain, CT 06051 until **11:00 A.M. (ET), Tuesday**

**March 19, 2013**

for the purchase of the above-captioned **CITY OF NEW BRITAIN** General Obligation Bond Anticipation Notes (the "Notes").

The Notes will be dated March 27, 2013 and will be payable to the registered owners at maturity on March 26, 2014. The Notes will bear interest (computed on a 360-day year, 30-day per month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any such proposal.

Electronic bids for the purchase of the Notes must be submitted electronically via **PARITY**<sup>®</sup>, in accordance with this Notice of Sale, until 11:00 A.M. (ET) on Tuesday, March 19, 2013, but no bid will be received after the time for receiving bids specified herein. To the extent any instructions or directions set forth in **PARITY**<sup>®</sup> shall conflict with information in this Notice of Sale, the terms of this Notice of Sale shall control. Further information about **PARITY**<sup>®</sup>, including any fee charged, may be obtained from **PARITY**<sup>®</sup>, c/o i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018, or by telephone: (212) 849-5021. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. The City neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**<sup>®</sup> is communicated to the City, it shall constitute an irrevocable offer, in response to this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. By submitting a bid for the Notes via **PARITY**<sup>®</sup>, the bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the City will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Notes on the terms described in this Notice of Sale. **The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY<sup>®</sup>, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY<sup>®</sup>, the use of PARITY<sup>®</sup> facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

**Disclaimer.** Each **PARITY**<sup>®</sup> prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY**<sup>®</sup> for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor **PARITY**<sup>®</sup> shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the City nor **PARITY**<sup>®</sup> shall be responsible for a bidder's failure to make a bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**<sup>®</sup>. The City is using **PARITY**<sup>®</sup> as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Notes. The City is not bound by any advice and determination of **PARITY**<sup>®</sup> to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**<sup>®</sup> are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any such costs or expenses. If a prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Notes, the prospective bidder should telephone **PARITY**<sup>®</sup> at (212) 849-5021.

## **Bid Requirements**

A proposal may be for all or any part of the Notes, but any proposal for a part must be for a whole multiple of \$100,000, except that one such proposal for a part may include the odd \$80,000 of principal amount. A separate proposal will be required for each part of the Notes for which a separate stated interest rate is bid.

## **Award, Delivery and Payment**

Unless all bids are rejected, the Notes will be awarded on the basis of the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom any premium offered. As between proposals resulting in the same lowest net interest cost, the award will be made on the basis of the highest principal amount of the notes specified. No bid for less than par will be considered and the City reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the net interest cost shall be the same as in the bidder's proposal with respect to the amount bid, carried to four places. It is requested that each proposal be accompanied by a statement of the net interest cost percentage computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal funds.

The full faith and credit of the City will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the City payable from ad valorem taxes levied on all taxable property in the City without limitation as to rate or amount except classified property such as certified forest land, taxable at a limited rate and dwelling houses of qualified elderly persons of low income and qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. The Notes will be certified by U.S. Bank National Association, Hartford, Connecticut and the opinion of Pullman & Comley, LLC, Bond Counsel, approving the legality of the Notes and setting forth that they are valid general obligations of the City will be furnished the winning bidders without charge. Each winning bidder will also receive a Signature and No Litigation Certificate and a receipt of payment.

The legal opinion will state further that, under existing law (i) interest on the Notes is not included in the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purpose of the federal alternative minimum tax however with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax, (iii) under existing statutes, the interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. Bond Counsel will express no opinion regarding other federal or state income tax consequences caused by ownership of, or disposition of the Notes. In rendering its legal opinion, Pullman & Comley, LLC will rely upon and assume the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Regulatory and Compliance Agreement entered into by the City for the benefit of the owners of the Notes and will assume continuing compliance by the City with the covenants set forth in such agreement and with the requirements of the Code.

The Notes will 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.

Subject to the paragraph below, the Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the purchasers. The Notes, when issued, 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. Purchases of the Notes will be made in book-entry only form, in the denomination of \$100,000 or integral multiples in excess thereof of \$1,000, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the City or its agent in Federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be

the responsibility of such participants and other nominees of beneficial owners. The City will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

It shall be the responsibility of the successful bidder or bidders to furnish to Pullman & Comley LLC, Hartford, Connecticut, in writing before delivery of the Notes the reoffering prices at which a substantial portion of the Notes initially were sold. The completed certificate should be delivered to Marie V. Phelan, Esq. Pullman & Comley LLC, 90 State House Square, Hartford, Connecticut 06103, (860) 424-4337.

It is anticipated that the Notes will be ready for delivery to DTC in New York City on or about March 27, 2013. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder(s) to obtain at its cost CUSIP numbers for the Notes prior to delivery, and the City will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning bidder(s) to obtain such numbers and to supply them to the City in a timely manner.

Timothy E. O'Brien Jr.  
Mayor

Teresa Sapieha-Yanchak  
Treasurer

March 13, 2013

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