

OFFICIAL STATEMENT DATED MARCH 22, 2012

Refunding Issue/New Issue – Book-Entry-Only

Ratings: (See “Ratings” herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance 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 excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds and the Notes may be includable in the calculation of certain taxes under the Code, including the federal alternative minimum tax imposed on certain corporations. 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 Matters” herein.



CITY OF HARTFORD, CONNECTICUT
\$71,280,000 GENERAL OBLIGATION BONDS

DAC Bond[®]

Consisting of:

\$50,000,000 General Obligation Bonds
Series 2012A

\$21,280,000 General Obligation Refunding Bonds
Series 2012B

(Collectively, the “Bonds”)

Dated: Date of Delivery

Due: As Shown on Inside Cover Page

Interest on the General Obligation Bonds, Series 2012A (the “Series A Bonds”), will be payable October 1, 2012 and semiannually thereafter on April 1 and October 1 of each year until maturity or earlier redemption. Interest on the General Obligation Bonds, Series 2012B (the “Series B Bonds” and together with the Series A Bonds, the “Bonds”), will be payable July 15, 2012 and semiannually thereafter on January 15 and July 15 of each year until maturity or earlier redemption. The Bonds are issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in denominations of \$5,000 or any multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See “Book-Entry-Only System” herein.

The Bonds will be general obligations of the City of Hartford, Connecticut (the “City”), and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. See “Security and Remedies” herein. The Bonds are subject to redemption prior to maturity. See “Redemption Provisions” herein.



The scheduled payment of principal of and interest on the Series A Bonds maturing April 1, 2019 through April 1, 2023, inclusive, the Series A Bonds maturing April 1, 2031 and April 1, 2032, and the Series B Bonds maturing July 15, 2021 and July 15, 2022 (the “Insured Bonds”) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by ASSURED GUARANTY MUNICIPAL CORP.

\$52,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: April 12, 2012

Due: April 11, 2013

The General Obligation Bond Anticipation Notes (the “Notes”) will be issued in book-entry-only form and will bear interest at such rates or rates per annum as shown on the inside cover page. The Notes will be registered in the name of Cede & Co., as Noteowner and nominee for DTC, New York, New York.

The Notes will be general obligations of the City, and the City will pledge its full faith and credit to pay the principal of and interest on the Notes when due. The Notes are not insured. See “Security and Remedies” herein. The Notes are not subject to redemption prior to maturity.

The Bonds and the Notes are offered for delivery when, as and if issued, and received by the Underwriters, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. Certain matters will be passed upon for the Underwriters by Pullman & Comley, LLC, of Hartford and Bridgeport, Connecticut. Certain legal matters will be passed upon by the City’s Disclosure Counsel, Murtha Cullina LLP, of Hartford, Connecticut. It is expected that delivery of the Bonds and the Notes in definitive form will be made on or about April 12, 2012 through the facilities of DTC.

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

PiperJaffray

CASTLEOAK SECURITIES, L.P.

RBC CAPITAL MARKETS

WILLIAM BLAIR



CITY OF HARTFORD, CONNECTICUT
\$71,280,000 GENERAL OBLIGATION BONDS
Consisting of:

\$50,000,000
GENERAL OBLIGATION BONDS, SERIES 2012A

Dated: Date of Delivery

Due: April 1, as shown below

| Due | Amount | Interest Rate | Yield | CUSIP Number | Due | Amount | Interest Rate | Yield | CUSIP Number |
|-------------------|-------------|---------------|--------|--------------|-------------------|-------------|---------------|---------------------|--------------|
| 2013 | \$2,500,000 | 2.000% | 0.380% | 416415AB3 | 2023 ¹ | \$2,500,000 | 5.000% | 3.400% ² | 416415AM9 |
| 2014 | 2,500,000 | 4.000 | 0.730 | 416415AC1 | 2024 | 2,500,000 | 5.000 | 3.600 ² | 416415AN7 |
| 2015 | 2,500,000 | 5.000 | 1.120 | 416415AD9 | 2025 | 2,500,000 | 5.000 | 3.700 ² | 416415AP2 |
| 2016 | 2,500,000 | 5.000 | 1.680 | 416415AE7 | 2026 | 2,500,000 | 5.000 | 3.800 ² | 416415AQ0 |
| 2017 | 2,500,000 | 5.000 | 1.920 | 416415AF4 | 2027 | 2,500,000 | 5.000 | 3.880 ² | 416415AR8 |
| 2018 | 2,500,000 | 5.000 | 2.350 | 416415AG2 | 2028 | 2,500,000 | 5.000 | 3.950 ² | 416415AS6 |
| 2019 ¹ | 2,500,000 | 5.000 | 2.660 | 416415AH0 | 2029 | 2,500,000 | 5.000 | 4.000 ² | 416415AT4 |
| 2020 ¹ | 2,500,000 | 5.000 | 2.870 | 416415AJ6 | 2030 | 2,500,000 | 5.000 | 4.030 ² | 416415AU1 |
| 2021 ¹ | 2,500,000 | 5.000 | 3.090 | 416415AK3 | 2031 ¹ | 2,500,000 | 5.000 | 4.000 ² | 416415AV9 |
| 2022 ¹ | 2,500,000 | 5.000 | 3.260 | 416415AL1 | 2032 ¹ | 2,500,000 | 5.000 | 4.040 ² | 416415AW7 |

¹Assured Guaranty Municipal Corp insured.

²Priced assuming redemption on April 1, 2022; however, any such redemption is at the optional election of the City.

\$21,280,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012B

Dated: Date of Delivery

Due: July 15, as shown below

| Due | Amount | Interest Rate | Yield | CUSIP Number | Due | Amount | Interest Rate | Yield | CUSIP Number |
|------|------------|---------------|--------|--------------|-------------------|------------|---------------|--------------------|--------------|
| 2012 | \$ 560,000 | 2.000% | 0.210% | 416415AX5 | 2018 | \$ 500,000 | 3.000% | 2.400% | 416415BL0 |
| 2013 | 1,245,000 | 2.000 | 0.640 | 416415AY3 | 2019 | 860,000 | 2.500 | 2.710 | 416415BE6 |
| 2014 | 3,025,000 | 4.000 | 0.760 | 416415AZ0 | 2019 | 1,000,000 | 5.000 | 2.710 | 416415BM8 |
| 2015 | 1,855,000 | 5.000 | 1.200 | 416415BA4 | 2020 | 1,845,000 | 4.000 | 3.020 | 416415BF3 |
| 2016 | 100,000 | 4.000 | 1.710 | 416415BB2 | 2021 ¹ | 1,105,000 | 3.000 | 3.180 | 416415BG1 |
| 2016 | 1,775,000 | 5.000 | 1.710 | 416415BK2 | 2021 ¹ | 725,000 | 4.000 | 3.180 | 416415BN6 |
| 2017 | 1,895,000 | 5.000 | 1.960 | 416415BC0 | 2022 ¹ | 1,810,000 | 3.125 | 3.350 | 416415BH9 |
| 2018 | 1,385,000 | 2.125 | 2.400 | 416415BD8 | 2023 | 1,595,000 | 5.000 | 3.540 ² | 416415BJ5 |

¹Assured Guaranty Municipal Corp insured.

²Priced assuming redemption on July 15, 2022; however, any such redemption is at the optional election of the City.

\$52,500,000
GENERAL OBLIGATION BOND ANTICIPATION NOTES

Dated: April 12, 2012

Due: April 11, 2013

| | | |
|-----------------------------|---------------------|--------------------------------|
| Interest Rate: 2.00% | Yield: 0.37% | CUSIP Number: 416415AA5 |
|-----------------------------|---------------------|--------------------------------|

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CITY OF HARTFORD, CONNECTICUT
\$71,280,000 GENERAL OBLIGATION BONDS and
\$52,500,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES

INTRODUCTION

This Official Statement, including the cover page, inside cover page and appendices, is provided for the purpose of presenting certain financial information and economic and demographic data relevant to the City of Hartford, Connecticut (the "City") in connection with the issuance and sale of its \$71,280,000 General Obligation Bonds, consisting of \$50,000,000 General Obligation Bonds, Series 2012A (the "Series A Bonds"), and \$21,280,000 General Obligation Refunding Bonds, Series 2012B (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") and \$52,500,000 General Obligation Bond Anticipation Notes (the "Notes").

The 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 or the Notes. This Official Statement does not constitute an offer to sell the Bonds or the Notes in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, salesperson, or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Bonds or the Notes, and, if given or made, such information or representation must not be relied upon. Any statements 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 to 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 and summaries and explanations 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 and all reference to the Bonds and the Notes and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings, and reference is made to said laws for full and complete statements of their provisions. **Statements in this Official Statement that are not historical facts are forward-looking statements based on current expectations of future events and are subject to risks and uncertainty that could cause actual results to differ materially from those expressed or implied by such statements. In addition, the City, through its officials, from time to time makes forward-looking public statements concerning its expected future operations and performance and other developments. All of these forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, the City's actual results may differ materially from those it expected. The City therefore cautions against placing substantial reliance on the forward-looking statements included in this Official Statement. All forward-looking statements included in this Official Statement are made only as of the date hereof and we assume no obligation to update any written or oral forward-looking statements made by the City or on its behalf as a result of new information, future events or other factors.**

The Financial Advisor for this issue is Webster Bank, National Association ("Webster Bank"). The information in this Official Statement has been prepared by Webster Bank from information supplied by City officials and other sources as indicated. Webster Bank does not assume responsibility for the adequacy or accuracy of the statements made herein and makes no representation that it has independently verified the same.

The information and expressions of opinion herein are subject to change without notice and 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 of the Official Statement.

U.S. Bank National Association, Hartford, Connecticut, will act as Certifying Agent, Registrar, Transfer Agent and Paying Agent for the Series A Bonds and the Notes and Certifying Agent, Registrar, Transfer Agent, Paying Agent and Escrow Agent for the Series B Bonds.

McGladrey & Pullen, LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP, also has not performed any procedures relating to this Official Statement.

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

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in the Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Underwriters' Counsel is not passing upon and does not assume responsibility for the accuracy or adequacy and completeness of the statements made in this Official Statement, and it makes no representation that it has independently verified the same.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix D - Specimen Municipal Bond Insurance Policy".

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OR THE NOTES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

SECTION I - SECURITIES OFFERED

Description of the Bonds

The Bonds will be dated the date of delivery and will bear interest at the rate or rates per annum shown on the inside cover page of the Official Statement. Interest on the Series A Bonds is payable on October 1, 2012 and semiannually thereafter on April 1 and October 1 in each year until maturity or earlier redemption. Interest on the Series B Bonds is payable on July 15, 2012 and semiannually thereafter on January 15 and July 15 in each year until maturity or earlier redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Series A Bonds will be payable to the registered owners thereof as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner; or so long as the Series A 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. Interest on the Series B Bonds will be payable to the registered owners thereof as of the close of business on the last business day of June and December in each year by check mailed to the registered owner; or so long as the Series B 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. The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut, which will also act as the Registrar, Transfer Agent, Paying Agent and Escrow Agent. The Series A Bonds maturing April 1, 2019 through April 1, 2023, inclusive, the Series A Bonds maturing April 1, 2031 and April 1, 2032, and the Series B Bonds maturing July 15, 2021 and July 15, 2022 will be insured by Assured Guaranty Municipal Corp. under a policy issued concurrently with their delivery.

Description of the Notes

The Notes will be issued as fully registered notes, will be dated the date of delivery and will be due and payable as to both principal and interest at maturity on April 11, 2013. The Notes will bear interest at the rates or rates per annum set forth on the inside cover page hereof, and interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC, and its participants pursuant to the rules and procedures established by DTC and its participants. The Notes are not subject to redemption prior to maturity. Principal and interest on the Notes will be payable at the principal office of U.S. Bank National Association, Hartford, Connecticut. The Notes will not be insured.

Authorization and Purpose

Authorization: The Bonds and the Notes are being issued pursuant to Title 7 of the General Statutes of Connecticut, as amended (the "Connecticut General Statutes"), the Charter of the City and certain bond ordinances adopted by the Common Council of the City with respect to the Series A Bonds and the Notes, and a resolution adopted by the Common Council on January 23, 2012, authorizing refunding bonds of the City in an amount not to exceed \$70,000,000.

Purpose: \$41,477,500 of the Series A Bonds will be used to fund various public improvement projects, and \$8,522,500 of the Series A Bonds will be used to fund the City's portion of various school projects. The Series B Bonds will be used to refund certain outstanding general obligation bonds of the City (see "Plan of Refunding" herein). \$38,755,000 of the Notes will be used to fund various public improvement projects, and \$13,745,000 of the Notes will be used to fund the City's portion of various school projects. See "State School Construction Grants" herein.

State School Construction Grants

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible construction expenses on school construction projects approved after July 1, 1996. State grants will be paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for the net share of project costs. The City's overall reimbursement rate is approximately 90% of eligible costs. The State generally retains a certain percentage of the grant payments pending final audit upon close-out of a project. The school construction projects being financed with this issue will receive reimbursement under this method.

As of February 15, 2012, the City has appropriated \$915,370,000 and authorized bonds in the amount of \$470,703,500 for its share of various school construction projects. The City has received grants totaling \$458,460,550 and has issued bonds totaling \$127,440,000 for various school projects.

Plan of Refunding

The Series B Bonds are being issued to refund at or prior to maturity all or any portion of certain outstanding maturities of the City's General Obligation Bonds, including but not limited to the Refunded Bonds as set forth below.

| <u>Dated Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Par Amount</u> | <u>Redemption Date</u> | <u>Redemption Price</u> | <u>CUSIP Number</u> |
|-------------------|----------------------|----------------------|---------------------|------------------------|-------------------------|---------------------|
| 05/15/01: | 05/15/13 | 4.600% | \$1,150,000 | 05/15/12 | 101.00% | 416414N97 |
| | 05/15/14 | 4.700 | 1,150,000 | 05/15/12 | 101.00 | 416414P20 |
| | 05/15/15 | 4.750 | <u>1,150,000</u> | 05/15/12 | 101.00 | 416414P38 |
| | | | \$3,450,000 | | | |
| 07/15/04: | 08/15/14 | 4.000% | \$ 1,800,000 | 08/15/13 | 100.00% | 416414U40 |
| | 08/15/15 | 4.000 | 1,800,000 | 08/15/13 | 100.00 | 416414U57 |
| | 08/15/16 | 4.250 | 1,800,000 | 08/15/13 | 100.00 | 416414U65 |
| | 08/15/17 | 4.250 | 1,800,000 | 08/15/13 | 100.00 | 416414U73 |
| | 08/15/18 | 4.375 | 1,800,000 | 08/15/13 | 100.00 | 416414U81 |
| | 08/15/19 | 5.000 | 1,800,000 | 08/15/13 | 100.00 | 416414U99 |
| | 08/15/20 | 4.500 | 1,800,000 | 08/15/13 | 100.00 | 416414V23 |
| | 08/15/21 | 4.600 | 1,800,000 | 08/15/13 | 100.00 | 416414V31 |
| | 08/15/22 | 4.700 | 1,800,000 | 08/15/13 | 100.00 | 416414V49 |
| | 08/15/23 | 4.750 | <u>1,600,000</u> | 08/15/13 | 100.00 | 416414V56 |
| | | | \$17,800,000 | | | |
| | | | <u>\$21,250,000</u> | | | |

The refunding is contingent upon delivery of the Series B Bonds.

Upon delivery of the Series B Bonds, a portion of the bond proceeds will be deposited in an irrevocable trust fund (the "Escrow Deposit Fund") established with U.S. Bank National Association, as escrow agent (the "Escrow Agent"), under an Escrow Agreement (the "Escrow Agreement") dated as of April 12, 2012 between the Escrow Agent and the City. The Escrow Agent will use such proceeds to purchase a portfolio of non-callable direct obligations of, or obligations guaranteed by, the government of the United States of America, including United States Treasury State and Local Government Series ("SLGS") securities, Federal National Mortgage Association ("FNMA") securities, and any other securities permitted by Section 7-400 of the Connecticut General Statutes, all of which shall not be callable or prepayable at the option of the issuer thereof (the "Escrow Securities"). The City may also enter into an agreement to reinvest receipts from Escrow Securities not immediately required to pay the principal of and redemption premium, if any, and interest on the Refunded Bonds. All investment income on and the maturing principal of the Escrow Securities held in the Escrow Deposit Fund will be irrevocably deposited by the City for payment of the Refunded Bonds. The balance of the proceeds of the Series B Bonds will be used to pay costs of issuance, bond insurance premium, if any, and Underwriters' discount.

Verification of Mathematical Computations

AMTEC will verify from the information provided to it the mathematical accuracy as of the date of the closing of the Series B Bonds of: (1) the computation that the anticipated receipts from the Escrow Securities and cash deposits set forth in the Underwriters' schedules will be sufficient to pay, when due, the principal, interest and applicable call premium, if any, payment requirements of the Refunded Bonds, and (2) the computations of yield on the Bonds and the Notes and the Escrow Securities contained in the provided schedules. AMTEC will express no opinion on the assumptions provided to it.

Optional Redemption

Series A Bonds

The Series A Bonds maturing on and after April 1, 2023 will be subject to redemption prior to maturity, at the option of the City, on and after April 1, 2022, either in whole or in part at any time in such amounts and in such order of maturity (but by lot within a maturity) as the City may determine, at the following redemption prices, expressed as a percentage of principal amount, plus accrued interest to the date set for redemption.

| <u>Period During Which Redeemed</u> | <u>Redemption Price</u> |
|-------------------------------------|-------------------------|
| April 1, 2022 and thereafter | 100% |

Series B Bonds

The Series B Bonds maturing on and after July 15, 2023 will be subject to redemption prior to maturity, at the option of the City, on and after July 15, 2022, either in whole or in part at any time in such amounts and in such order of maturity (but by lot within a maturity) as the City may determine, at the following redemption prices, expressed as a percentage of principal amount, plus accrued interest to the date set for redemption.

| <u>Period During Which Redeemed</u> | <u>Redemption Price</u> |
|-------------------------------------|-------------------------|
| July 15, 2022 and thereafter | 100% |

Notice of Redemption

Notice of redemption shall be given by the City or its agent by mailing a copy of the redemption notice by first-class mail at least thirty days prior to the date fixed for redemption 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 giving 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 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 Bond to be redeemed shall be in the principal amount of \$5,000 or integral multiples 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 book-entry system is used for the Bonds being called for redemption, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant (as defined below), or of any DTC Participant or Indirect Participant (as defined below) to notify any Indirect Participant or Beneficial Owner (as defined below), 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 amounts 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 interests held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemption 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 allocations of reductions of interest 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 the Paying Agent.

Sources and Uses of Proceeds

Proceeds of the Bonds and Notes will be applied as follows:

| | <u>Series A</u> <u>Bonds</u> | <u>Series B</u> <u>Bonds</u> | <u>Notes</u> | <u>Total</u> |
|--------------------------------------|---------------------------------|---------------------------------|-------------------|---------------------|
| Sources: | | | | |
| Proceeds of the Bonds | \$50,000,000.00 | \$21,280,000.00 | \$ - | \$71,280,000.00 |
| Proceeds of the Notes | - | - | 52,500,000.00 | 52,500,000.00 |
| Original issue premium | <u>5,402,000.00</u> | <u>1,461,479.85</u> | <u>849,975.00</u> | <u>7,713,454.85</u> |
| Total Sources | \$55,402,000.00 | \$22,741,479.85 | \$53,349,975.00 | \$131,493,454.85 |
| Uses: | | | | |
| Deposit to project fund | \$54,951,781.69 | \$ - | \$53,200,233.49 | \$108,152,015.18 |
| Deposit to escrow deposit fund | - | 22,493,463.61 | - | 22,493,463.61 |
| Costs of issuance ¹ | <u>450,218.31</u> | <u>248,016.24</u> | <u>149,741.51</u> | <u>847,976.06</u> |
| Total Uses | \$55,402,000.00 | \$22,741,479.85 | \$53,349,975.00 | \$131,493,454.85 |

¹Includes underwriters' discount, bond insurance premium, rating agency fees, legal fees and other expenses.

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. The City has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. Under existing statutes, the State of Connecticut is obligated to pay the City a portion of 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 other 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 or the Notes or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation bonds and notes, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have the power in appropriate proceedings to order 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 may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the 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 and to the exercise of judicial discretion. Under the federal bankruptcy code, the City may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition

applies to any town, city, borough, metropolitan district and to any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

The City has never defaulted on the payment of principal or interest on its general obligation bonds or notes.

Bank Qualification

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 interest expense allocable to the Bonds and the Notes.

Book-Entry-Only System

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

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds and the Notes (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. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and one fully-registered Note certificate will be issued for each interest rate of Notes, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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, 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.

Purchases of the Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 the 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 the 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 Bonds 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 the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments with respect to 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 the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, nor its nominee, the paying agent, or the City subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to the Trustee or Remarketing Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to the Trustee or Remarketing Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Trustee or Remarketing Agent's DTC account.

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

NEITHER THE CITY, THE PAYING AGENT, NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY

DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR NOTES; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS OR NOTEHOLDERS; AND (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER OR NOTEHOLDER.

DTC Practices

The City can make no assurances that DTC, DTC Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds or Notes will 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.

Tax Matters

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

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the City with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds and the Notes is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

Ownership of the Bonds and the Notes may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds and the Notes.

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. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds and the Notes.

Original Issue Discount

The initial public offering price of certain maturities of the Bonds and the Notes may be less than the principal amount payable on such Bonds and Notes at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of the Bonds and the Notes are sold constitutes original issue discount. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond or Note during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Accrued original issue discount on the Bonds and the Notes is excluded from gross income for federal income tax purposes. Original issue discount on any bond or note is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond or note. The original issue discount attributable to any bond or note for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond or note, and (ii) the amount which would be the adjusted basis of the bond or note at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

Original Issue Premium

The initial public offering price of certain maturities of the Bonds and the Notes may be greater than the principal amount payable on such Bonds or Notes at maturity. The excess of the initial public offering price at which a substantial amount of the Bonds and the Notes are sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond or Note during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Amortized original issue premium on the Bonds and the Notes is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond or note is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

Ratings

Upon issuance of the municipal bond insurance policy at the time of delivery of the Bonds by Assured Guaranty Municipal Corp., the Series A Bonds maturing April 1, 2019 through April 1, 2023, inclusive, the Series A Bonds maturing April 1, 2031 and April 1, 2032, and the Series B Bonds maturing July 15, 2021 and July 15, 2022 (the "Insured Bonds") are expected to be rated "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's") and "AA-" (stable outlook) by Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P").

On March 7, 2012, Moody's assigned a rating of "A1" to the Bonds, affirmed the "A1" rating on the City's parity debt outstanding and assigned a rating of "MIG 1" to the Notes. On March 8, 2012, S&P assigned a rating of "A" to the Bonds, affirmed the "A" rating on the City's parity debt outstanding and assigned a

rating of “SP-1” to the Notes. The City furnished to the rating agencies certain information and materials, some of which may not have been included in this Official Statement. The ratings reflect only the view of each rating agency and are subject to revision or withdrawal, which could affect the market price of the Bonds or the Notes. Each rating agency should be contacted directly for its rating on the Bonds and the Notes and the explanation of such rating.

Bond Insurance

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Insured Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA-” (stable outlook) by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (on review for possible downgrade) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody’s issued a press release stating that it had placed AGM’s “Aa3” insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody’s may take. Reference is made to the press release, a copy of which is available at www.moody.com, for the complete text of Moody’s comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM’s financial strength rating from “AA+” to “AA-”. At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P’s comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Capitalization of AGM

At December 31, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,107,919,136 and its total net unearned premium reserve was approximately \$2,171,861,791, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Insured Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "Bond Insurance - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance".

Underwriting

The Bonds and the Notes are being purchased by the Underwriters listed on the cover page of this Official Statement (the "Underwriters"). The Underwriters have agreed to purchase the Series A Bonds at the net aggregate purchase price of \$55,168,674.75 (representing the par amount of the Series A Bonds less an

underwriters' discount of \$233,325.25, plus a net original issue premium of \$5,402,000.00). The Underwriters have agreed to purchase the Series B Bonds at the net aggregate purchase price of \$22,647,496.61 (representing the par amount of the Series B Bonds less an underwriters' discount of \$93,983.24, plus a net original issue premium of \$1,461,479.85). The Underwriters have agreed to purchase the Notes at the net aggregate purchase price of \$53,236,233.49 (representing the par amount of the Notes less an underwriters' discount of \$113,741.51, plus a net original issue premium of \$849,975.00). The Contract of Purchase between the Underwriters and the City (the "Purchase Contract") provides that the Underwriters will purchase all of the Bonds and the Notes, if any are purchased. The obligation of the Underwriters to accept delivery of the Bonds and the Notes is subject to various conditions contained in the Purchase Contract.

The Underwriters intend to offer the Bonds and the Notes to the public initially at the offering prices or yields set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice.

Piper Jaffray and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Distribution Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to Piper Jaffray, including the Bonds and the Notes. Under the Distribution Agreement, Piper Jaffray will share with Pershing LLC a portion of the fee or commission paid to Piper Jaffray.

SECTION II - THE CITY

The Municipality

The City of Hartford was founded by Thomas Hooker and his followers in 1635 and incorporated in 1784. It is the capital of the State of Connecticut and the core of a metropolitan area of over one million people. According to the 2010 Census, Hartford's population as of April 1, 2010 was 124,775, an increase of 0.5% since 2000. The City consists of an 18.4-square-mile area and lies on the west bank of the Connecticut River, midway between New York City and Boston. Interstate Routes 91 and 84 intersect in Hartford. Amtrak provides rail passenger service and the City is served by Bradley International Airport in Windsor Locks just to the north.

As the commercial center for the region, Hartford is home to many industries, including insurance and financial services corporations, and the hub for distribution companies that take advantage of interstate access. The insurance industry, in particular, is a major service specialty, and it spans a range of products, including life insurance, medical insurance, fire/marine/casualty insurance, and pension investments and asset management services, most of which continue to be concentrated in Hartford. Aetna, The Hartford, Phoenix and Travelers are long-standing employers that now stand alongside new names in the Hartford market, such as United Health Group, Prudential Financial and Lincoln National (please see Section III for more on this sector).

In 2009, Hartford became home to a fourth Fortune 500 headquarters operation when Northeast Utilities joined Aetna, The Hartford and United Technologies Corporation. In addition, Lincoln National, Prudential Financial and Travelers, all Fortune 100 companies, have major operations in the City and employ thousands.

Hartford is also home to many arts, entertainment, educational, and cultural establishments. According to the Central Regional Tourism District, Hartford has a higher concentration of arts and entertainment spots than any other location in Connecticut. Also according to the Central Regional Tourism District, over the most recent five-year period, tourism has increased annually in the Greater Hartford area, with tourists staying longer and spending more money.

Hartford is home to leading arts and heritage institutions, including the Wadsworth Atheneum Museum of Art, the nation's first art museum; the Bushnell Center for the Performing Arts; and the Mark Twain House and Museum. The Hartford Stage Company continues to be a major cultural attraction for the entire region, and has developed a national reputation for ground-breaking theater; it completed a \$4.0 million renovation project in October 2010. Additional development activities include the renovated TheaterWorks building in downtown, a factory building that has been transformed into Real Art Ways' arts and entertainment complex and the nationally acclaimed Artists Collective's \$7 million building. The Harriet Beecher Stowe House has undergone a major renovation. In September 2008, the University of Hartford opened the \$21 million Handel Performing Arts Center. The facility, located in the City's Upper Albany Neighborhood, consists of classroom, rehearsal and performance space in a renovated commercial building. Additionally, in the summer of 2009, The Connecticut Science Center was opened in downtown Hartford on the banks of the Connecticut River.

Hartford continues to serve as a regional center and is home to a large network of educational institutions. Colleges and universities in the City include The Hartford Graduate Center, affiliated with Rensselaer Polytechnic Institute, Trinity College, The University of Hartford, the University of Connecticut School of Law, the University of Connecticut School of Business, St. Joseph College's Graduate School of Pharmacy and the Capital Community College. The Learning Corridor, a linear campus, has become a model of joint public/private effort to revitalize a neighborhood formerly characterized by crumbling housing, joblessness and crime. It is an example of voluntary integrated education from kindergarten through high school.

The City's library system is regarded as one of the finest of its kind in the nation and has received many national awards and accolades. The Hartford Public Library has taken a leadership role in promoting and supporting literacy and learning and by providing free and open access to information and ideas. The library recently completed a major renovation of its main facility in Hartford.

The New England Association of Schools and Colleges has accredited all 32 public schools in the Hartford Public School system. The district has raised test scores on the Connecticut Mastery Test for the past several years. The American Federation of Teachers recently recognized the Hartford public schools as having created a model for the improvement of low-performing schools across the nation (the "Hartford Model"). The City is also well under way with a major overhaul of its educational facilities to provide the most modern and up-to-date technological and teaching environment.

Hartford has continued to make progress in addressing the needs of its aging housing stock and increasing homeownership as a means toward stabilizing neighborhoods. The City's Homeownership Appraisal Gap Program provides financing to developers to construct or rehabilitate houses and return them to the City in an effort to increase homeownership with some 400 units completed and sold. The City also has been successful in stimulating homeownership through its House Hartford Down Payment Assistance Program, which provides financing for approximately 45 potential homeowners each year. In addition, the City administers a home improvement and rehabilitation program for existing houses and apartment buildings. Hartford has also seen the metamorphosis of several of its low-income public housing complexes into lower density detached single-family homes and duplexes. According to the City Assessor, this has had a very positive impact on surrounding property values. Additional low-income public housing complexes are currently in the process of being converted into single-family dwellings.

In addition, numerous luxury and high-end housing projects have been completed over the past decade. See Section III, "Economic and Demographic Data - Current Economic Information - Housing Initiatives," for more information on high-end housing development projects in the City.

Government Organization

The Mayor serves as the City's Chief Executive Officer. The Common Council consists of nine members elected at-large and serves as the City's legislative body. The City Treasurer is elected independently and, in addition to his other duties, serves ex officio as Secretary of the Pension Commission. The City Treasurer has responsibility for the care, custody and investment of all pension funds and all other City funds. All elected officials hold their respective offices for a term of four years. In the event a Mayor is unable to serve for the complete term, the Common Council President shall serve as Mayor until the next regularly scheduled general municipal election. In the event a City Treasurer is unable to serve for the complete term, the Common Council shall fill such vacancy by appointment until the next regularly scheduled general municipal election. The Common Council appoints a City Clerk to serve an indefinite term.

Pursuant to the Charter, the Mayor has designated a Chief Operating Officer to carry out responsibilities with regard to the supervision and direction of the departments and agencies of the City and a Director of Finance who is skilled in municipal accounting, budgeting and financial control. An Independent Audit Commission serves as a further fiscal safeguard. Members of the Independent Audit Commission are appointed by the City Treasurer, the Common Council and the ten largest taxpayers of the City. The Mayor appoints the Corporation Counsel and the heads of all departments, members of most boards (including certain members of the Board of Education), commissions (except the Independent Audit Commission), agencies, authorities and other bodies of the City created by General Statutes or by Ordinance. The Common Council confirms the appointment of the Police Chief, Fire Chief, Director of Finance, Director of Development Services and Corporation Counsel.

Financial Powers

Under the Charter, the Mayor prepares and submits an annual budget to the Common Council. The Charter prescribes strict schedules and procedures for budget adoption, requirements for public hearing, balanced budget, pension fund contributions and debt service appropriations. The Common Council may, by ordinance, establish a criterion that the Mayor must use for estimating cash receipts from sources other than the tax levy. No appropriation for debt service and appropriations necessary to fulfill the pension obligations of the City, as determined by the Pension Commission, shall be reduced. The Common Council shall not increase the Mayor's estimates of receipts. The Common Council adopts the budget, the appropriation ordinance and the tax levy ordinance. The Mayor may at any time transfer any unencumbered appropriation balance or portion thereof from one classification of expenditure to another within the same department, office or agency, except that no funds may be transferred from the funds appropriated to the Board of Education. Appropriations in addition to those contained in the budget shall be made only on the recommendation of the Mayor and only if the Director of Finance certifies that there is available general fund surplus sufficient to meet such appropriation.

Governmental Responsibilities and Services

The City provides a broad range of services including public safety, public roads, solid waste collection, health, social services, culture and recreation, education, planning, development, zoning, and general administrative services:

Water and Sewer: The City is a member of The Metropolitan District Commission (the "MDC"), a special district in Hartford County, formed under State statutes to provide water and sanitary sewer services to its eight member municipalities. The MDC's primary purpose is to provide complete, adequate, and modern water supply systems and sewage collection and disposal facilities for its member municipalities. See Section IV, "Debt Section - Overlapping Debt."

Transportation: The Greater Hartford Transit District (the "Transit District"), a regional supervisory and regulatory body in transit-related matters, provides funding for transit systems under state and federal statutes and has bonding power but no taxing powers. The Transit District manages the reconstructed Union Station as a comprehensive transportation center with commercial and retail space in downtown Hartford.

Housing: The Hartford Housing Authority manages a broad public housing program comprising state and federally subsidized programs for more than 4,000 families. Two thousand families participate in Authority programs, and approximately 4,700 families participate in Section 8. This includes approximately 250 units built to homeownership standards; the majority of the units have been sold to Hartford residents who were former residents of public housing or families that are income eligible under Housing and Urban Development ("HUD") rules and regulations. In addition, the Hartford Housing Authority received a \$20 million HUD Hope VI grant to rebuild the Dutch Point Housing Project, a multi-unit public housing project located near Adriaen's Landing. See Section III, "Status of 'Six Pillars' of Economic Development."

Solid Waste Disposal: The City has a long-term Service Contract with the Connecticut Resources Recovery Authority (the "Authority") for the disposal of solid waste and recycled goods through the Authority's Mid-Connecticut System (the "System"), which is located in the City. Each member municipality disposing of solid waste through the System, including the City, has agreed to cause to be delivered to the System all of the solid waste under its legal control. The Authority is required to accept and dispose of solid waste delivered except that each member municipality retains the responsibility for the collection, disposal, and treatment of certain unacceptable solid waste.

The Authority calculates and imposes tipping fees for all solid waste accepted at the System. The aggregate of all such tipping fees shall be sufficient to pay for the net cost of operation of the System. Tipping fees shall be at a uniform rate per ton for all member municipalities. If a member municipality delivers less than its minimum commitment set forth in its Service Contract, such rate shall nonetheless be applied to its minimum commitment amounts. The City is obligated to deliver to the System a minimum of 55,000 tons per year of solid waste. The tipping fee for fiscal year 2011-12 is \$69 per ton. The tipping fee is subject to change

annually based on the net cost of operating the facility. The City also receives landfill rent, payments in lieu of taxes, personal property tax payments for leased property, and tonnage payments based on amounts of bulky waste and total tonnage delivered by all landfill users. The budgeted payments for fiscal year 2011-12 of \$0.5 million will partially offset the tipping fee cost to the City of \$3.9 million.

All member municipalities participating in the System, including the City, pledge their full faith and credit for the payment of all tipping fees. The obligation to pay such tipping fee is absolute and unconditional so long as the Authority shall accept and dispose of solid waste delivered by such municipality.

The City is considering an ordinance concerning the establishment of the Central Connecticut Solid Waste Authority ("CCSWA"). State law allows a group of municipalities to create such an authority to jointly manage their trash disposal and recycling. The ordinance signals Hartford's intent to be part of the CCSWA which is being created with the assistance of the Capital Region Council of Governments. If approved, management of trash and recycling by CCSWA would begin after the City's contract with CRRA expires in 2012.

Municipal Work Force

Full-time Equivalent Positions

| | <u>Budget 2011-12</u> | <u>Actual 2010-11</u> | <u>Actual 2009-10</u> | <u>Actual 2008-09</u> | <u>Actual 2007-08</u> |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| General Government* | 1,486 | 1,407 | 1,488 | 1,592 | 1,526 |
| Board of Education | <u>3,017</u> | <u>3,075</u> | <u>2,993</u> | <u>3,005</u> | <u>3,696</u> |
| Total | 4,503 | 4,482 | 4,481 | 4,597 | 5,222 |

*Includes police, firefighters and emergency services.

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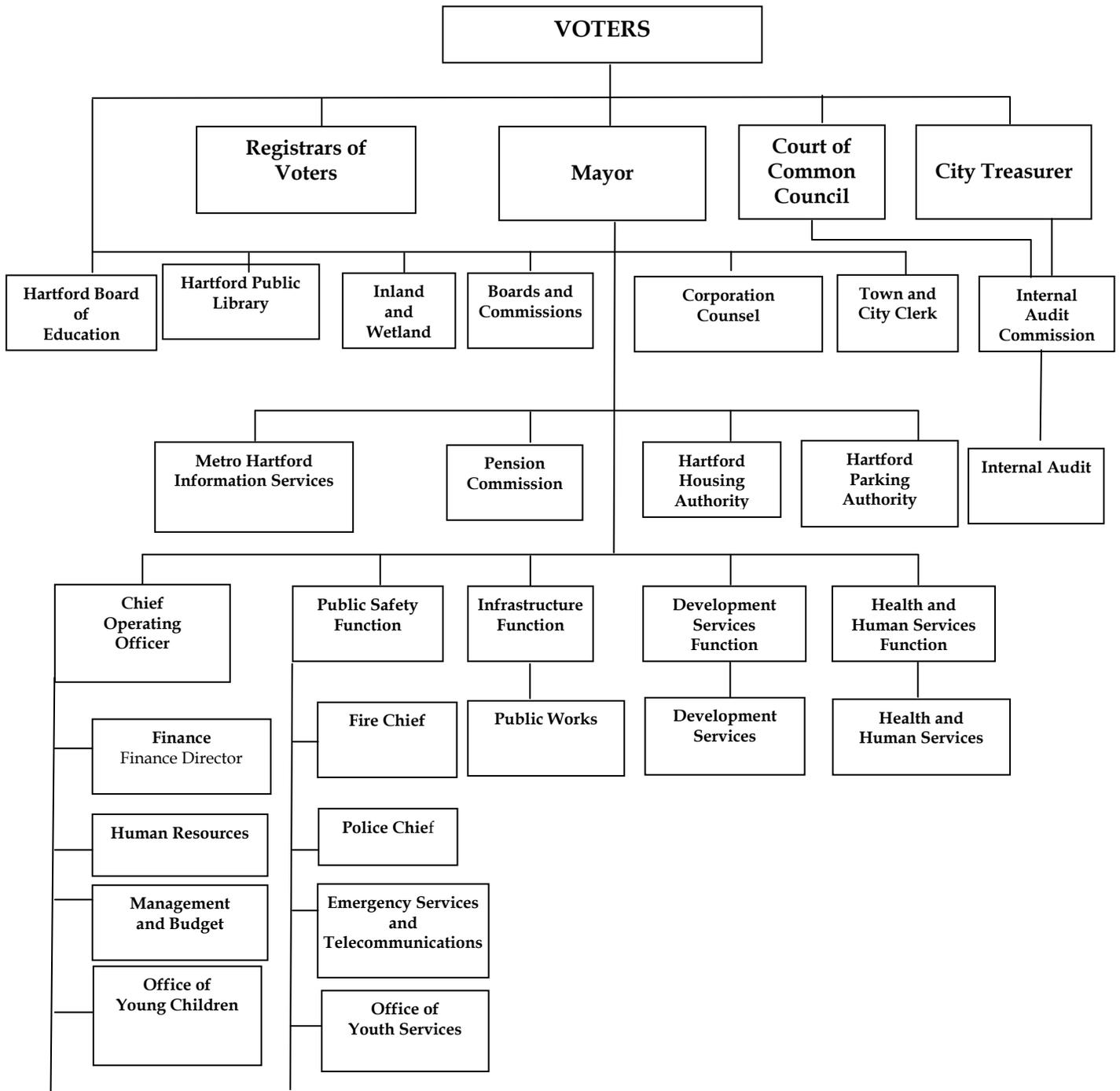
Collective Bargaining Status

| <u>Union</u> | <u>Number of Members¹</u> | <u>Contract Expiration Date</u> | <u>Status of Contracts</u> |
|---|--------------------------------------|---------------------------------|----------------------------|
| <u>Board of Education</u> | | | |
| Hartford Federation of Teachers, Local 1018 | 1,761 | June 30, 2014 | In effect |
| Hartford Federation of School Health Professionals, Local 1018 A/B | 61 | June 30, 2012 | In effect |
| AFSCME, Local 566 | 274 | June 30, 2007 | In negotiations |
| Buildings & Grounds, AFSCME, Local 818 | 6 | June 30, 2014 | In effect |
| Hartford Federation of Special Police Officers, Local 1018-D | 85 | June 30, 2012 | In effect |
| Hartford Educational Support Personnel Local 82 | 195 | June 30, 2010 | In mediation |
| The Hartford Federation of Paraprofessionals, Local 2221 | 360 | June 30, 2012 | In effect |
| The Hartford Federation of School Secretaries, Local 1018-C | 115 | June 30, 2011 | In negotiations |
| The Hartford Principals and Supervisors Association, Local 22 | 111 | June 30, 2013 | In effect |
| The Hartford Federation of Substitute Teachers | 198 | June 30, 2008 | In mediation |
| The Hartford Schools Support Supervisors Association, Local 78 | 35 | June 30, 2014 | In effect |
| The Children's Development Associates Local 1018-F | 51 | June 30, 2011 | In negotiations |
| <u>General Government</u> | | | |
| Hartford Police Union | 468 | June 30, 2010 | In arbitration |
| Firefighters, Local 760, IAFF | 363 | June 30, 2016 | In effect |
| Hartford Municipal Employees Association (non-uniformed supervisory) | 207 | June 30, 2013 | In effect |
| City of Hartford Professional Employees Association (non-supervisory) | 54 | June 30, 2012 | In effect |
| Labor and Clerical, Local 1716, AFSCME | 508 | June 30, 2011 | In arbitration |
| School Crossing Guards Association | 83 | June 30, 2011 | In negotiations |
| Municipal Lawyers Association | 11 | June 30, 2011 | In negotiations |

¹ As of March 12, 2012.

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 a municipal entity may reject an 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 then appoints a 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 gives 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 municipal entity, 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 the light of the employer's financial capability, the panel considers 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.

City Of Hartford - Organizational Chart



Principal Municipal Officials

| <u>Office</u> | <u>Name</u> | <u>Manner of Selection</u> | <u>Date Service Began</u> |
|---|--------------------------|----------------------------|---------------------------|
| Mayor | Pedro E. Segarra | Elected | 06/10 |
| City Treasurer | Adam M. Cloud | Elected | 02/11 |
| Court of Common Council: | | | |
| Council President | Shawn T. Wooden | Elected | 01/12 |
| Majority Leader | Alexander Aponte | Elected | 08/10 |
| Minority Leader | Larry Deutsch | Elected | 01/08 |
| Councilman | Kyle Anderson | Elected | 01/12 |
| Councilman | Luis E. Cotto | Elected | 01/08 |
| Councilman | Raúl De Jesus | Elected | 01/12 |
| Councilman | Cynthia Renee Jennings | Elected | 01/12 |
| Councilman | Kenneth H. Kennedy, Jr. | Elected | 12/01 |
| Councilman | David MacDonald | Elected | 01/12 |
| Chief Operating Officer | David Panagore | Appointed | 07/09 |
| Corporation Counsel | Saundra Kee Borges, Esq. | Appointed | 07/10 |
| Director of Finance | Julio C. Molleda | Appointed | 07/11 |
| City Assessor | John S. Philip | Civil Service | 06/11 |
| Tax Collector | Marc Nelson | Civil Service | 08/08 |
| Town/City Clerk | John V. Bazzano | Appointed | 10/09 |
| Director of Development Services | David Panagore | Appointed | 10/08 |
| Chairman, Pension Commission | Peter N. Stevens | Appointed | 06/05 |
| Chairman, Parking Authority | Patricia LeShane | Appointed | 12/08 |
| Executive Director, Parking Authority | Mark McGovern | Appointed | 06/10 |
| Superintendent of Schools | Christina Kishimoto | Appointed | 03/11 |

Educational System

There are 32 public schools in the City consisting of 26 elementary schools, three middle schools and three high schools. The three high schools now house distinct, separate academies: Bulkeley - Upper and Lower Schools; Hartford High - Freshman Academy, Nursing Academy, Law & Government Academy and Academy of Engineering and Green Technology; Weaver - Freshman Academy, Grades 10-12 Academy, and Culinary Arts Academy.

There are twelve magnet schools in the City: six elementary - Breakthrough Magnet, Montessori Magnet and STEM Magnet at Annie Fisher, Kinsella School for the Performing Arts, Hooker Environmental Sciences and Webster MicroSociety Magnet School; one middle - Hartford Magnet Middle; two Grades 6-12 schools - Capital Preparatory Magnet and Classical Magnet; and three high (grades 9-12) schools - Pathways to Technology, Sports & Medical Sciences Academy and University High School for Science and Engineering.

In addition, there are special programs located throughout the City including a Life Career Center, an Alternative Learning Center and Project Concern/Choice, as well as out-of-district placements.

The Board of Education (the "Board") is composed of four elected members and three members appointed by the Mayor. The Board is fully empowered with all the duties, rights and responsibilities of boards of education established under the Connecticut General Statutes.

Although State control of the Hartford Public Schools ended in 2002, the district must continue to carry out reforms set forth in the Hartford Improvement Plan adopted by the State Board of Trustees.

The City and the Hartford Public Schools continue to work through a joint School Building Committee to implement new construction projects including eight new inter-district magnet schools that are scheduled to be built as part of the settlement of the Connecticut Supreme Court Sheff vs. O'Neill decision to help

desegregate Hartford’s schools. The State will finance the estimated \$128 million construction cost of the new magnet schools that will accommodate 1,520 elementary, middle and high school students from Hartford and its suburbs.

The district has posted increases on its mandated statewide test, the Connecticut Mastery Test, the past several years. The American Federation of Teachers has recognized the “Hartford Model” as a model for improving low-performing schools across the nation. The 16-acre campus in the Learning Corridor features a Montessori Inter-District Magnet School, the Hartford Middle Magnet School, the Greater Hartford Academy of the Arts, and the Greater Hartford Academy of Math and Science. The Learning Corridor is becoming a national model because of the coalition of public and private groups’ joint efforts to revitalize a neighborhood formerly characterized by crumbling housing, joblessness and crime. In its place there now stands a positive example of voluntary integrated education from kindergarten through high school.

School Enrollment

| <u>Year</u> | <u>Pre-K</u> | <u>Elementary Schools</u> | <u>Middle Schools</u> | <u>High Schools</u> | <u>Other</u> | <u>Total</u> |
|-------------------|--------------|-------------------------------|---------------------------|-------------------------|--------------|--------------|
| <i>Historical</i> | | | | | | |
| 1997-98 | 696 | 14,539 | 2,958 | 4,558 | 1,469 | 24,220 |
| 1998-99 | 652 | 14,356 | 2,802 | 4,195 | 1,690 | 23,695 |
| 1999-00 | 875 | 14,116 | 2,763 | 4,457 | 2,067 | 24,278 |
| 2000-01 | 764 | 13,741 | 3,298 | 4,701 | 1,916 | 24,420 |
| 2001-02 | 631 | 13,491 | 3,439 | 4,715 | 2,203 | 24,479 |
| 2002-03 | 668 | 13,791 | 3,247 | 5,030 | 259 | 22,995 |
| 2003-04 | 653 | 13,629 | 3,384 | 4,997 | 275 | 22,938 |
| 2004-05 | 684 | 12,835 | 3,560 | 5,291 | 374 | 22,744 |
| 2005-06 | 670 | 12,704 | 3,219 | 5,507 | 310 | 22,572 |
| 2006-07 | 776 | 12,841 | 2,830 | 5,714 | 2,288 | 24,449 |
| 2007-08 | 818 | 13,051 | 2,518 | 5,856 | 454 | 22,697 |
| 2008-09 | 764 | 12,622 | 2,379 | 5,744 | 2,792 | 24,301 |
| 2009-10 | 864 | 13,635 | 854 | 7,137 | 2,980 | 25,470 |
| 2010-11 | 830 | 14,024 | 799 | 6,119 | 2,984 | 24,756 |
| 2011-12 | 964 | 12,523 | 659 | 6,806 | 2,995 | 23,947 |

School Facilities

| <u>Facility</u> | <u>Grades</u> | <u>Date of Construction</u> | <u>Most Recent Addition or Renovation</u> | <u>Actual Enrollment 10/1/11</u> | <u>Functional Capacity</u> |
|---|---------------|-----------------------------|---|----------------------------------|----------------------------|
| <i>Elementary Schools</i> | | | | | |
| Achievement First Charter | K-7 | 1971 | 1971 | 733 | 750 |
| American Choice at SAND | K-8 | 1998 | 1998 | 467 | 480 |
| Annie Fisher Montessori Magnet School | Pre-K-5 | 1965 | 2009 | 241 | 220 |
| Asian Studies Belizzi School | 7-8 | 1961 | 1996 | 147 | 680 |
| Asian Studies School at Dwight | Pre-K-6 | 1883 | 1999 | 449 | n/a |
| Batchelder School | Pre-K-8 | 1958 | 1998 | 568 | 723 |
| Betances Early Reading Lab | Pre-K-3 | 1924 | 1986 | 316 | 416 |
| Breakthrough Magnet I | Pre-K-8 | 2005 | 2005 | 354 | 330 |
| Breakthrough II | Pre-K-5 | 1952 | 1963 | 169 | n/a |
| Burns Latino Studies Academy | Pre-K-8 | 1939 | 1992 | 598 | 800 |
| Burr School | Pre-K-8 | 1914 | 2005 | 812 | 750 |
| Clark School | Pre-K-8 | 1971 | 1988 | 397 | 660 |
| Environmental Studies at Mary Hooker School | Pre-K-8 | 1952 | 2009 | 358 | 660 |
| IB Global Communications Academy | K-4, 7-8 | 1971 | 1971 | 417 | 480 |
| Kennelly School | Pre-K-8 | 1900 | 1992 | 798 | 740 |
| Kinsella Magnet School | Pre-K-8 | 1974 | 2009 | 690 | 740 |
| M.D. Fox ComPACT School ¹ | K-7 | 1924 | 1977 | 479 | 750 |
| M.L. King School | Pre-K-8 | 1924 | 1977 | 407 | 1,000 |
| Milner Core Knowledge School | Pre-K-8 | 1924 | 1998 | 424 | 600 |
| Expeditionary Learning at Moylan School | Pre-K-5 | 1932 | 1997 | 753 | 800 |
| Naylor/CCSU Leadership Academy | Pre-K-8 | 1937 | 2005 | 706 | 750 |
| Noah Webster MicroSociety Magnet School | Pre-K-8 | 1900 | 2005 | 582 | 750 |
| Parkville Community School | Pre-K-5 | 1977 | 1996 | 536 | 620 |
| Renzull Academy | 4-8 | 1972 | 1972 | 105 | 200 |
| Sanchez School | Pre-K-5 | 1992 | 1992 | 469 | 560 |
| Sarah J. Rawson Elementary School | Pre-K-5 | 1921 | 2005 | 452 | 550 |
| Simpson-Waverly School | Pre-K-8 | 1970 | 1988 | 348 | 646 |
| STEM Magnet at Annie Fisher School | K-8 | 1965 | 2009 | 343 | 530 |
| West Middle School | Pre-K-8 | 1894 | 1995 | 660 | 540 |
| Wish School | Pre-K-8 | 1962 | 1962 | <u>392</u> | 680 |
| Total | | | | 14,170 | |
| <i>Middle Schools</i> | | | | | |
| McDonough Expeditionary Learning School | 6-8 | 1897 | 1998 | 459 | 460 |
| Sarah J. Rawson Middle Grades Academy | 6-8 | 1972 | 2000 | <u>200</u> | 200 |
| Total | | | | 659 | |

¹Currently under construction.

| <u>Facility</u> | <u>Grades</u> | <u>Date of Construction</u> | <u>Most Recent Addition or Renovation</u> | <u>Actual Enrollment 10/1/11</u> | <u>Functional Capacity</u> |
|--|---------------|-----------------------------|---|----------------------------------|----------------------------|
| <i>High Schools</i> | | | | | |
| Hartford Magnet Trinity College Academy | 6-9 | 2000 | 2000 | 714 | 624 |
| Bulkeley High School ¹ | 9-12 | 1974 | 2000 | 1,032 | 2,016 |
| Capitol Preparatory Magnet School | Pre-K-12 | 1927 | 2009 | 523 | 750 |
| Classical Magnet School | 6-12 | 2005 | 2005 | 713 | 700 |
| High School, Inc. | 9-12 | n/a | n/a | 329 | n/a |
| Hartford Public High School ² | 9-12 | 1963 | 2008 | 1,437 | 1,897 |
| OPPortunity High School | 9-12 | n/a | 2006 | 115 | n/a |
| Sports and Medical Sciences Academy | 6-12 | 2008 | 2008 | 637 | 750 |
| Pathways to Technology Magnet School | 9-12 | n/a | n/a | 327 | n/a |
| University High School | 9-12 | 2009 | 2009 | 389 | 400 |
| Weaver High School ³ | 9-12 | 1974 | 1974 | <u>614</u> | 1,888 |
| Total | | | | <u>6,830</u> | |
| Grand Total | | | | 21,659 | |

¹Two academies: Upper School (11-12) and Lower School (9-10).

²Four academies: Freshman Academy (9); Nursing Academy (9-12); Law and Government Academy (9-12); and Academy of Engineering and Green Technology (10-12).

³Two academies: Journalism and Media (9-12) and Culinary Arts Academy (9-12).

SECTION III – ECONOMIC AND DEMOGRAPHIC DATA

Certain Economic Information

The City's Department of Development Services, encompassing the City's Economic Development, Marketing, Cultural Affairs, Housing, Planning, and Licensing functions, impacts major economic initiatives throughout the City.

The Department is positioned as the single point of contact for the City's development initiatives which include all commercial and residential projects. The Hartford region is rated first by the Brookings Institute in terms of GDP per capita in the world. Evidence of the economic development activity and revitalization of the City are clearly visible in the ongoing changes in Hartford's skyline and numerous neighborhoods, highlights of which will be presented in this section.

Hartford continues to be the largest employment center in the State with more than 115,000 people working in the City on a daily basis. In addition to the City becoming a regional center for logistics and distribution companies, the headquarters of four Fortune 100 companies are located in Hartford to take advantage of the City's strategic location and highly productive workforce. While the sluggish economy continues to impact the pace of development activity, the City has continued to position itself to support a wide range of economic development and housing initiatives.

Economic Development Program Overview

Over the past decade, the effort to complete the "Six Pillars" Project, a State and City initiative originally authorized in 1998 and overseen by a quasi-public authority, CCEDA, charged with implementing a series of state investments, has had a major and positive impact on the City and the region. This program included development of the Adriaen's Landing Convention Center, currently managed by CCEDA, which contains a 145,000-square-foot exhibition hall, and 40,000 square feet of meeting space; the Connecticut Science Center, a Caeser Pelli-designed 145,000-square-foot facility that has already exceeded its visitor projection of 350,000 people per year; the Morgan Street Garage which added 2,300 parking spaces to the downtown; the \$55 million campus of Capital Community College relocation; and a \$25 million pedestrian connection to the Connecticut River from the Science and Convention Centers. The above-noted projects are now substantially complete and have, as intended, enhanced the vitality of the downtown and continue to attract additional investment. Current CCEDA projects are noted below.

Over the past year, building on the important foundation laid by these projects, the City has begun to move beyond the Six Pillars. The City has established both a single overall plan for development over the next ten years ("One City, One Plan"), and an innovative award-winning redevelopment program for the downtown ("iQuilt"). One City, One Plan is the City's touchstone for development efforts, facilitating and expediting the otherwise complex and sometimes cumbersome local decision-making process.

iQuilt focuses on public spaces between institutions drawing on the inherent strength of arts, culture and entertainment venues to improve the appeal of public spaces – parks, streets sidewalks and plazas. Working with arts institutions, the Federal government, the State and the business community, the City has formed the iQuilt Partnership, a 501(c)(3), to guide and shepherd this \$100 million long-term place-making effort. Similar efforts in other cities have been shown to have a significant and positive impact on the local economy, by spurring new development, raising existing property values and enhancing the attraction and retention of a talented work force.

- **Civic Center** - CCEDA funds were used to renovate the former Civic Center mall. Retail space that previously faced inward now opens to Trumbull and Asylum Streets, and a new entrance was built to the XL Center coliseum, which hosts UConn basketball games, exhibits and concerts. In fall of 2011, the new Saint Joseph College School of Pharmacy began classes for a doctoral program in pharmacy. This 35,000-square-foot facility on Trumbull Street hosts 68 students and is expected to eventually enroll 400 students. Other recent leases include the Hartford office of First Niagara Bank and a Verizon retail store.

- **Front Street** - The HB Nitkin Group was selected by CCEDA as the developer for this project, which includes 60,000 square feet of retail, restaurant and entertainment space and a 286-space garage in its first phase. Construction on the first phase was completed in 2010 and two tenant leases, for a movie theater and a live music venue, are signed representing forty seven percent of the overall retail space. Tenant fit-out is expected to commence shortly and occupancy is scheduled for mid to late 2012. The western portion of Front Street District is being planned for a second phase that would include a new residential development of approximately 100 units.

- **Coltsville** - In July 2010, Colt Gateway LLC was announced as the new developer. All 40 residential lofts that have been completed are leased. In addition, the campus is home to two CREC Regional Magnet Schools and Lexis Nexis, a software company. Environmental remediation of the courtyard is under way, and a new streetscape is funded with federal dollars, City funds and State of Connecticut Department of Transportation assistance. The National Trust Community Investment Corporation provided a portion of its New Market Tax Credit ("NMTC") allocation to Chevron TCI, the historic tax credit investor, resulting in a combined \$23 million historic NMTC investment. Colt Gateway is currently negotiating with existing creditors, the City and the State on a financial workout that will result in a resumption of the armory renovations that will result in a major mixed-use development. Coltsville itself was designated a National Historic Landmark in July 2008. The Coltsville Ad Hoc Committee commissioned, completed and submitted a Visitor Experience Study that describes how a National Park would function and what it would include. The ultimate goal is to achieve National Park status. The City Council is considering an ordinance authorizing \$5.3 million general obligation bonds to fund its share of this project.

- **Sims Metal Management Aerospace ("Sims")** - In December 2010, Sims completed its relocation within the City. Its current location includes a 279,000-square-foot building and a recently completed 145,000-square-foot addition. As a result, over 160 employees were retained within the City.

- **Legal Services** - Hartford is a major force in the region in the area of legal services. Law firms and related services occupy over one million square feet of space in the central business district alone. In 2010, one of the largest lease renewals was Robinson & Cole's at 280 Trumbull Street for 145,000 square feet of space.

- **Insurance and Financial Services Sector** - Several important projects have been initiated and/or completed in this sector in the past several years.

Aetna has completed a \$150 million capital improvement program at its Farmington Avenue headquarters and relocated 3,400 employees from other locations. The project included significant interior and exterior renovations to campus buildings and the construction of two parking garages. Aetna is one of the largest employers in the Hartford area.

The Hartford Financial Services Group completed the purchase of 140 Garden Street in June of 2008, adding 17 acres to its headquarter campus. This acquisition provides a unique opportunity for growth in Hartford. In addition, the corporation is proceeding with a new data center. Following a review of corporate-owned properties throughout the nation, The Hartford decided to site one of two new facilities at the headquarters. The project includes the renovation of 106,200 square feet of existing space and the construction of a 31,725-square-foot building addition. It is projected that this project will result in a minimum investment of \$150 million and the retention of 600 positions.

United Healthcare recently relocated its Hartford office to the newly renovated facility at CityPlace I and in the process retained 2,000 high paying positions downtown.

Lincoln Financial Group renewed its lease at Metro Center, thereby retaining its 800 high paying positions downtown. This decision followed Lincoln's merger with Jefferson Pilot.

Virtus Investment Partners leased space and employs 165 persons at 100 Pearl Street. Virtus is a spin-off of The Phoenix Companies.

- **Northeast Utilities** – In December of 2009, Northeast Utilities completed the relocation of its corporate headquarters and 180 positions to 10 Prospect Street in the central business district. The company cited its interest in being in the capital city and the seat of government as motivation for its relocation.

Housing Initiatives

In the 1990s Hartford adopted two objectives – reconstructing or renovating all of its public housing projects and increasing home ownership and reducing rentals. The first objective is substantially complete. The City is now focused on its second objective and has the following projects in various stages of design and development. Approximately 2,100 homeownership units have been added since 2002.

- **Downtown housing units** – Three residential developments have been completed with CCEDA’s financial assistance as part of the Six Pillars. Trumbull on the Park, which includes 100 market-rate apartments, 7,600 square feet of retail and a 600-space garage, was completed in late 2005. This was followed in 2006 by the opening of Hartford 21, a 36-story, 262-unit tower. The project also includes 56,000 square feet of retail for shops and restaurants and is also the new home for the YMCA health club. Lastly, the Temple Street development opened in 2007, adding 78 market-rate lofts and 42 student/intern townhouses. Currently, the apartments at these residential developments boast a 90%+ occupancy rate.

- **915 Main Street** – PMC Property Group recently completed the transformation of this 160,000-square-foot office building that once housed the American Airlines reservation center into a mixed-use apartment complex. The project includes 18,000 square feet of street-level retail space and 101 apartments.

- **Northend Gateway at 1450 Main Street** – The City sold this 4.3-acre parcel of land to Sheldon Oak Central, LLC. The developer built 45 affordable rental units and 12 market-rate apartments in the Clay Arsenal neighborhood. This \$17 million project was completed in May 2009 and is equipped with high-speed internet, direct access elevators and a dedicated green space for families.

- **Capewell Factory** – This site, a former horse nail factory, is strategically situated on six acres between Adriaen’s Landing and Coltsville in the Sheldon/Charter Oak Neighborhood, adjacent to the Dutch Point project noted below. Development is currently under way for the factory parcel by the new owner, 75 Charter Oak Land LLC, with new construction of 24 affordable residential homeownership units at an estimated project cost of \$8 million.

- **Dutch Point** – The Hartford Housing Authority received a \$20 million HUD Hope VI grant to rebuild the Dutch Point Housing Project. Phase I, which included 73 rental units, was completed in 2006. Phase II was completed in the fall of 2008, and consists of 54 rental units and recreational areas. Construction of Phase III, the development of mixed-income condominium units, is under way and will add another 58 units to this \$73 million development.

- **SANA Apartments** – The \$25 million HUD-funded project to reconfigure and rehabilitate the South Arsenal Neighborhood Association’s 260 housing units contained in 13 separate buildings was completed in 2005.

- **Stowe Village** – More than 100 duplex units have been built and beautifully landscaped at Stowe Village in the Northeast neighborhood. Thirty-three single-family units flank the units and a third phase of construction of additional single-family dwellings is planned.

- **Nelton Court** – Demolition began on the 157-unit, army barracks-style housing development known as Nelton Court, which is located between Acton and Main Streets. This is the last federally subsidized public housing still standing in the City. The demolition was projected to begin in 2010, but was delayed several times due to financing complications. Demolition will proceed in three phases. The new development will feature 80 two- and three-story, townhouse-style units with individual entrances.

Projects In Development

- **Public Safety Complex:** Progress continues on the City's new \$77 million public safety complex on High Street. The complex is targeted for completion in June 2012 and will serve as the new headquarters for the City's Police, Fire and Dispatch Departments. Commercial activity and interest in the surrounding area is increasing as a result of this project, located northwest of the central business district near the intersection of Main Street and Albany Avenue.
- **3 Constitution Plaza:** AI Engineers of Middletown, Connecticut purchased the former WFSB-Broadcast House in July of 2008. Located at the corner of Columbus and State Streets, 3 Constitution Plaza is a signature downtown site. AI Engineers is designing a 12-story, LEED Platinum tower to serve as its corporate headquarters and to provide additional space for technology companies. The demolition and clearing of the site is complete.
- **5 Constitution Plaza:** Wonderworks of New York City purchased the long vacant Sonesta Hotel in February of 2011 with plans to convert the building into 199 market-rate apartments and commercial space.
- **Swift Factory** - Common Ground of New York City has proposed converting this former gold leafing factory into a "green" business incubator and housing complex. The State recently awarded the project a \$600,000 Brownfields Municipal Pilot Grant to fund environmental cleanup.

Redevelopment Projects

- **Downtown Redevelopment Initiative:** On January 26, 2009, the Common Council adopted three separate Redevelopment Plans in accordance with state statutes. Each Plan was designed to target blighted buildings and/or underutilized land areas in and surrounding the downtown core. The purpose of each Plan is to stimulate private investment and create better physical connections with the central business district. Acquisition strategies are critical components of each Plan. They are as follows:

The *Constitution Plaza East Project* is the smallest of the three Plans and focuses on the former WFSB Broadcast House and the long-closed Sonesta Hotel. As noted above, both AI Engineers and Wonderworks are proceeding with redevelopment plans for the respective properties.

The *Downtown North Project* area is currently separated from the central business district by Interstate 84. The 123-acre plan area is predominately underutilized land. The Plan calls for the acquisition of one blighted structure and two vacant parcels of land to create a substantial assemblage to spur a large scale, mixed-use development to connect downtown and the Clay Arsenal neighborhood. To date, the City has acquired and demolished the blighted H.B. Davis building and is negotiating the purchase of the other targeted properties. The Project was also awarded a Regional Sustainable Communities Planning Grant from HUD that will be used to create development guidelines in the area.

The *Downtown West-Section II Union Station-Walnut Street Project* aims to create a linkage between Union Station and Asylum Hill, home to major insurance companies and thousands of workers. A blighted former office building and a small parcel of land are included in the acquisition strategy. In November 2011, the City acquired the property at 1-7 Myrtle Street and will demolish this structure in 2012. With a new State focus on utilizing Union Station as a commuter rail hub, the area presents a unique opportunity for transit-oriented development. In November 2010, The Hartford Financial Services Group announced that it plans to partner with the City and assist with the costs of acquisition and demolition of the blighted Capitol West building.

Population and Density

| <u>Year</u> | <u>City of Hartford</u> | | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|-------------|-------------------------|-----------------|----------------------------|------------------------|-----------------|-----------------------------|-----------------|
| | <u>Population</u> | <u>% Change</u> | <u>Density¹</u> | <u>Population</u> | <u>% Change</u> | <u>Population</u> | <u>% Change</u> |
| 2010 | 124,775 | 0.5 | 6,781 | 894,014 | 4.3 | 3,574,097 | 4.9 |
| 2000 | 124,121 | (11.2) | 6,746 | 857,183 | 0.6 | 3,405,565 | 3.6 |
| 1990 | 139,739 | 2.5 | 7,595 | 851,783 | 5.4 | 3,287,116 | 5.8 |
| 1980 | 136,392 | (13.7) | 7,413 | 807,766 | (1.1) | 3,107,576 | 2.5 |
| 1970 | 158,017 | (2.6) | 8,588 | 816,737 | 18.4 | 3,032,217 | 19.6 |
| 1960 | 162,178 | - | 8,814 | 689,555 | - | 2,535,235 | - |

¹Density based on 18.4 square miles.

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 1960–2010.

Population Composition

| <u>Age</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|-------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Under 5 years | 9,452 | 7.6 | 50,688 | 5.7 | 202,106 | 5.7 |
| 5 to 9 years | 8,460 | 6.8 | 55,456 | 6.2 | 222,571 | 6.2 |
| 10 to 14 years | 8,638 | 6.9 | 59,734 | 6.7 | 240,165 | 6.7 |
| 15 to 19 years | 11,593 | 9.3 | 61,684 | 6.9 | 250,834 | 7.0 |
| 20 to 24 years | 13,301 | 10.7 | 55,702 | 6.2 | 227,898 | 6.4 |
| 25 to 34 years | 19,332 | 15.5 | 109,685 | 12.3 | 420,377 | 11.8 |
| 35 to 44 years | 15,722 | 12.6 | 118,796 | 13.3 | 484,438 | 13.5 |
| 45 to 54 years | 15,695 | 12.6 | 141,254 | 15.8 | 575,597 | 16.1 |
| 55 to 59 years | 6,223 | 5.0 | 59,788 | 6.7 | 240,157 | 6.7 |
| 60 to 64 years | 5,256 | 4.2 | 51,108 | 5.7 | 203,295 | 5.7 |
| 65 to 74 years | 6,301 | 5.0 | 63,753 | 7.1 | 254,944 | 7.1 |
| 75 to 84 years | 3,374 | 2.7 | 43,629 | 4.9 | 166,717 | 4.7 |
| 85 years and over | <u>1,428</u> | <u>1.1</u> | <u>22,737</u> | <u>2.5</u> | <u>84,898</u> | <u>2.4</u> |
| Total | 124,775 | 100.0 | 857,183 | 100.0 | 3,574,097 | 100.0 |

| <u>Median Age</u> | <u>2000</u> | <u>2010</u> |
|----------------------------|-------------|-------------|
| City of Hartford | 29.7 | 29.2 |
| Hartford County | 37.7 | 38.2 |
| State of Connecticut | 37.4 | 38.5 |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2000 and 2010.

Income Distribution

| <u>Income for Families</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|----------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Families</u> | <u>Percent</u> | <u>Families</u> | <u>Percent</u> | <u>Families</u> | <u>Percent</u> |
| \$ 0 - 9,999 | 3,687 | 13.7 | 8,597 | 3.8 | 28,163 | 3.1 |
| 10,000 - 14,999 | 2,581 | 9.6 | 6,103 | 2.7 | 18,987 | 2.1 |
| 15,000 - 24,999 | 4,458 | 16.6 | 13,399 | 5.9 | 48,016 | 5.3 |
| 25,000 - 34,999 | 3,469 | 12.9 | 15,773 | 6.9 | 57,101 | 6.3 |
| 35,000- 49,999 | 3,946 | 14.7 | 24,121 | 10.6 | 91,930 | 10.1 |
| 50,000 - 74,999 | 4,066 | 15.1 | 39,443 | 17.4 | 155,098 | 17.0 |
| 75,000 - 99,999 | 2,298 | 8.6 | 36,219 | 15.9 | 142,615 | 15.6 |
| 100,000 - 149,999 | 1,496 | 5.6 | 45,214 | 19.9 | 190,257 | 20.9 |
| 150,000 - 199,999 | 372 | 1.4 | 20,091 | 8.9 | 81,689 | 8.9 |
| 200,000 or more | 477 | 1.8 | 18,263 | 8.0 | 97,797 | 10.7 |
| Total | 26,850 | 100.0 | 227,223 | 100.0 | 911,653 | 100.0 |

Source: 2006-2010 American Community Survey.

Income Levels

| | <u>City of Hartford</u> | <u>Hartford County</u> | <u>State of Connecticut</u> |
|-------------------------------|-------------------------|------------------------|-----------------------------|
| Per capita income | \$16,798 | \$33,151 | \$36,775 |
| Median family income | \$32,820 | \$78,599 | \$84,170 |
| Median household income | \$28,970 | \$62,590 | \$67,740 |

Source: 2006-2010 American Community Survey.

Educational Attainment (Years of School Completed, Age 25 and over)

| <u>Educational Attainment</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|---|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Less than 9th grade | 10,847 | 14.9 | 29,281 | 4.8 | 112,149 | 4.7 |
| 9th to 12th grade, no diploma | 12,560 | 17.2 | 46,453 | 7.6 | 167,750 | 7.0 |
| High school graduate | 23,022 | 31.6 | 170,235 | 27.8 | 658,158 | 28.6 |
| Some college, no degree | 13,142 | 18.0 | 110,425 | 18.1 | 415,439 | 17.3 |
| Associate degree | 3,675 | 5.0 | 46,433 | 7.6 | 174,712 | 7.3 |
| Bachelor degree | 6,104 | 8.4 | 123,731 | 20.2 | 476,316 | 19.8 |
| Graduate or professional degree | 3,604 | 4.9 | 84,926 | 13.9 | 367,259 | 15.3 |
| Total | 72,954 | 100.0 | 611,484 | 100.0 | 2,398,283 | 100.0 |
| Percent high school graduate or higher | - | 67.9 | - | 87.6 | - | 88.4 |
| Percent bachelor degree or higher | - | 13.3 | - | 34.1 | - | 35.2 |

Source: 2006-2010 American Community Survey.

Age Distribution of Housing

| <u>Household Characteristics</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|----------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Units</u> | <u>Percent</u> | <u>Units</u> | <u>Percent</u> | <u>Units</u> | <u>Percent</u> |
| Built in 1939 or earlier | 26,278 | 47.9 | 83,733 | 22.5 | 351,823 | 23.9 |
| Built in 1940-1949 | 5,701 | 10.4 | 31,441 | 8.5 | 109,487 | 7.4 |
| Built in 1950-1959 | 6,268 | 11.4 | 64,469 | 17.3 | 225,730 | 15.3 |
| Built in 1960-1969 | 6,121 | 11.2 | 52,809 | 14.2 | 198,079 | 13.4 |
| Built in 1970-1979 | 3,809 | 6.9 | 48,596 | 13.1 | 202,661 | 13.7 |
| Built in 1980-1989 | 3,197 | 5.8 | 46,630 | 12.5 | 189,562 | 12.9 |
| Built in 1990-1999 | 1,641 | 3.0 | 24,281 | 6.5 | 108,780 | 7.4 |
| Built in 2000-2004 | 1,147 | 2.1 | 13,346 | 3.6 | 61,101 | 4.1 |
| Built in 2005 or later | <u>740</u> | <u>1.3</u> | <u>6,493</u> | <u>1.8</u> | <u>28,434</u> | <u>1.9</u> |
| Total | 54,902 | 100.0 | 371,798 | 100.0 | 1,475,657 | 100.0 |

Source: 2006-2010 American Community Survey.

Housing Unit Inventory and Vacancy Rates

| <u>Housing Units</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|-----------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Units in structure | | | | | | |
| 1 unit, detached | 8,164 | 14.9 | 205,160 | 55.2 | 874,259 | 59.3 |
| 1 unit, attached | 1,608 | 2.9 | 20,642 | 5.5 | 76,187 | 5.2 |
| 2 to 4 units | 20,115 | 36.6 | 65,742 | 17.7 | 252,734 | 17.1 |
| 5 to 9 units | 7,830 | 14.3 | 23,240 | 6.3 | 78,850 | 5.3 |
| 10 or more units | 16,973 | 30.9 | 54,823 | 14.7 | 180,430 | 12.2 |
| Mobile home, trailer, other | <u>212</u> | <u>0.4</u> | <u>2,191</u> | <u>0.6</u> | <u>13,197</u> | <u>0.9</u> |
| Total units | 54,902 | 100.0 | 371,798 | 100.0 | 1,475,657 | 100.0 |
| Occupied housing units | 46,073 | | 347,625 | | 1,359,218 | |
| Vacant housing units | <u>8,829</u> | | <u>24,173</u> | | <u>116,439</u> | |
| Total units | 54,902 | 100.0 | 371,798 | 100.0 | 1,475,657 | 100.0 |

Source: 2006-2010 American Community Survey.

Owner-occupied Housing Units

| | <u>City of Hartford</u> | <u>Hartford County</u> | <u>State of Connecticut</u> |
|----------------------------------|-------------------------|------------------------|-----------------------------|
| Total owner-occupied units | 11,890 | 231,066 | 939,984 |
| Persons per unit | 2.67 | 2.60 | 2.65 |
| Mean number of rooms | 4.5 | 5.5 | 5.7 |

| | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|--------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Specified owner-occupied units | | | | | | |
| Less than \$50,000 | 356 | 3.0 | 3,326 | 1.4 | 13,644 | 1.4 |
| \$50,000 to \$99,999 | 979 | 8.2 | 4,909 | 2.1 | 18,668 | 2.0 |
| \$100,000 to \$149,999 | 1,939 | 16.3 | 18,310 | 7.9 | 56,161 | 6.0 |
| \$150,000 to \$199,999 | 3,418 | 28.8 | 44,044 | 19.1 | 122,274 | 13.0 |
| \$200,000 to \$299,999 | 3,417 | 28.7 | 81,431 | 35.2 | 267,519 | 28.4 |
| \$300,000 to \$499,999 | 1,413 | 11.9 | 60,892 | 26.4 | 280,008 | 29.8 |
| \$500,000 to \$999,999 | 288 | 2.4 | 15,660 | 6.8 | 134,075 | 14.3 |
| \$1,000,000 or more | 80 | 0.7 | 2,494 | 1.1 | 47,635 | 5.1 |
| Total | 11,890 | 100.0 | 231,066 | 100.0 | 939,984 | 100.0 |
| Median value | \$188,000 | - | \$247,400 | - | \$296,500 | - |

Source: 2006-2010 American Community Survey.

Number and Size of Households

| <u>Household Characteristics</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|---------------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Persons in households | 115,824 | - | 865,787 | - | 3,455,945 | - |
| Persons per household (average) | 2.57 | - | 2.47 | - | 2.52 | - |
| Persons per family (average) | 3.30 | - | 3.06 | - | 3.08 | - |
| Family households | 26,753 | 59.3 | 227,831 | 64.9 | 908,661 | 66.3 |
| Non-family households | 18,371 | 40.7 | 123,023 | 35.1 | 462,426 | 33.7 |
| All households | 45,124 | 100.0 | 350,854 | 100.0 | 1,371,087 | 100.0 |
| Family households by type | | | | | | |
| Married couple | 10,208 | 38.2 | 161,327 | 70.8 | 672,013 | 73.9 |
| Female householders, no spouse .. | 13,527 | 50.5 | 50,908 | 22.3 | 176,973 | 19.5 |
| Other | 3,018 | 11.3 | 15,596 | 6.9 | 59,675 | 6.6 |
| Total family households | 26,753 | 100.0 | 227,831 | 100.0 | 908,661 | 100.0 |
| Non-family households by type | | | | | | |
| Householders living alone | 14,941 | 81.3 | 100,524 | 81.7 | 373,648 | 80.8 |
| Other | 3,430 | 18.7 | 22,499 | 18.3 | 88,778 | 19.2 |
| Total non-family households | 18,371 | 100.0 | 123,023 | 100.0 | 462,426 | 100.0 |

Source: U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2010.

Value of Construction Activity

| <u>Calendar Year</u> | <u>Number</u> | <u>Residential</u> | <u>Industrial/ Commercial</u> | <u>Other¹</u> | <u>Total</u> |
|----------------------|---------------|--------------------|-----------------------------------|--------------------------|---------------|
| 2011 | 4,395 | \$22,255,579 | \$157,831,806 | \$ 16,781,050 | \$197,431,435 |
| 2010..... | 4,002 | 27,410,970 | 151,921,378 | 4,157,298 | 183,489,646 |
| 2009..... | 4,230 | 15,442,671 | 190,459,312 | 109,442,121 | 315,344,104 |
| 2008..... | 4,326 | 37,250,732 | 230,080,698 | 144,250,143 | 411,581,573 |
| 2007..... | 4,328 | 23,846,030 | 84,367,870 | 282,988,682 | 391,202,582 |
| 2006..... | 4,244 | 36,287,705 | 115,692,401 | 169,979,430 | 321,959,536 |
| 2005..... | 3,948 | 18,237,904 | 65,306,060 | 34,383,656 | 117,927,620 |
| 2004 | 2,469 | 15,240,516 | 51,264,014 | 55,740,900 | 122,245,430 |
| 2003 | 1,574 | 22,864,913 | 53,690,851 | 196,790 | 76,752,554 |
| 2002..... | 1,704 | 23,224,448 | 74,192,146 | 1,678,788 | 99,095,382 |
| 2001 | 2,073 | 19,608,541 | 68,913,758 | 16,824,451 | 105,346,750 |

¹ Municipal and other exempt new construction.

Employment Data

| <u>Job Sector</u> | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|---|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Manufacturing jobs - total..... | 4,017 | 8.3 | 51,218 | 11.7 | 207,476 | 11.7 |
| Non-manufacturing: | | | | | | |
| Agriculture, forestry, fishing, hunting and mining | 93 | 0.2 | 1,081 | 0.2 | 6,592 | 0.4 |
| Construction..... | 2,015 | 4.1 | 22,709 | 5.2 | 112,301 | 6.4 |
| Wholesale trade | 1,125 | 2.3 | 12,106 | 2.8 | 47,436 | 2.7 |
| Retail trade | 6,431 | 13.3 | 47,101 | 10.7 | 195,667 | 11.1 |
| Transportation, warehousing and utilities | 2,148 | 4.4 | 17,727 | 4.0 | 67,556 | 3.8 |
| Information | 1,069 | 2.2 | 11,030 | 2.5 | 46,077 | 2.6 |
| Finance, insurance, real estate and leasing | 3,286 | 6.8 | 53,169 | 12.1 | 167,484 | 9.5 |
| Professional, scientific, management, administrative and waste management | 4,934 | 10.2 | 43,073 | 9.8 | 189,671 | 10.7 |
| Educational, health and social services..... | 12,702 | 26.2 | 107,236 | 24.5 | 438,801 | 24.8 |
| Arts, entertainment, recreation, accommodation and food | 6,013 | 12.4 | 32,865 | 7.5 | 140,551 | 8.0 |
| Other services | 2,837 | 5.8 | 19,537 | 4.5 | 78,859 | 4.5 |
| Public administration..... | <u>1,828</u> | <u>3.8</u> | <u>19,537</u> | <u>4.5</u> | <u>67,078</u> | <u>3.8</u> |
| Total non-manufacturing | 44,481 | 91.7 | 387,196 | 88.3 | 1,558,073 | 88.3 |
| Total employed persons | 48,498 | 100.0 | 438,414 | 100.0 | 1,765,549 | 100.0 |

Source: 2006–2010 American Community Survey.

**Commute to Work
(16 years of age and over)**

| | <u>City of Hartford</u> | | <u>Hartford County</u> | | <u>State of Connecticut</u> | |
|-------------------------------------|-------------------------|----------------|------------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Drove alone | 26,121 | 56.0 | 345,987 | 81.1 | 1,364,621 | 79.1 |
| Car pools | 6,528 | 14.0 | 37,186 | 8.7 | 143,679 | 8.3 |
| Using public transportation | 7,872 | 16.9 | 14,323 | 3.4 | 76,305 | 4.4 |
| Walked | 3,796 | 8.1 | 9,512 | 2.2 | 51,957 | 3.0 |
| Using other means | 1,053 | 2.3 | 5,892 | 1.4 | 21,463 | 1.2 |
| Worked at home | <u>1,261</u> | <u>2.7</u> | <u>13,937</u> | <u>3.3</u> | <u>68,071</u> | <u>4.0</u> |
| Total | | 100.0 | 426,837 | 100.0 | 1,640,823 | 100.0 |
| Mean travel to work (minutes) | 20.9 | - | 21.9 | - | 24.6 | - |

Source: 2006-2010 American Community Survey.

Employed Persons

| | <u>City of Hartford</u> | | <u>Percent Unemployed</u> | | |
|---------------------------|-------------------------|-------------------|---------------------------|-----------------------------------|-----------------------------|
| | <u>Employed</u> | <u>Unemployed</u> | <u>City of Hartford</u> | <u>Hartford Labor Market Area</u> | <u>State of Connecticut</u> |
| January 2012 | 43,329 | 8,072 | 15.7 | 8.4 | 8.5 |
| Annual Average 2010 | 43,044 | 8,273 | 16.1 | 9.2 | 9.1 |
| Annual Average 2009 | 43,627 | 7,192 | 14.2 | 8.3 | 8.2 |
| Annual Average 2008 | 45,436 | 4,671 | 9.3 | 5.8 | 5.7 |
| Annual Average 2007 | 44,534 | 4,367 | 8.9 | 5.1 | 5.9 |
| Annual Average 2006 | 44,044 | 4,178 | 8.7 | 4.4 | 4.3 |
| Annual Average 2005 | 41,126 | 5,037 | 10.9 | 5.7 | 5.3 |
| Annual Average 2004 | 42,900 | 4,835 | 10.1 | 5.2 | 4.9 |
| Annual Average 2003 | 45,821 | 5,971 | 11.5 | 5.9 | 5.5 |
| Annual Average 2002 | 49,746 | 4,422 | 8.2 | 4.5 | 4.3 |
| Annual Average 2001 | 48,970 | 3,453 | 6.6 | 3.3 | 3.3 |
| Annual Average 2000 | 50,246 | 2,561 | 4.8 | 2.4 | 2.3 |

Source: Based on U.S. Department of Labor and Employment Security Division, Labor Department, State of Connecticut.

Hartford's Major Employers

| <u>Employer</u> | <u>Industry</u> | <u>Employees</u> |
|---|-------------------------------|------------------|
| The Hartford Financial Services Group | Insurance, financial services | 5,000-9,999 |
| The Travelers Cos. Inc. | Property/casualty insurance | 1,000-4,999 |
| Saint Francis Hospital and Medical Center | General hospital | 1,000-4,999 |
| Aetna Inc. | Health insurance | 1,000-4,999 |
| Institute of Living - Treatment | Treatment center | 1,000-4,999 |
| Northeast Utilities | Electric utility | 1,000-4,999 |
| Connecticut Children's Medical Center | Hospital | 1,000-4,999 |
| Department of Environmental Protection | State agency | 1,000-4,999 |
| Institute of Living - Geriatric | Rest home | 1,000-4,999 |
| Department of Public Health | State agency | 500-999 |
| Bureau of Materials Management | State agency | 500-999 |
| Lincoln National Life Insurance | Life insurance | 500-999 |
| Department of Revenue Services | State agency | 500-999 |
| Regional Market | Government offices | 500-999 |
| Community Renewal Team Inc. | Pre-schools | 500-999 |
| Phoenix Co. Inc. | Life insurance | 500-999 |
| Hartford Police Department | Public safety | 500-999 |
| United Technologies | Manufacturing | 500-999 |
| Capital Community College | Higher education | 500-999 |
| Comcast Theatre | Theatre | 500-999 |
| Shipman & Goodwin LLP | Law firm | 500-999 |
| XL Center | Ticket service | 500-999 |

Source: City of Hartford Comprehensive Annual Financial Report for fiscal year ended June 30, 2011.

Commercial Real Estate Market Analysis Vacant Space

| <u>Type</u> | <u>Q4 2011</u> | | <u>Q4 2010</u> | | <u>Q4 2009</u> | |
|-----------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | <u>Total Square Feet</u> | <u>Overall Vacancy Rate</u> | <u>Total Square Feet</u> | <u>Overall Vacancy Rate</u> | <u>Total Square Feet</u> | <u>Overall Vacancy Rate</u> |
| City of Hartford Office CBD .. | 7,908,010 | 26.5% | 7,976,010 | 24.0% | 7,976,110 | 23.0% |
| Hartford's Class "A" | 6,178,692 | 24.8 | 6,178,692 | 24.1 | 6,178,692 | 19.9 |
| Regional Office | 25,667,361 | 20.1 | 25,608,029 | 20.7 | 25,630,420 | 18.3 |
| City of Hartford Industrial | 5,161,950 | 8.6 | 5,161,950 | 10.3 | 5,037,381 | 11.4 |
| Regional Industrial | 88,897,618 | 13.5 | 87,478,738 | 14.7 | 87,251,228 | 13.7 |

Source: Cushman & Wakefield of Connecticut, Inc.

Land Use Breakdown

| <u>Land Use Category</u> | <u>Acres</u> | <u>Percent</u> |
|------------------------------------|-----------------|----------------|
| 1-3 family residential | 2,372.35 | 20.6 |
| 4-6 family residential | 209.54 | 1.8 |
| Over 6 family residential | 697.36 | 6.1 |
| Office/commercial | 292.14 | 2.5 |
| Business | 1,104.76 | 9.6 |
| Institutional and government | 1,673.02 | 14.5 |
| Industry | 283.14 | 2.5 |
| Open space, park, cemetery | 1,531.80 | 13.3 |
| Vacant land and buildings | 1,022.69 | 8.9 |
| Streets and transportation | <u>2,314.30</u> | <u>20.1</u> |
| Total | 11,501.10 | 100.0 |

Source: City Assessor.

SECTION IV - DEBT SECTION

Debt Authorization

Title 7 of the Connecticut General Statutes, Revision of 1958, as amended, authorizes the City to issue bonds, notes and other obligations.

Under the City Charter, bonds and bond anticipation notes are authorized by an ordinance approved by the affirmative vote of at least six members of the Common Council. If the total estimated cost of any improvement for which bonds are proposed to be issued exceeds \$2 million, and if the full faith and credit of the City shall be pledged to the payment of any portion of the principal and interest on the bonds, the ordinance authorizing the issuance of bonds shall be subject to the approval of a majority vote of City electors voting thereon, if, within 30 days after published notice of the enactment by the Common Council, a sufficient petition is filed with the City Clerk requesting that such ordinance be either repealed or submitted to a vote of the electors. In order for the petition to be sufficient it must be signed in ink by not less than 3% of the City electors.

Limitation of Indebtedness

Under Connecticut law, municipalities shall not incur indebtedness through the issuance of general obligation bonds that will cause aggregate indebtedness by class to exceed the following:

- General Purpose: 2.25 times annual receipts from taxation.
- School Purpose: 4.50 times annual receipts from taxation.
- Sewer Purpose: 3.75 times annual receipts from taxation.
- Urban Renewal Purpose: 3.25 times annual receipts from taxation.
- Pension Deficit Funding: 3.00 times annual receipts from taxation.

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

“Annual receipts from taxation” is defined as total tax collections (including interest and penalties) and State payments in lieu of taxes under Connecticut General Statutes Sections 12-129d and 7-528 for the most recent fiscal year next preceding the date of issue.

The statutes also provide for certain exclusions of debt issued in anticipation of taxes, for the supply of water, gas, or electricity, construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes and for two or more of such purposes; for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; and for indebtedness issued in anticipation of the receipt of proceeds from State or federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds.

Statement of Statutory Debt Limitation and Debt Margin
Pro Forma as of April 12, 2012
(In Thousands)

The following table sets forth the computation of the statutory debt limit of the City and the debt incurring margin as of April 12, 2012, adjusted to give effect to this financing:

| | |
|---|-----------|
| Total tax collections for the year ended June 30, 2011, including | |
| interest and penalties | \$266,685 |
| State reimbursement for tax relief for elderly - freeze | <u>4</u> |
| Base for establishing debt limit..... | \$266,689 |

Debt Margin

| <u>Debt Limitation by Purpose</u> | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Pension Deficit Funding</u> | <u>Total</u> |
|--|------------------------|----------------|---------------|----------------------|--------------------------------|----------------|
| 2.25 x base | \$600,050 | | | | | \$ 600,050 |
| 4.50 x base | - | \$1,200,101 | | | | 1,200,101 |
| 3.75 x base | - | - | \$1,000,084 | | | 1,000,084 |
| 3.25 x base | - | - | - | \$866,739 | | 866,739 |
| 3.00 x base | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>\$800,067</u> | <u>800,067</u> |
| Total debt limitation | 600,050 | 1,200,101 | 1,000,084 | 866,739 | 800,067 | 4,467,041 |
| Less indebtedness: ¹ | | | | | | |
| Series A Bonds of this issue | 41,477 | 8,523 | - | - | - | 50,000 |
| Series B Bonds of this issue | 14,470 | 6,810 | - | - | - | 21,280 |
| Notes of this issue | 38,755 | 13,745 | - | - | - | 52,500 |
| Bonds payable | 175,007 | 103,288 | 1,518 | - | - | 279,813 |
| Overlapping debt ² | - | - | 63,620 | - | - | 63,620 |
| Bonds authorized but unissued | <u>93,501</u> | <u>175,298</u> | <u>8,578</u> | <u>-</u> | <u>-</u> | <u>277,377</u> |
| Total indebtedness | 363,210 | 307,664 | 73,716 | - | - | 744,590 |
| Less: | | | | | | |
| School construction grants receivable | - | 10,997 | - | - | - | 10,997 |
| Self-supporting debt | <u>26,615</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>26,615</u> |
| Total net indebtedness | 336,595 | 296,667 | 73,716 | - | - | 706,978 |
| Debt limitation in excess of outstanding and authorized debt | \$263,455 | \$903,434 | \$926,368 | \$866,739 | \$800,067 | \$3,760,063 |

¹Excludes the Refunded Bonds.

²City's share of MDC debt as of January 31, 2012.

Note: In no event shall total indebtedness exceed \$1.867 billion (seven times the base for debt limitation computation).

Annual Bonded Debt Maturity Schedule^{1,2}
Pro Forma as of April 12, 2012

| Fiscal Year Ending June 30 | Principal Payments | Interest Payments | Total Payments | Series A This Issue | Series B This Issue | Cumu- lative Percent Principal Retired | State School Building Grants (Principal Only) | Net Projected Principal Payments |
|---|-------------------------------|------------------------------|---------------------------|------------------------------------|------------------------------------|---|--|---|
| 2012 ³ | \$ 1,171,341 | \$ 513,085 | \$ 1,685,146 | \$ - | \$ - | 0.33 | \$ - | \$ 1,171,341 |
| 2013 | 21,401,437 | 12,753,569 | 36,155,006 | 2,500,000 | 560,000 | 7.87 | 1,788,116 | 24,673,321 |
| 2014 | 22,743,182 | 11,695,196 | 34,438,378 | 2,500,000 | 1,245,000 | 15.41 | 1,785,616 | 24,702,566 |
| 2015 | 20,994,962 | 10,706,511 | 31,701,473 | 2,500,000 | 3,025,000 | 22.97 | 1,779,167 | 24,740,795 |
| 2016 | 222,41,777 | 9,707,826 | 31,949,603 | 2,500,000 | 1,855,000 | 30.54 | 2,018,636 | 24,578,141 |
| 2017 | 21,318,630 | 8,662,883 | 29,981,513 | 2,500,000 | 1,875,000 | 37.86 | 1,511,118 | 24,182,512 |
| 2018 | 20,165,520 | 7,655,763 | 27,821,283 | 2,500,000 | 1,895,000 | 44.86 | 886,096 | 23,674,424 |
| 2019 | 18,752,448 | 6,710,602 | 25,463,050 | 2,500,000 | 1,885,000 | 51.45 | 569,764 | 22,567,684 |
| 2020 | 17,554,415 | 5,827,852 | 23,382,267 | 2,500,000 | 1,860,000 | 57.69 | 438,240 | 21,476,175 |
| 2021 | 16,626,421 | 4,992,316 | 21,618,737 | 2,500,000 | 1,845,000 | 63.66 | 220,696 | 20,750,725 |
| 2022 | 15,693,468 | 4,219,220 | 19,912,688 | 2,500,000 | 1,830,000 | 69.37 | - | 20,023,468 |
| 2023 | 15,815,557 | 3,465,619 | 19,281,176 | 2,500,000 | 1,810,000 | 75.10 | - | 20,125,557 |
| 2024 | 15,932,687 | 2,704,753 | 18,637,440 | 2,500,000 | 1,595,000 | 80.80 | - | 20,027,687 |
| 2025 | 16,044,861 | 1,938,903 | 17,983,764 | 2,500,000 | - | 86.08 | - | 18,544,861 |
| 2026 | 11,652,078 | 1,274,692 | 12,926,770 | 2,500,000 | - | 90.12 | - | 14,152,078 |
| 2027 | 7,969,341 | 798,750 | 8,768,091 | 2,500,000 | - | 93.10 | - | 10,469,341 |
| 2028 | 4,175,000 | 502,638 | 4,677,638 | 2,500,000 | - | 95.00 | - | 6,675,000 |
| 2029 | 4,175,000 | 299,032 | 4,474,032 | 2,500,000 | - | 96.90 | - | 6,675,000 |
| 2030 | 2,060,000 | 148,303 | 2,208,303 | 2,500,000 | - | 98.20 | - | 4,560,000 |
| 2031 | 1,325,000 | 66,250 | 1,391,250 | 2,500,000 | - | 99.29 | - | 3,825,000 |
| 2032 | - | - | - | <u>2,500,000</u> | <u>-</u> | 100.00 | <u>-</u> | <u>2,500,000</u> |
| Total | \$279,813,125 | \$94,644,482 | \$328,767,482 | \$50,000,000 | \$21,280,000 | | \$10,997,449 | \$340,095,676 |

¹Excludes the Refunded Bonds.

²Includes \$26,615,000 principal payments for self-supporting Hartford Parking Authority bonds.

³Excludes \$22,303,386 principal payments and \$14,669,786 interest payments made from July 1, 2011 through April 12, 2012.

Current Debt Statement¹
Pro Forma as of April 12, 2012

| | |
|--|-------------------|
| Long-term Debt: | |
| General Purpose (including this issue) | \$198,025,908 |
| Schools (including this issue) | 151,549,092 |
| State of Connecticut Clean Water Fund Loan | <u>1,518,125</u> |
| Total Long-term Debt | 351,093,125 |
| Short-term Debt | <u>52,500,000</u> |
| Total Direct Debt | 403,593,125 |
| Less: | |
| State School Building Grants Receivable ² | 10,997,449 |
| Self-supporting Parking Authority Debt | <u>26,615,000</u> |
| Total Net Direct Debt | 365,980,676 |
| Plus: Overlapping Debt (MDC) | <u>63,619,764</u> |
| Total Overall Net Debt | \$429,600,440 |

¹ Excludes the Refunded Bonds.

² Represents school construction grants payable to the City over the life of certain school bond issues.

Note: Does not include authorized but unissued debt.

Current Debt Ratios
Pro Forma as of April 12, 2012

| | |
|---|-----------------|
| Population ¹ | 124,775 |
| Net Taxable Grand List - 10/1/11 @ 70% of full value ² | \$3,417,903,765 |
| Estimated Full Value | \$4,882,719,664 |
| Equalized Net Taxable Grand List (2009) ³ | \$7,713,607,784 |
| Money Income per Capita ⁴ | \$16,798 |

| | Total Direct Debt | Total Net Direct Debt | Total Overall Net Debt |
|--|------------------------------|----------------------------------|-----------------------------------|
| | <u>\$403,593,125</u> | <u>\$365,980,676</u> | <u>\$429,600,440</u> |
| Per Capita | \$3,234.57 | \$2,933.13 | \$3,443.00 |
| Ratio to Net Taxable Grand List | 11.81% | 10.71% | 12.57% |
| Ratio to Estimated Full Value | 8.27% | 7.50% | 8.80% |
| Ratio to Equalized Net Taxable Grand List .. | 5.23% | 4.74% | 5.57% |
| Per Capita to Money Income Per Capita | 19.26% | 17.46% | 20.50% |

¹ U.S. Department of Commerce, Bureau of the Census, Census of Population and Housing, 2010.

² Before Board of Assessment Appeals; excludes Supplemental Motor Vehicle.

³ Office of Policy and Management, State of Connecticut.

⁴ 2006-2010 American Community Survey.

Authorized but Unissued Debt

As of February 15, 2012, the City had \$327,377,439 authorized but unissued debt. Of that amount, \$143,556,178 is for various public improvement and sewer projects, and \$183,821,261 is for school projects. See "State School Construction Grants" herein.

**Ratio of Annual Debt Service Expenditures for General Fund Bonded Debt to General Fund Expenditures
Last Five Fiscal Years
(In Thousands)**

| Fiscal Year Ended | Principal | Interest | Total Debt Service | Total General Fund Expenditures | Ratio of Debt Service to General Fund Expenditures |
|------------------------------|------------------|-----------------|-------------------------------|--|---|
| 2011 | \$22,723 | \$15,471 | \$38,194 | \$523,968 | 7.29 |
| 2010..... | 20,536 | 16,627 | 37,163 | 506,731 | 7.33 |
| 2009..... | 21,775 | 14,322 | 36,097 | 509,704 | 7.08 |
| 2008..... | 18,945 | 13,896 | 32,841 | 521,742 | 6.29 |
| 2007..... | 16,500 | 11,030 | 28,530 | 496,884 | 5.74 |
| 2006..... | 14,870 | 11,029 | 25,899 | 451,342 | 5.74 |
| 2005 | 14,150 | 5,997 | 20,147 | 434,927 | 4.63 |

**Bonds Outstanding
Last Five Fiscal Years Ended June 30**

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$293,745,000 | \$290,020,000 | \$295,845,000 | \$308,105,000 | \$327,050,000 |

Overlapping Debt

The City is a member of The Metropolitan District Commission (the "MDC"), a special district in Hartford County, formed under State statutes to provide water and sanitary sewer services to its eight member municipalities. Water services are provided directly by the MDC and billed to the users. As of January 31, 2012, the total outstanding net debt of the MDC was \$227,213,444 of which the City of Hartford is responsible for approximately 28% or \$63,619,764.

The MDC was cited by the U.S. Environmental Protection Agency and the United States Department of Justice for overflows for the sewer systems in West Hartford, Newington, Wethersfield, Rocky Hill and Windsor. The MDC was fined \$850,000 and signed a Consent Decree to cease all overflows within twelve years (by the year 2020). The MDC also negotiated a Consent Order with the Connecticut Department of Environmental Protection ("CTDEP") to control the Combined Sewer Overflows ("CSO") located in the Hartford sewer system within fifteen years (by the year 2022).

The MDC has conducted studies of the CSO under the direction of the CTDEP. A plan for abating these pollution sources, called the Clean Water Project, has been prepared by consultants to the MDC. The plan combines several abatement strategies including new sewers, removal of storm water flows during storm events, and additional treatment capacity. Completion of these system improvements will require a construction program of at least fifteen years.

On November 7, 2006, voters in the eight member towns overwhelmingly approved a referendum authorizing the MDC to appropriate \$800,000,000 for the Clean Water Project to be financed by the issuance of bonds. The MDC is pursuing state funding from the Clean Water Fund and federal funding from Congress to assist with the cost of the project. The total cost for the program is expected to be in excess of \$1,600,000,000 and a future authorization from the voters will be required. The MDC has adopted a special sewer service charge for customers who utilize the MDC's sewer system and are furnished water directly by the MDC. The bonds issued or which may be issued and other loans, including State of Connecticut Clean

Water Fund loans, to finance all costs associated with the Clean Water Project that are supported by the special sewer service charge will not be included in the calculation of overlapping debt since they are not supported by the ad valorem taxes of the City.

MDC

**Statement of Overlapping Debt
As of January 31, 2012**

| | |
|--|---------------|
| Net Overlapping Debt for All Member Towns | \$227,213,444 |
| Hartford’s Percent of Overlapping Debt | 28% |
| Hartford’s Share of Overlapping Debt | \$63,619,764 |

Source: Metropolitan District Commission

The City and the MDC are also joint participants in a \$9,600,000 combined sewer overflow (“CSO”) project related to the discharge of storm water from the City’s Tower Brook conduit into the MDC’s sewer. The project has been financed by 2% loans and grants under the State of Connecticut’s Clean Water Fund program. The City appropriated \$4,800,000 and authorized bonds in the amount of \$2,500,000 for its share of the project. The City issued a Project Loan Obligation under the State’s Clean Water Fund program in the amount of \$1,921,859; of that amount \$1,518,125 is outstanding at April 12, 2012.

Special Revenue Obligations

\$38,345,000 Multi-Family Housing Revenue Refunding Bonds (Underwood Towers Project) Series 1990. Tax-exempt bonds were issued to refund outstanding 1984 Series Multi-Family Housing Mortgage Revenue Bonds in the amount of \$39,961,946. The proceeds of the 1984 Bonds were used to finance two 26-story residential towers containing 451 mostly market-rate rental units. The bonds are secured by a private insurance policy issued by Financial Security Assurance, Inc. (“FSA”) and mortgage insurance through FHA. The refunding bonds were dated June 29, 1990 with a final maturity of June 1, 2020.

The above referenced bonds are special limited obligations of the City, acting by and through the Redevelopment Agency of the City of Hartford (the “City”) and are payable solely from the revenues and assets pledged therefore pursuant to the Indenture of Trust for such bonds (the “Indenture”). Neither the United States, the State of Connecticut, the City nor any other political subdivision has any liability for the payment of principal of and interest on the bonds or the performance of any pledge, obligation or agreement of any kind whatsoever of the City and none of the bonds nor any of the City’s agreements or obligations shall be construed to constitute an indebtedness of the United States of America, or any department or agency thereof, the State of Connecticut, the City of Hartford, or any other political subdivision or body corporate and politic of the State of Connecticut within the meaning of any constitutional or statutory provision.

Lease Obligations

In addition to bonded debt, the City has entered into various leases and lease/purchase agreements for office space, equipment, and rolling stock to support its operations.

The City entered into a 15 year lease commencing on July 1, 2002 for the rental of office space from the Connecticut Constitution Associates, LLC for various City departments and agencies. At the beginning of year six and year eleven, the base rent will be increased by an amount equal to the product of the base rent times 100% of the percentage increase, if any, of the CPI over the CPI at the commencement date or the first day of the sixth lease year, as the case may be. Future minimum lease payments are projected to be \$1,000,000 annually for 2011 through 2017 (without consideration of potential increases resulting from the change in the CPI in the eleventh year of the fifteen-year lease). In addition to the base rent, the City pays a proportionate share of the landlord’s operating expenses and real estate taxes. For the fiscal year ending June 30, 2011, base rent and additional rent amounted to \$2,311,000.

The City also has various other lease agreements. The table below represents all other future lease obligations:

| | |
|---------------------------|-------------|
| 2012 | \$4,762,000 |
| 2013 | 4,022,000 |
| 2014 | 2,952,000 |
| 2015 | 2,075,000 |
| 2016 | 1,559,000 |
| 2017 and thereafter | 2,957,000 |

SECTION V - FINANCIAL SECTION

Significant City Accounting Policies

The financial statements of the City have been prepared in conformity with the accounting principles generally accepted in the United States of America ("GAAP") as applied to government units.

The City's audited financial statements for June 30, 2006 included statements established under the new Government Accounting Standards Board ("GASB") No. 34 policy. The reported Internal Service Funds of the City include self-insured funds for employee benefits, workers' compensation, and liability and property damage. Pension Trust Funds account for the Municipal Employees' Retirement System. The Hartford Parking Authority and Hartford Economic Development Commission are considered discretely presented component units and as such have been included in the City's reporting as government fund types in accordance with GAAP.

The City finances are organized on a fund accounting basis with separate funds established for general operating expenses, capital improvement projects, debt service, special revenues, various trusts, enterprise operations, and general fixed assets. The accounting records of the government-wide financial statements, as well as the enterprise funds, internal service funds and pension trust funds are maintained on an accrual basis, which records revenues when earned and expenses when incurred. The accounting records of the general fund, special revenue funds, and the debt service fund are maintained on a modified accrual basis which records revenues in cash and those revenues that are susceptible to accrual which are measurable and available but not received at the normal time of deposit. Budgetary expenditures consist of the disbursements and encumbrances.

The financial statements and tables found in the City's Comprehensive Annual Financial Report conform to the high standards promulgated by GASB. The City has been awarded a Certificate of Excellence in Financial Reporting by the Government Finance Officers' Association virtually each year since 1954 and was again recently recognized for the fiscal year ended June 30, 2010.

For additional information on accounting policies, financial statements and tables, refer to the 2010-11 Financial Statements, "Notes to Financial Statements," incorporated in this Official Statement and the independent auditor's report.

Budget Adoption

The City adopts an annual budget for the operation of the General Fund. Under the Charter, the Mayor prepares and submits the recommended annual budget to the Common Council for approval.

For the 2010-11 and 2011-12 budgets, the City followed a traditional approach to budgeting using the prior year's budget as a starting point and making changes for contractual obligations and changes in headcount due to hiring, retirements and layoffs. The Hartford budget model follows the outline below:

- The Mayor identifies goals, strategies and outcomes.
- Departments identify programs and initiatives to carry out the goals and strategies.
- Costs are identified by programs.
- Departments prepare budget proposals that indicate the proposed cost and expected result for each program.
- Departments prioritize spending to focus on services that matter the most or are legally mandated.
- The Mayor evaluates all departments and activities.
- The Mayor's recommended budget is the result of the acceptance and approval of activities.

The Common Council may insert new items of expenditures or may increase, decrease, or strike out items of expenditures, except that no appropriation for debt service and no appropriation necessary to fulfill the obligations of the City as determined by the Pension Commission shall be reduced. The Common Council shall not increase the Mayor's estimates of receipts. It may, however, decrease the amount of the tax levy for the ensuing fiscal year as proposed by the Mayor in proportion to such decrease in the total of expenditures proposed by the Mayor as it may have determined. If it shall increase the total proposed expenditures, such

increase shall be reflected in full in the tax rate. At least one month before the end of the current fiscal year, the Common Council shall adopt the budget, the appropriation ordinance, and the tax levy ordinance.

Investment Practices

General

In accordance with the Connecticut General Statutes, the Common Council designates the qualified public depositories and financial service providers that the City Treasurer may use for General Fund public deposits and investments. Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400. The City Treasurer invests the City's operating and working capital funds accordingly.

In addition, the City Treasurer monitors the risk-based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, in which it places deposits or makes investments. See Appendix A – "Auditor's Section, Notes to Financial Statements" herein regarding the City's cash and cash equivalents and investments.

The operating and working capital funds are currently invested at the direction of the City Treasurer in bank certificates of deposit, bank money-market funds, the State of Connecticut's Short-term Investment Fund ("STIF"), and, from time to time, negotiated repurchase agreements with various providers. These investment vehicles consist of U.S. Treasuries, obligations of government agencies and repurchase agreements collateralized by U.S. Treasuries and agency obligations. STIF was authorized in 1978 (P.A. 78-236) for investment by the State Treasurer of various state funds. Section 3-27a of the Connecticut General Statutes spells out the various governmental entities eligible to participate in STIF. Section 3-27d details eligible investments that may be acquired with funds on deposit with STIF. Section 3-27f authorizes all agencies, instrumentalities, and political subdivisions in the State of Connecticut to invest in STIF.

In addition to the Connecticut General Statutes governing eligible investments, the City has its own investment policy. This document sets forth the "prudent person" standard of care; defines investment objectives as safety of principal, liquidity, and return on investment; imposes certain diversification guidelines; and applies the City's Code of Ethics to investment activities.

Pension Funds

Under the authority of Chapter XII, Section 1 of the Charter, the pension funds for City employees are invested as recommended by the independently elected City Treasurer, who serves ex-officio as Secretary of the Pension Commission. Investments for the Municipal Employees' Retirement Fund ("MERF") are made in accordance with the MERF's Funding and Investment Policy Statement, which addresses investment objectives, asset allocation, and investment guidelines, among other things. In a market cycle, the MERF's overall rate of return is expected to be equal to or exceed the rate assumed by sound actuarial principles and to exceed inflation by at least 350 basis points. The MERF's investment managers' performance records are monitored in comparison to market-based benchmarks on an ongoing basis, and independent reviews of the MERF's asset allocation and its experience study are undertaken at least every three to five years, with a complete actuarial valuation of the plan performed annually. Under the Funding and Investment Policy Statement, the asset allocation is 50% equities, including 19% to 31% international equities, 50% fixed income, including an allocation to global fixed income and emerging market debt of 9.5% to 12.5% and 4% to 10% alternative investments including real estate. The general guidelines notably include the MERF's expectation that the investment managers' philosophy and style will remain consistent and specify that buying on margin, short sales, and the purchase or sales of derivatives are prohibited. Guidelines are also defined for the various asset classes.

Statement of General Fund Revenues and Expenditures
(In Thousands)

The General Fund revenues, expenditures, and changes in fund balance for the fiscal years ended June 30, 2008 through 2011 have been derived from audited financial statements and are presented on a GAAP basis. The City's audited financial statements for the fiscal year ended June 30, 2011 are attached hereto as Appendix A. The City has not asked for, nor has it received, permission from its auditor, McGladrey & Pullen, LLP, to include such audited financial statements in this Official Statement. The adopted budget for the fiscal year ending June 30, 2012 is provided by the City and is presented on a budgetary basis. The City's independent auditor has not examined, reviewed or compiled any of the estimates presented below or expressed any conclusion or provided any other form of assurance with respect to such estimates, and accordingly, assumes no responsibility for them. The financial information presented herein is the responsibility of the City's management.

| | <u>Adopted</u> <u>Budget 2011-12</u> | <u>Actual</u> <u>2010-11</u> | <u>Actual</u> <u>2009-10</u> | <u>Actual</u> <u>2008-09</u> | <u>Actual</u> <u>2007-08</u> |
|---|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenues | | | | | |
| General property tax | \$269,533 | \$274,013 | \$266,990 | \$250,668 | \$232,955 |
| Licenses, permits and other charges | 6,783 | 4,891 | 5,608 | 8,155 | 9,850 |
| Use of money and property | 6,007 | 6,671 | 5,395 | 4,196 | 6,008 |
| Intergovernmental revenue | 275,496 | 272,915 | 267,840 | 270,021 | 341,042 |
| Charges for services | 2,668 | 2,807 | 2,175 | 1,961 | 2,194 |
| Other revenues | <u>2,005</u> | <u>1,389</u> | <u>3,028</u> | <u>5,957</u> | <u>6,917</u> |
| Total revenues | 562,492 | 562,686 | 551,036 | 540,958 | 598,966 |
| Expenditures | | | | | |
| General government | 19,887 | 19,800 | 19,831 | 20,929 | 21,890 |
| Public safety | 75,810 | 75,672 | 70,756 | 72,998 | 74,402 |
| Infrastructure & leisure | 13,097 | 20,998 | 12,522 | 13,629 | 11,825 |
| Development and community affairs | 4,263 | 4,228 | 4,342 | 2,241 | 2,541 |
| Human services | 7,183 | 7,103 | 7,237 | 7,565 | 7,303 |
| Education | 306,604 | 304,370 | 305,210 | 305,432 | 374,467 |
| Benefits and insurance | 62,793 | 65,160 | 55,791 | 57,985 | 57,012 |
| Sundry | <u>33,313</u> | <u>26,637</u> | <u>31,042</u> | <u>28,955</u> | <u>28,122</u> |
| Total expenditures | 522,950 | 523,968 | 506,731 | 509,734 | 577,562 |
| Excess of revenues over expenditures | 39,542 | 38,718 | 44,305 | 31,224 | 21,404 |
| Other financing sources (uses) | | | | | |
| Other financing sources | 2,750 | 4,159 | 2,884 | 8,035 | 14,715 |
| Other financing uses | (42,292) | (37,427) | (44,854) | (50,846) | (42,686) |
| Excess (deficiency) of revenues and other resources over (under) expenditures | | 5,450 | 2,335 | (11,587) | (6,567) |
| Fund balance, July 1 | - | <u>19,636</u> | <u>16,313</u> | <u>27,900</u> | <u>34,467</u> |
| Fund balance, June 30 ¹ | | \$25,086 | \$ 18,648 | \$ 16,313 | \$ 27,900 |

¹ The City has implemented a formal fund balance policy which would maintain general fund balance of at least 7.5% of budgetary revenues. The City is aware that it is not meeting its fund balance policy and is evaluating steps to remediate the situation.

General Fund – Comparative Balance Sheet
Last Five Fiscal Years Ended June 30
(In Thousands)

| | <u>6/30/11</u> | <u>6/30/10</u> | <u>6/30/09</u> | <u>6/30/08</u> | <u>6/30/07</u> |
|---------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | |
| Cash and cash equivalents | \$ 78,102 | \$ 74,783 | \$ 59,375 | \$ 42,571 | \$ 63,440 |
| Due from other funds | 488 | 1,994 | 1,965 | 19,210 | 7,810 |
| Uncollected property taxes | 28,947 | 21,219 | 19,512 | 15,916 | 18,629 |
| Uncollected interest on taxes | 10,697 | 8,077 | 7,201 | 4,781 | 5,523 |
| School building grants | | | | | |
| receivable | 12,787 | 14,581 | 16,197 | 18,515 | 21,367 |
| Due from individuals and | | | | | |
| miscellaneous | <u>3,467</u> | <u>2,812</u> | <u>2,687</u> | <u>6,507</u> | <u>9,366</u> |
| Total assets | \$134,488 | \$123,466 | \$106,937 | \$107,500 | \$126,135 |
| Liabilities and fund balance | | | | | |
| Accounts payable and | | | | | |
| accrued liabilities | \$ 54,276 | \$ 57,522 | \$ 45,032 | \$ 36,614 | \$ 35,146 |
| Due to other funds | 1 | 217 | 412 | 1,827 | 8,501 |
| Deferred revenue | <u>55,125</u> | <u>47,079</u> | <u>45,180</u> | <u>41,159</u> | <u>48,021</u> |
| Total liabilities | 109,402 | 104,818 | 90,624 | 79,600 | 91,668 |
| Fund balance: | | | | | |
| Assigned | 2,525 | - | - | - | - |
| Unassigned | 22,561 | - | - | - | - |
| Reserved | - | 148 | 95 | - | - |
| Unreserved | <u>-</u> | <u>18,500</u> | <u>16,218</u> | <u>27,900</u> | <u>34,467</u> |
| Total fund balance | <u>25,086</u> | <u>18,648</u> | <u>16,313</u> | <u>27,900</u> | <u>34,467</u> |
| Total liabilities and fund | | | | | |
| balance | \$134,488 | \$123,466 | \$106,937 | \$107,500 | \$126,135 |
| Analysis of General Fund | | | | | |
| balance | | | | | |
| Budgetary revenues ¹ | \$543,455 | \$533,279 | \$522,237 | \$500,460 | \$490,255 |
| Fund balance as percent | | | | | |
| of operating revenues | 4.6% | 3.5% | 3.1% | 5.6% | 7.0% |
| Unreserved fund balance | | | | | |
| as percent of operating | | | | | |
| revenue | 4.2% | 3.5% | 3.1% | 5.6% | 7.0% |

¹Budgetary revenues exclude other financing sources (RSI-1).

Summary of City Operations and Recent Financial Initiatives

The City of Hartford ended fiscal year 2011 with a General Fund balance of \$25.1 million versus \$19.6 million in fiscal year 2010, an increase of \$5.5 million or 27.8%. Fiscal year 2011 represents 4.6% of operating revenues versus 3.5% in fiscal year 2010.

Currently, the City projects a balanced budget for fiscal year 2012 with revenues expected to equal expenditures, based on the success of a variety of initiatives.

In the early stages of the 2013 budget process, the City has identified significant challenges that may result in a \$52 million revenue shortfall caused in part by the recent revaluation for the grand list dated October 1, 2011. To avoid this potential shortfall the City is examining strategies to increase revenues and decrease

expenses. The Mayor and Council are exploring options to create a balanced budget proposal for 2012-13, including: re-bidding contracts, increasing property taxes and allowing certain City positions to remain unfilled.

Tax Assessment

The maintenance of a tax assessment list and the location and valuation of all real and personal property within the City for inclusion on the Grand List are the responsibilities of the Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property located within the City on each October 1.

Public Act No. 04-2 of the May 2004 Special Session of the Connecticut General Assembly ("PA 04-2") modified the required cycle of revaluation and lengthened the cycle from four to five years. Generally, the law requires a revaluation every five years. A revaluation required for the assessment year commencing October 1, 2003 was shelved following passage of PA 04-2, effectively scheduling the City's last and subsequent revaluations for October 1, 2006 and October 1, 2011, respectively. A local legislative body is permitted to enact a one- to five-year phase-in of increased real property values resulting from the revaluation. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

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

Public Act No. 06-183 of the Regular Session of the Connecticut General Assembly ("PA 06-183") repeals Connecticut General Statutes Section 12-62d effective as of October 1, 2010. Section 12-62d allowed a municipality to provide property tax relief to owners of single-family residences and multiple-dwelling residential properties containing not more than three units. Such property tax relief was funded by a tax surcharge on other properties.

PA 06-183 allowed any municipality that had used Section 12-62d to adopt a new property tax system that separates real property into classes based on how it is used and limits the maximum annual property tax increase to 3.5% per year for residential and apartment properties. Concurrent to implementing the increased residential and apartment property tax, PA 06-183 required a proportionate phase out of the property tax surcharge imposed under Section 12-62d on business, industrial, vacant land and personal property taxes. Accordingly, the City experienced a shift in the tax burden from commercial/industrial property, personal property and motor vehicles to residential property as a result of revaluation.

Public Act 11-212 picked up where PA 06-183 left off. With the 2010 Grand List, the last year of the 2006 revaluation cycle, the assessment ratio on residential real estate stood at 26.173 percent, the assessment ratio for apartment property of five living units or more stood at 37.602 percent and the assessment ratio for all other types of property was 70 percent. PA 11-212 requires the assessor to calculate an assessment ratio for residential property that would cause a 3.5 percent increase in the average residential property tax as a result of the 2011 revaluation. The assessment ratio for residential real estate was set at 33.384 percent. A further adjustment to the assessment ratio was required if the grand levy rose by a threshold set in law. The City Assessor determined that the adjustment for a grand levy increase was not necessary. PA 11-212 requires the assessor to set the assessment ratio for apartments at 50 percent on the 2011 Grand List. With PA 11-212, the ratio for apartment properties is set to rise to 55 percent on the 2012 Grand List, 60 percent for 2013, 65 percent for 2014 and ultimately, 70 percent on the 2015 Grand List.

The State of Connecticut furnishes motor vehicle lists to the City and appraisals of motor vehicles are accomplished by computer in accordance with an automobile price schedule endorsed by the Connecticut Association of Assessing Officials. Section 12-71b of the Connecticut General Statutes 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 Grand List. The tax is prorated and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not assessed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was assessed on the October Grand List, the taxpayer is entitled to certain offsetting credits. Personal property valuation is completed every year and maintained in the Assessor's Office. In 2008 the City retained a private firm that is currently performing personal property tax declaration audits. Much new revenue was realized from a similar effort in 2003 and new revenue of more than \$5 million has been collected as a result of the current effort.

Section 12-124 of the Connecticut General Statutes authorizes the City and its Committee on the Abatement of Taxes to abate real and personal property taxes for those who are "poor and unable to pay." The Committee, which is composed of the Corporation Counsel, the City Treasurer, and the Director of Finance, may also abate taxes on certain low- and moderate-income properties and the homes of certain elderly persons pursuant to statute or contractual agreements with the State of Connecticut.

From time to time, the Common Council has approved a variety of tax assessment agreements in connection with the construction or development of improvements to certain properties within the City. Authority for such action is granted by the Connecticut General Statutes.

On June 8, 2007, the Common Council of the City adopted two resolutions, the intent of which is to provide property tax relief to residents and taxpayers of the City by phasing in over five years the increase in real property taxes resulting from the 2006 revaluation of all real property in the City. In addition, any increase on residential and apartment properties would be capped at 3.5% under the provisions of Section 12-62(n) of the Connecticut General Statutes.

Levy and Payment

Property taxes are levied by the Common Council each May on all assessed property on the Grand List of the prior October 1. The percent of budgeted tax collections may not be more than the average rate of collection for the prior three years. Generally, taxes under \$100 are due in one installment on July 1; real estate and personal property taxes of \$100 to \$100,000 are due in two installments, on July 1 and January 1; and taxes over \$100,000 are due in two installments on July 1 and January 1. Motor vehicle taxes in excess of \$100 are payable in two installments on July 1 and January 1. A margin against delinquencies, legal reductions, and Grand List adjustment, such as Assessor errors, is provided by adjusting collections downward when computing anticipated property tax revenue from the current tax levy. An 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 (1½%) per month with a minimum charge of \$2.00. In accordance with State law, interest and the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to May 31 with legal demands and alias tax warrants used in collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to suspense 15 years after the due date in accordance with State statutes. Some suspense accounts are turned over to a private collection agency for additional efforts at collection.

Pursuant to Section 12-62d of the Connecticut General Statutes, any municipality in the State is authorized to provide tax relief to residential property owners in a year of general property revaluation in the municipality, provided the effective tax rate for residential property, in accordance with the provisions of such section, is 1½% or more of the market value of residential property in such municipality. Residential property, for purposes of this program, is defined as "any single parcel of residential property used exclusively for residential purposes, including a single family residence and a multiple dwelling structure containing not more than three units, used by the occupants as a place of permanent residence." In order to fund such relief, the legislative body of the municipality is authorized to impose a property tax surcharge on all real and personal property subject to property tax and classified as commercial, industrial or public utility, or any combination thereof. Motor vehicles and certain multiple dwelling structures which are more than 50%

residential in use and which contain more than three units are generally exempt from the surcharge. The Common Council has approved a measure to provide residential property tax relief under Section 12-62d and has approved a surcharge of up to 15%. The amount of the property tax surcharge which becomes payable in the year in which revaluation becomes effective must remain unchanged for four years. The surcharge is capped at 15% and has ranged from 11.5% to 15% since 1991. This methodology was changed for the City's recent revaluation by the Connecticut General Assembly. (See "Tax Assessment" herein.)

**Property Tax Levies and Collections
(In Thousands)**

| <u>Year Ended June 30</u> | <u>Current Adjusted Levy</u> | <u>Tax Collections</u> | <u>Percent of Levy Collected</u> | <u>Delinquent Tax Collections All Lists</u> | <u>Total Tax Collections</u> | <u>Total Collections As Percent of Current Adjusted Levy</u> | <u>Outstanding Delinquent Taxes All Lists</u> | <u>Outstanding Delinquent Tax as Percent of Current Adjusted Levy</u> |
|---------------------------|------------------------------|------------------------|----------------------------------|---|------------------------------|--|---|---|
| 2011 | \$268,745 | \$256,253 | 95.4 | \$ 7,105 | \$263,357 | 98.0 | \$32,899 | 12.24 |
| 2010..... | 260,038 | 249,186 | 95.8 | 7,358 | 256,545 | 98.7 | 27,382 | 10.53 |
| 2009..... | 240,006 | 231,830 | 94.6 | 4,715 | 236,545 | 98.6 | 21,513 | 8.96 |
| 2008 | 221,445 | 213,260 | 96.3 | 5,817 | 219,078 | 98.9 | 18,658 | 8.43 |
| 2007 | 229,963 | 216,075 | 94.1 | 8,381 | 225,944 | 98.0 | 26,444 | 11.50 |
| 2006..... | 209,283 | 199,317 | 95.2 | 10,748 | 210,065 | 100.3 | 26,070 | 12.45 |
| 2005..... | 194,592 | 185,277 | 95.2 | 7,524 | 192,801 | 99.1 | 19,876 | 10.21 |

**Analysis of Property Tax Collections
(In Thousands)**

| <u>Grand List of 10/1</u> | <u>Year Ended June 30</u> | <u>Taxable Grand List¹</u> | <u>Tax Rates²</u> | <u>Original Tax Levy</u> | <u>Adjusted To Date As of 6/30/11</u> | <u>Taxes Collected As of 6/30/11</u> | <u>Taxes Uncollected As of 6/30/11</u> | <u>During Year of Levy</u> |
|---------------------------|---------------------------|---------------------------------------|------------------------------|--------------------------|---------------------------------------|--------------------------------------|--|----------------------------|
| 2009 | 2011 | \$3,604,167 | 72.79 | \$277,997 | \$268,745 | \$256,253 | \$12,492 | 95.4 |
| 2008 | 2010 | 3,468,906 | 72.79 | 272,065 | 260,038 | 249,186 | 10,852 | 95.8 |
| 2007 | 2009 | 3,460,283 | 68.34 | 242,777 | 233,628 | 238,812 | 9,148 | 96.2 |
| 2006 | 2008 | 3,704,353 | 63.39 | 233,705 | 221,445 | 213,260 | 8,185 | 96.3 |
| 2005 | 2007 | 3,596,490 | 64.82 | 233,373 | 229,963 | 225,944 | 4,019 | 98.0 |
| 2004 | 2006 | 3,510,147 | 60.82 | 210,146 | 209,283 | 199,316 | 10,830 | 95.5 |
| 2003 | 2005 | 3,545,600 | 56.32 | 196,887 | 185,277 | 175,153 | 10,124 | 94.5 |

¹After Board of Assessment Appeals.

²Per \$1,000 assessed valuation.

Comparative Assessed Valuations by Category

| | <u>10/1/11</u> | <u>10/1/10¹</u> | <u>10/1/09¹</u> | <u>10/1/08¹</u> | <u>10/1/07¹</u> |
|--|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Residential | \$1,239,230,430 | \$1,167,155,488 | \$1,055,210,325 | \$1,033,112,143 | \$1,046,164,590 |
| Commercial/Industrial | 1,369,517,626 | 1,643,396,804 | 1,650,228,050 | 1,520,428,235 | 1,462,764,219 |
| Motor Vehicles | 276,070,153 | 310,916,045 | 304,021,848 | 312,557,026 | 332,651,124 |
| Personal Property | <u>636,332,920</u> | <u>663,558,150</u> | <u>636,889,160</u> | <u>640,838,150</u> | <u>667,388,000</u> |
| Total Net Taxable Grand List | \$3,521,151,129 | \$3,785,026,487 | \$3,646,349,383 | \$3,506,935,554 | \$3,508,967,933 |
| Percentage Increase (Decrease) over Prior Year | (6.97)% | 3.80% | 3.98% | (0.06)% | (5.27)% |

¹After Board of Assessment Appeals.

Statement of Grand Lists, Tax-exempt Property, Veterans, Elderly and Blind Exemptions

| | <u>10/1/11</u> | <u>10/1/10</u> | <u>10/1/09¹</u> | <u>10/1/08¹</u> | <u>10/1/07¹</u> |
|--|----------------------|----------------------|----------------------------|----------------------------|----------------------------|
| Gross Grand List | | | | | |
| Land and Buildings | \$ 10,521,189,756 | \$11,630,909,847 | \$11,148,413,409 | \$ 10,632,660,076 | \$ 11,424,953,058 |
| Personal Property | 965,757,343 | 988,663,029 | 946,388,014 | 952,744,243 | 982,492,000 |
| Motor Vehicles | <u>423,131,073</u> | <u>393,377,387</u> | <u>381,957,664</u> | <u>398,340,431</u> | <u>403,080,411</u> |
| Total Gross Grand List | \$11,910,078,172 | \$13,012,950,263 | \$12,476,759,087 | \$11,983,744,750 | \$12,810,525,469 |
| Deduct | | | | | |
| Tax-exempt Real Property | <u>5,250,624,069</u> | <u>5,217,270,015</u> | <u>4,736,295,005</u> | <u>4,271,221,430</u> | <u>3,826,275,100</u> |
| Total Grand List | \$ 6,659,454,103 | \$7,795,680,248 | \$7,740,464,082 | \$7,712,523,320 | \$ 8,984,250,369 |
| Veterans, Elderly, Blind, and Distressed Municipalities Exemptions | | | | | |
| Land and Buildings | \$ 31,835,425 | \$13,383,970 | \$ 9,977,956 | \$ 9,363,260 | \$ 7,212,609 |
| Personal Property | 39,697,220 | 28,505,970 | 25,582,450 | 26,082,820 | 20,356,400 |
| Motor Vehicles | <u>20,121,598</u> | <u>11,096,935</u> | <u>5,530,420</u> | <u>7,439,708</u> | <u>7,034,677</u> |
| Total Veterans, Elderly, Blind, and Distressed Municipalities Exemptions | \$91,654,243 | \$52,986,875 | \$41,090,826 | \$42,885,788 | \$34,603,686 |
| Taxable Grand List | | | | | |
| Land and Buildings | \$2,608,748,056 | \$2,810,552,292 | \$2,705,438,375 | \$2,553,540,378 | \$2,508,928,809 |
| Personal Property | 636,332,920 | 663,558,150 | 636,889,160 | 640,838,150 | 667,388,000 |
| Motor Vehicles | <u>276,070,153</u> | <u>264,267,236</u> | <u>261,839,945</u> | <u>271,398,594</u> | <u>275,121,632</u> |
| Subtotal | \$3,521,151,129 | \$3,738,377,678 | \$3,604,167,480 | \$3,465,777,122 | \$3,451,438,441 |
| Supplemental Motor Vehicle List | | | | | |
| Actual ² | <u>47,000,000</u> | <u>46,648,809</u> | <u>42,181,903</u> | <u>41,158,432</u> | <u>57,529,492</u> |
| Total Net Taxable Grand List | \$3,568,151,129 | \$3,785,026,487 | \$3,646,349,383 | \$3,506,935,554 | \$3,508,967,933 |
| Increase (Decrease) over Prior Year | \$(216,875,358) | \$138,677,104 | \$139,413,829 | \$(2,032,378) | \$(195,385,130) |
| Percentage Increase (Decrease) over Prior Year | (5.73)% | 3.80% | 3.98% | (0.06)% | (5.27)% |

¹After Board of Assessment Appeals.

²2011 Supplemental is estimated.

Principal Taxpayers

| <u>Name</u> | <u>Nature of Business</u> | <u>10/1/11 Taxable Valuation</u> | <u>Percent of Net Taxable Grand List</u> |
|---|---------------------------|----------------------------------|--|
| Connecticut Light & Power | Utility | \$127,995,190 | 3.64% |
| Travelers Indemnity Co. Affiliate | Insurance | 118,004,500 | 3.35 |
| Hartford Fire Insurance & Twin City Ins. | Insurance | 114,582,170 | 3.25 |
| Aetna Life Insurance Co. & Annuity | Insurance | 109,213,640 | 3.10 |
| CityPlace I LTD Partnership | Office complex | 61,035,100 | 1.73 |
| Mac-State Square LLC | Office complex | 49,966,,630 | 1.42 |
| Talcott II Gold, LLC | Office complex | 45,401,780 | 1.29 |
| FGA 280 Trumbull, LLC | Office complex | 35,947,730 | 1.02 |
| Connecticut Natural Gas Corp. | Utility | 35,320,650 | 1.00 |
| Northland Properties | Office complex | <u>34,952,950</u> | <u>0.99</u> |
| Total | | <u>\$732,420,340</u> | <u>20.80%</u> |

Source: City of Hartford Assessor's Office.

Capital Budget

Under the Charter, the Planning and Zoning Commission shall prepare and revise annually a program of public improvements for the ensuing ten fiscal years and shall submit annually to the Mayor its recommendation of such projects to be undertaken in the ensuing fiscal year and the full ten-year period. The Mayor shall recommend to the Common Council those projects to be undertaken during the ensuing fiscal year and the method of financing the same.

The Capital Budget is used to finance only those large non-recurring permanent public improvements for which the issuance of bonds is authorized by statute and the Charter. Capital projects include projects in excess of \$200,000 and do not include operating costs, replacement equipment, or maintenance work.

The City of Hartford's Capital Improvement Program ("CIP") is designed to implement many of the long-range objectives of *Hartford's Plan of Development* (the "Plan"), adopted by the Commission on the City Plan in 1996, and the Mayor's policy objectives. The Plan has four primary objectives: development of safe, decent, affordable and accessible housing; development of an efficient, mobile, convenient and safe transportation system; renovation of public facilities including school and municipal buildings, street reconstruction and repair, City parks, and infrastructure improvements; and employment of City residents.

The fiscal year 2010-11 through 2019-20 adopted CIP strives to balance and distribute limited resources to meet the City's most critical needs over the next ten years. The primary emphasis is to preserve the existing infrastructure. While the City of Hartford looks cautiously forward to new and creative development efforts to stimulate the City's economy and tax base, it is important to maintain fiscal conservatism. This poses a challenge to City leaders who must seek to preserve and improve the existing physical plant so that the City's operating departments, public school system and public library may effectively deliver services. The adopted 2010-11 through 2019-20 CIP was developed in consideration of the following factors - infrastructure preservation, maintaining and improving the City's park system, and prudent financial planning.

The adopted 2011-12 through 2020-21 CIP of \$206,729,021 includes a first-year City budget totaling \$25,420,000 net of state and federal grants. The City expects school construction grants of 80-90% to help fund ongoing school projects.

Retirement Plans and Post-Retirement Benefits

Pension Administration

There are four defined benefit pension plans for employees of the City of Hartford. Two are single-employer plans, one is a cost-sharing multiple-employer plan with the State of Connecticut and one is a plan with the State of Connecticut for certified teachers at the Board of Education in which the City is a noncontributing employer. The City also administers an excess-benefit plan established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415(m) of the federal Internal Revenue Code.

The City Treasurer's Office administers the two single-employer plans. The City pays retirement and single benefit survivor benefits to pensioners under three old unfunded programs on a "pay-as-you-go" basis. For financial reporting purposes, these programs are reflected as one plan. These programs cover City employees hired before the current City Municipal Employees Retirement Fund ("MERF") went into effect on May 1, 1947; there were 140 pensioners and surviving annuitants under these old plans as of July 1, 2010. There are no remaining active members and the unfunded liability is decreasing rapidly.

The City provides retirement benefits for employees hired after 1947 through the City MERF, a contributory defined-benefit plan. Under the Plan, all full-time employees, including police, firefighters and emergency services, but not teachers and members of certain union groups who have elected to join the State Municipal Employees' Retirement Fund ("State MERF-B"), are eligible. The City MERF is considered to be part of the City of Hartford's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan is required by City Charter to be actuarially sound, based on employee contributions and mandatory annual contributions from the City as employer as determined by the Pension Commission on an actuarial basis. As of July 1, 2010, City MERF membership consisted of 2,808 pensioners, 2,246 active employees, and 189 vested terminated employees.

In recent years, the City's schedule of funding progress for the Municipal Employees' Retirement Fund has been as follows:

| Actuarial Valuation Date | Actuarial Value of Assets¹ | Actuarial Accrued Liability (AAL)² | Funded/ (Unfunded) AAL (UAAL) | Funded Ratio¹ | Covered Payroll | UAAL as a Percent of Covered Payroll |
|---|--|--|--|-------------------------------------|----------------------------|---|
| 7/1/10 | \$1,041,572,000 | \$1,175,040,000 | \$(133,468,000) | 88.6 | \$132,529,000 | (100.7) |
| 7/1/09 | 1,089,184,000 | 1,126,965,000 | (37,781,000) | 96.6 | 134,143,000 | (28.2) |
| 7/1/08 | 1,123,379,000 | 1,099,441,000 | 23,938,000 | 102.2 | 139,243,328 | (17.2) |
| 7/1/07 | 1,092,128,000 ³ | 1,090,715,000 | 1,413,000 | 100.1 | 133,280,000 | (1.1) |
| 7/1/06 | 1,021,491,000 ³ | 1,002,848,000 | 18,643,000 | 101.9 | 124,837,000 | (14.9) |
| 7/1/05 | 986,405,000 | 970,286,000 | 16,119,000 | 101.7 | 117,261,000 | (13.7) |
| 7/1/04 | 963,044,000 | 967,393,000 | (4,349,000) | 99.6 | 107,808,000 | 4.0 |

¹Excludes receivable from CMERS (applicable for 7/1/2002-7/1/2005 only; no longer applicable 7/1/2006).

²Liability shown determined using the projected unit credit cost method until 7/1/2006 and the entry age normal cost method as of 7/1/2007.

³Excludes estimated City receivables of \$5,463,745 as of July 1, 2007 and \$7,022,224 as of July 1, 2006. As of the date of the Official Statement, the City has paid these receivables to the City MERF and such payment was reflected in the fiscal year 2008 valuation.

Source: Annual Valuation Report, Hooker & Holcombe, Inc., June 30, 2009.

For fiscal year 2011-12, the City's contribution rates against eligible payroll are: Police 17.91%; Fire 11.30%; Board of Education 14.42%; Municipal Services 40.66% and Library 24.03%. Based on payroll estimates for the fiscal year, contributions from the City as employer are estimated at \$28,527,301 for the fiscal year ending June 30, 2012.

For additional information, refer to the Notes to Financial Statements, Note 13, contained in Appendix A - "Auditor's Section" herein.

Summaries of Plan Revenues and Expenses

On the following pages are shown the “Comparative Summaries of Revenues by Source” and “Expenses by Type” of the City of Hartford Municipal Employees’ Retirement Fund. It is important to note that the City’s General Fund completely funds the three old plans, while the MERF is supported by a combination of employer and employee contributions and dividend and interest income.

*Municipal Employees’ Retirement Trust Funds
Comparative Summary of Revenues by Source and Expenses by Type
for Fiscal Years Ended June 30*

Revenues by Source

| <u>Fiscal Year</u> | <u>Member Contributions</u> | <u>Employer Contributions</u> | <u>Net Investment Income</u> | <u>Miscellaneous</u> | <u>Total</u> |
|---------------------------|------------------------------------|--------------------------------------|-------------------------------------|-----------------------------|---------------------|
| 2011 | \$9,959,000 | \$22,148,000 | \$151,625,000 | \$ - | \$183,732,000 |
| 2010 | 9,355,000 | 13,747,000 | 90,066,000 | - | 113,168,000 |
| 2009 | 8,328,000 | 15,539,000 | (151,988,000) | - | (128,121,000) |
| 2008 | 9,768,656 | 20,329,457 | (16,659,754) | 504,290 | 13,942,649 |
| 2007 | 9,810,026 | 18,074,141 | 155,052,237 | 1,317,340 | 184,253,744 |
| 2006 | 10,095,944 | 13,873,795 | 85,501,760 | 14,706 | 109,486,205 |

Expenses by Type

| <u>Fiscal Year</u> | <u>Benefits</u> | <u>Administration</u> | <u>Other</u> | <u>Total</u> |
|---------------------------|------------------------|------------------------------|---------------------|---------------------|
| 2011 | \$90,419,000 | \$2,161,000 | \$ 67,000 | \$92,647,000 |
| 2010 | 86,716,000 | 2,027,000 | 105,000 | 88,848,000 |
| 2009 | 82,724,000 | 2,231,000 | 636,000 | 85,591,000 |
| 2008 | 81,364,885 | 2,733,604 | 756,064 | 84,854,553 |
| 2007 | 75,639,617 | 2,029,097 | 755,589 | 78,424,303 |
| 2006 | 75,085,545 | 2,101,542 | 767,836 | 77,954,923 |

Source: City of Hartford Comprehensive Annual Financial Reports, fiscal years 2006 through 2011.

Other Post-Employment Benefits

Aon Associates, actuaries retained by the City’s Finance and Personnel Department, which are responsible for managing the City’s health-care and other non-pension benefits programs, have provided the actuarial valuation as of July 1, 2010 which indicates an OPEB liability of \$242 million. The City will consider a variety of strategies to fund its OPEB liability including a five-year ramp up of the Annual OPEB Cost (“AOC”). For the fiscal year ending June 30, 2011, the City contributed \$11.1 million of the AOC of \$16.3 million. The percent AOC contributed was 80.3% and the net OPEB obligation was \$48.1 million as of June 30, 2010. The City has monitored these costs for approximately 10 years and has footnoted them in the Comprehensive Annual Financial Report (CAFR). The City has complied with all requirements for full disclosure.

The City’s Chief Operating Officer, Director of Management and Budget, Director of Finance, City Treasurer, Chief Fiscal Officer for the Board of Education, the Interim Human Resources Director for the Board of Education, the Director of Human Resources and the City’s newly established position of City Benefits Administrator have reestablished strategy sessions to fund our OPEB liability. This collaboration has recommended to the Mayor and City Council that the City fund an OPEB trust for long term investment gain, not unlike the City’s pension fund, as an investment pool as permitted by state law in the Connecticut General Statutes (Title 7, Chapter 112, Section 7-403a and Chapter 113, Part II, Section 7-450). An ordinance was passed by the City Council on April 18, 2008, authorizing the establishment of a OPEB Investment Trust

Fund. As of March 2012, the trust fund had not been created and funds had not been placed in such trust. Funds designated for the OPEB trust have been placed into the health benefits fund over the last three years. This is reflected in the positive fund balance in the internal service fund.

The City's annual OPEB cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 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 ended June 30, 2011, the amount actually contributed to the plan and changes in the Town's net OPEB obligation (in thousands):

| | |
|---|----------------|
| ARC | \$15,759 |
| Interest on net OPEB obligation | 2,390 |
| Adjustment to ARC | <u>(1,895)</u> |
| Annual OPEB cost | 16,254 |
| Contributions made | <u>11,078</u> |
| Increase in net OPEB obligation | 5,176 |
| Net OPEB obligation, beginning of year | <u>42,907</u> |
| Net OPEB obligation, end of year | \$48,083 |

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, 2009, 2010 and 2011 is presented below (in thousands):

| <u>Fiscal Year Ending</u> | <u>Annual OPEB Cost ("AOC")</u> | <u>Actual Contributions</u> | <u>Percentage of AOC Contributed</u> | <u>Net OPEB Obligation</u> |
|---------------------------|---------------------------------|-----------------------------|--------------------------------------|----------------------------|
| 6/30/09 | \$24,853 | \$12,862 | 51.8% | \$28,166 |
| 6/30/10 | 25,084 | 10,343 | 41.2 | 42,907 |
| 6/30/11 | 16,254 | 11,078 | 68.2 | 48,083 |

Risk Management

The City has established a risk management program to account for and finance its uninsured risks of loss for employee benefits (including comprehensive life, hospital and major medical benefits), workers' compensation, and liability and property damage. Under this program, primary coverage is provided by the City up to a maximum of \$300,000 in health insurance claims for each individual per claim year, \$2 million per occurrence for workers' compensation claims, \$500,000 per occurrence for auto and general liability claims, \$250,000 per occurrence for property damage claims, and \$250,000 per occurrence for public officials' claims. Each of these self insurance programs was established by Council Ordinance and are accounted for in an Internal Service Fund to account for and report on the City's total costs associated with insurance. The General Fund makes monthly payments to the Internal Service Fund based on amounts budgeted as necessary to meet all current and a portion of future claims and administrative expenses. In addition, the City Treasurer and Pension Commission are covered by fiduciary liability insurance.

The City's insured general liability limit for fiscal year 2010-11 was \$36.5 million. The City is currently insured for all legal liabilities in excess of a \$250,000 deductible and public officials' liability in excess of a \$250,000 deductible. All City property is insured for fire and extended coverage with a \$200,000 deductible. Certain settled claims have exceeded the self-insured retention amounts for any year, but no claims have exceeded the commercial coverage in any year. Workers' compensation salary continuation is initially paid from the employee's respective department budget and then is paid by insurance coverage.

The City provides comprehensive life and health coverage for its employees and retirees. The City operates its health care programs primarily through Anthem Blue Cross/Blue Shield of Connecticut, which provides stop-loss insurance, underwriting, administrative and claims processing services. A small percent of employees have opted to be covered by Health Net.

In recent years, the City has experienced an increase in health benefits and workers' compensation expenses due to increases in the severity and frequency of claims. The Travelers, Towers and Anthem completed actuarial valuations of workers' compensation, general liability and health benefits, respectively, as of June 30, 2011. The valuations indicate liabilities for all claims, including current and noncurrent, of \$28.2 million, against current fund assets of \$38.9 million. These valuations are based on estimates of all future insured and uninsured claims in excess of current funding and assets. The City expects that its actual claims experience will result in less expenses than projected by the actuarial report.

The City caused \$109.4 million to flow to the Internal Service Fund from City, employee and retiree sources for the fiscal year ended June 30, 2011. The City expects to increase its contribution to the Internal Service Fund in the fiscal year ending June 30, 2012, in order to meet all current necessary funding requirements of the Internal Service Fund.

Contributions from the General Fund

| | <u>Health Benefits</u> | <u>Workers' Compensation</u> |
|---------------|------------------------|------------------------------|
| 2010-11 | \$101,405,000 | \$7,993,000 |
| 2009-10 | 100,626,000 | 7,241,000 |
| 2008-09 | 88,465,000 | 6,817,000 |
| 2007-08 | 81,474,000 | 5,709,000 |
| 2006-07 | 75,805,000 | 10,546,000 |
| 2005-06 | 74,765,000 | 6,245,000 |
| 2004-05 | 70,224,000 | 7,243,000 |
| 2003-04 | 61,961,000 | 6,643,000 |

SECTION VI - ADDITIONAL INFORMATION

Litigation

The City, its officers and employees are defendants in numerous lawsuits. The City is insured for damages, subject to a \$250,000 deductible for public officials and \$500,000 for auto and general liability. Judgments or settlements for less than the deductible are paid from funds budgeted in the General Fund. \$890,000 is budgeted for settlements for fiscal year 2011-12, which sum may be adjusted as necessary. The City's Corporation Counsel believes that the budgeted amount is adequate and that none of the cases currently in litigation, if adversely decided, would have a negative impact on the finances of the City.

In the opinion of the Corporation Counsel, as of the date of this Official Statement, there are no claims or litigation pending or to her knowledge threatened which, individually or in the aggregate, that would result in final judgments against the City which would have a material adverse effect on the finances of the City or which would impact the validity of the Bonds or the Notes or the power of the City to levy and collect taxes to pay the principal of and interest on the Bonds and the Notes.

Bond Insurance Risk Factors

Concurrently with the issuance of the Bonds, the City will purchase a bond insurance policy to guarantee the scheduled payment of principal and interest on the Insured Bonds. The following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Insured Bonds when all or some becomes due, any owner of the Insured Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Insured Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Insured Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Insured Bonds, no assurance is given that such event will not adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds.

The long-term ratings on the Insured Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and the ratings on the Insured Bonds will not be subject to downgrade and such event could adversely affect the market price of the Insured Bonds or the marketability (liquidity) for the Insured Bonds. See "Ratings" herein.

The obligations of the Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City or Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Insured Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Commitment to Provide Continuing Disclosure Information

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. In order to provide certain continuing disclosure with respect to the Bonds and the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the City has entered into a Disclosure Dissemination Agent Agreement ("Disclosure Dissemination Agreement") for the benefit of the holders of the Bonds and the Notes with Digital Assurance Certification, L.L.C. ("DAC"), under which the City has designated DAC as Disclosure Dissemination Agent. Forms of the Disclosure Dissemination Agreement are attached as Appendix C.

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). In the past five years, the City has not failed to meet any of its undertakings under such agreements.

Documents Delivered at Closing

Upon delivery of the Bonds and the Notes, the Underwriters 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, the City Treasurer and the Director of Finance, which will be dated the date of delivery, and attached to a signed Official Statement, and which will certify to the best of said officials' knowledge and belief, that as of the date of the execution of the Purchase Contract and the date of the issuance of 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 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. Receipts for the purchase price of the Bonds and the Notes.
4. The approving opinions of Robinson & Cole LLP, Bond Counsel.
5. Executed disclosure dissemination agent agreements for the Bonds and the Notes substantially in the forms attached as Appendix C to this Official Statement.
6. Any other documents or certifications required by the Purchase Contract.

The City has prepared this Official Statement for the Bonds and the Notes. The City deems this Official Statement final as of its date for purposes of SEC Rule 15c-12(b)(1), but it is subject to revision or amendment. The City will make available to the Underwriters a reasonable number of copies of the Official Statement within seven business days of the execution of the Purchase Contract.

Legal Matters

The unqualified opinions of Robinson & Cole LLP, of Hartford, Connecticut, substantially in the forms set forth in Appendix B hereto, will be furnished upon delivery of the Bonds and the Notes. Certain legal matters will be passed upon for the Underwriters by Pullman & Comley, LLC, of Hartford and Bridgeport, Connecticut. Legal matters related to the authorization, issuance and sale of the Bonds and the Notes are subject to the approval of Robinson & Cole LLP, Bond Counsel to the City. Certain legal matters will be passed upon by Murtha Cullina, LLP of Hartford, Connecticut, the City's Disclosure Counsel.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

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

Dated as of March 22, 2012

CITY OF HARTFORD, CONNECTICUT

By /s/ Pedro E. Segarra
Pedro E. Segarra
Mayor

By /s/ Adam M. Cloud
Adam M. Cloud
City Treasurer

By /s/ Julio C. Molleda
Julio C. Molleda
Director of Finance

APPENDIX A - AUDITOR'S SECTION

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the
Court of Common Council
City of Hartford, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2011, 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 Hartford, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Notes 14 and 15 to the basic financial statements, the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed its method of accounting of governmental funds' fund balance classifications and restated the General Fund and Nonmajor Governmental Funds' beginning fund balances.

The management's discussion and analysis, budgetary comparison information, the schedules of funding progress and employer contributions for the pension plans and other post-employment benefit plans are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 3, 2012

**CITY OF HARTFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

This discussion and analysis of the City of Hartford, Connecticut's (City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read this MD&A in conjunction with the transmittal letter beginning on page i and the City's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$8.5 million as a result of this year's operations. The net assets of our governmental activities increased by \$8.3 million, or nearly .8 percent. The net assets of our business-type activities increased by \$.2 million.
- The City received \$15.8 million in capital grants and contributions related to school building construction grants from the State in support of the City's school renovation and construction projects, and for various public works projects.
- The total cost of the City's programs for the year was \$786.4 million with no new programs added.
- The General Fund reported a fund balance this year of \$25.1 million.
- The revenues available for appropriation were \$3.6 million more than budgeted for the General Fund, while expenditures were \$.5 million under the budgeted amount.

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 Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

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

These two statements report the City's net assets and changes in them. The City's net assets, the difference between assets and liabilities, is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

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

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, development and community affairs, human services, recreation and culture, 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 Hartford Parking Facilities Fund is reported here.
- *Component units* - The City includes a separate legal entity in its report; the Hartford Parking Authority. Although legally separate, this "component unit" is reported because the City is financially accountable for them.

Fund Financial Statements

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

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits V, VI, and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-Insurance Internal Service Funds and the City's Metro Hartford Information Services 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 increased from a year ago by \$8.5 million to \$1.1 billion. 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.

Summary of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|--|------------------------------------|--------------|-------------------------------------|-----------|-----------------------------|--------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Current and other assets | \$ 380,184 | \$ 386,243 | \$ 1,685 | \$ 995 | \$ 381,869 | \$ 387,238 |
| Capital assets, net of accumulated depreciation | 1,270,933 | 1,247,547 | 61,789 | 63,777 | 1,332,722 | 1,311,324 |
| Total assets | 1,651,117 | 1,633,790 | 63,474 | 64,772 | 1,714,591 | 1,698,562 |
| Long-term liabilities outstanding | 383,017 | 425,977 | 24,951 | 311 | 407,968 | 426,288 |
| Other liabilities | 203,699 | 151,708 | 1,428 | 27,521 | 205,127 | 179,229 |
| Total liabilities | 586,716 | 577,685 | 26,379 | 27,832 | 613,095 | 605,517 |
| Net Assets: | | | | | | |
| Invested in capital assets, net of related debt | 954,780 | 956,310 | 35,417 | 36,256 | 990,197 | 992,566 |
| Restricted | 62,466 | 63,564 | - | - | 62,466 | 63,564 |
| Unrestricted | 47,155 | 36,231 | 1,678 | 684 | 48,833 | 36,915 |
| Total net assets | \$ 1,064,401 | \$ 1,056,105 | \$ 37,095 | \$ 36,940 | \$ 1,101,496 | \$ 1,093,045 |

The City's government-wide net assets of \$1.1 billion represent an increase of \$8.5 million over last year's net assets of \$1.09 billion. The City was able to generate an overall increase in the City's governmental activities net assets principally due to the receipt of \$15.8 million in capital grants and contributions from the State in support of the City's school renovation and construction capital program and various public works projects. 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 - is \$48.8 million at the end of this year as compared with a \$36.9 million at the end of last year. Unrestricted net assets increased \$11.9 million. Net assets of the City's business-type activities increased \$1.0 million in 2011. The government activities unrestricted net assets increased by \$10.9 million in 2011.

TABLE 2

CHANGES IN NET ASSETS
(In Thousands)

| | Governmental Activities | | Business-Type Activities | | Total Government | |
|---|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charge for services | \$ 22,178 | \$ 19,414 | \$ 4,732 | \$ 4,791 | \$ 26,910 | \$ 24,205 |
| Operating grants and contributions | 408,617 | 420,882 | - | - | 408,617 | 420,882 |
| Capital grants and contributions | 15,797 | 96,958 | - | - | 15,797 | 96,958 |
| General Revenues: | | | | | | |
| Property taxes | 283,835 | 272,939 | - | - | 283,835 | 272,939 |
| Grants and contributions not restricted to specific programs | 55,207 | 51,975 | - | - | 55,207 | 51,975 |
| Unrestricted investment earnings | 3,079 | 3,319 | 7 | 1 | 3,086 | 3,320 |
| Other general revenues | 1,389 | 2,367 | - | - | 1,389 | 2,367 |
| Total revenues | 790,102 | 867,854 | 4,739 | 4,792 | 794,841 | 872,646 |
| EXPENSES | | | | | | |
| General government | 58,302 | 61,687 | - | - | 58,302 | 61,687 |
| Public safety | 99,448 | 98,563 | - | - | 99,448 | 98,563 |
| Public works | 37,698 | 38,215 | - | - | 37,698 | 38,215 |
| Development and community affairs | 61,408 | 63,475 | - | - | 61,408 | 63,475 |
| Human services | 28,574 | 31,799 | - | - | 28,574 | 31,799 |
| Education | 472,210 | 477,009 | - | - | 472,210 | 477,009 |
| Recreation and culture | 9,332 | 9,632 | - | - | 9,332 | 9,632 |
| Interest on long-term debt | 15,322 | 19,125 | - | - | 15,322 | 19,125 |
| Hartford Parking Facilities | - | - | 4,096 | 4,185 | 4,096 | 4,185 |
| Total expenses | 782,294 | 799,505 | 4,096 | 4,185 | 786,390 | 803,690 |
| Excess before transfers | 7,808 | 68,349 | 643 | 607 | 8,451 | 68,956 |
| Transfers | 488 | 1,350 | (488) | (1,350) | - | - |
| Change in net assets | 8,296 | 69,699 | 155 | (743) | 8,451 | 68,956 |
| Net Assets, beginning | 1,056,105 | 986,406 | 36,940 | 37,683 | 1,093,045 | 1,024,089 |
| Net Assets, ending | \$ 1,064,401 | \$ 1,056,105 | \$ 37,095 | \$ 36,940 | \$ 1,101,496 | \$ 1,093,045 |

The City's total revenue in 2011 of \$794.8 million represents a decrease of \$77.8 million over last year. Capital grants and contributions decreased \$81.1 million as capital expenses subject to reimbursement from the State for the school renovation and construction capital program decreased compared with the previous year. Operating grants and contributions decreased \$12.3 million due to fewer grants for various purposes.

The City's total program expenses of \$786.4 million represent a decrease of \$17.3 million over last year.

The City's overall net assets increased by \$8.5 million, as the City was able to decrease expenses in line with the revenue decline.

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

Governmental Activities

Table 3 presents the cost of each of the City's governmental activities five largest programs - general government, public safety, development and community affairs, human services and education - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

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

| | Total Cost of Services | | Net Cost of Services | |
|-----------------------------------|------------------------|-------------------|----------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 |
| General government | \$ 58,302 | \$ 61,647 | \$ 54,675 | \$ 58,007 |
| Public safety | 99,448 | 98,563 | 89,129 | 88,711 |
| Development and community affairs | 61,408 | 63,475 | 20,171 | 3,423 |
| Human services | 28,574 | 31,799 | 5,152 | 7,332 |
| Education | 472,210 | 477,009 | 125,847 | 59,829 |
| All other | 62,352 | 66,972 | 40,728 | 44,949 |
| Total | \$ 782,294 | \$ 799,465 | \$ 335,702 | \$ 262,251 |

Business-Type Activities

Revenues from the Hartford Parking Authority provided to the Hartford Parking Facilities Fund to finance debt service and capital improvement, as well as revenues to the City's General Fund, remained consistent at \$4.8 million. Expenses (including debt service and depreciation) for the City's dedicated parking facilities remained consistent with the prior year. Net transfers to the City's governmental activities decreased from \$1.3 million in 2010 to \$.5 million in 2011 as the Parking Authority's revenues declined due to current economic conditions.

CITY FUNDS FINANCIAL ANALYSIS

Governmental Funds

The City's General Fund reported a fund balance increase of \$5.5 million during 2011 as compared with an increase of \$2.3 million in 2010. The General Fund's unassigned fund balance at June 30, 2011 is \$22.6 million representing 4.1 percent of the General Fund's 2011 amended budgetary appropriations. Actual revenues were \$3.6 million above the amended budgetary revenue estimate as property tax revenues were better than estimates by \$3.4 million which was partially offset by a shortfall of \$1.9 million in license and permit revenues. Expenditures were \$.5 million below the final budgeted appropriation of \$544.4 million. Refer to RSI-1 and RSI-2 for details on other favorable and unfavorable variances in comparison to budgetary estimates.

As the City completed the year, its Capital Improvement Fund reported a fund balance decrease of \$29.9 million. The decrease is the result of capital outlays on various projects. In addition, the City had \$45 million in outstanding bond anticipation notes.

The Debt Service Fund had a committed fund balance as of June 30, 2011 of \$146 thousand.

The Education Grant Fund had an increase in fund balance of \$696 thousand.

The Community Development Loan and Grant Fund had a decrease in fund balance of \$684 thousand. The City's other governmental funds reported an increase of \$9.7 million in fund balance for the year.

Internal Service Funds

The net assets of the City's self-insurance programs increased \$17.4 million, decreasing the total deficit of the City's internal service programs from \$5.5 million to a \$11.8 million surplus. This is a result of the City's continued efforts to fund its post-retirement benefits at the actuaries' suggested levels.

General Fund Budgetary Highlights

There were no supplemental appropriations in the City's General Fund.

The City's General Fund unassigned fund balance and budgetary fund balance are both \$22.6 million at year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the City had \$1.3 billion invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment and infrastructure - Table 4.

Capital asset additions during the year totaled \$71.6 million (Note 6 to the financial statements). Construction in progress additions represent the majority of capital additions recorded by the City other than capital activity related to vehicle and equipment purchases. Refer to current period expenditures reported in Exhibit C for a detail of capital project expenditures by project in the City's Capital Improvement Fund. The majority of active projects as reported in Exhibit C qualify for capitalization under the City's asset capitalization policy.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|--------------------------------|-------------------|---------------------------------|----------------|-------------------|-------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Land | \$ 68.7 | \$ 71.7 | \$ 8.4 | \$ 8.4 | \$ 77.1 | \$ 80.1 |
| Land improvements | 7.3 | 9.5 | - | 0.2 | 7.3 | 9.7 |
| Buildings | 744.8 | 773.0 | - | - | 744.8 | 773.0 |
| Other structures | 11.4 | 8.3 | 53.3 | 55.0 | 64.8 | 63.3 |
| Furniture and equipment | 3.6 | 3.3 | - | 0.1 | 3.6 | 3.4 |
| Rolling equipment | 10.9 | 10.8 | - | - | 10.9 | 10.8 |
| Infrastructure | 217.8 | 198.7 | - | - | 217.8 | 198.7 |
| Construction in progress | 206.4 | 179.2 | - | - | 206.4 | 179.2 |
| | \$ 1,270.9 | \$ 1,254.5 | \$ 61.8 | \$ 63.7 | \$ 1,332.7 | \$ 1,318.2 |

There are 171 active projects in the City's Capital Improvement Fund with appropriations of \$1,175.2 million, cumulative active project expenditures of \$841.5 million and outstanding encumbrances of \$56.4 million, resulting in an unencumbered balance of \$270.6 million. Total expenditures for all projects during the fiscal year amounted to \$65.7 million. New and supplemental appropriations are reflected in the FY2012 budget.

The City issued \$25.0 million in general obligation bonds during 2011. Additionally, the City issued \$45.35 million in bond anticipation notes.

More detailed information about the City's capital assets is presented in Note 6 to the financial statements.

Long-term debt

At June 30, 2011, the City had \$321.8 million in bonds outstanding versus \$319.4 million last year - an increase of .75% - as shown in Table 5.

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

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|--------------------------------|-----------------|---------------------------------|----------------|-----------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General obligation bonds | \$ 293.8 | \$ 290.0 | \$ 28.0 | \$ 29.4 | \$ 321.8 | \$ 319.4 |
| Serial notes payable | 1.6 | 1.7 | - | - | 1.6 | 1.7 |
| Total | \$ 295.4 | \$ 291.7 | \$ 28.0 | \$ 29.4 | \$ 323.4 | \$ 321.1 |

The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$1.9 billion state-imposed limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's number of unemployed increased from 7,192 in calendar year 2009 to 8,273 in calendar year 2010 while the unemployment rate increased from 14.2 percent to 16.1 percent. This compares to the State's rate of 9.0 percent and the nation's rate of 9.4 percent.

The consumer price index in the northeast urban areas was higher than the national consumer price index. Inflation from October 2010 to October 2011 in the northeast was 3.6 percent while the rate was 4.0 percent for all urban areas in the U.S.

In developing the fiscal year 2012-2013 budget, the City continues to feel it is critical to examine the size and cost of government and the ability of the taxpayers to meet that burden. With costs escalating, government must evaluate services in terms of affordability and quality. Cost effectiveness, innovative approach and customer service are the standards for this evaluation.

The City feels that it is essential, given the current financial climate, to control the cost of each service provided. In developing the 2011-2012 budget, we constantly questioned how we are spending the taxpayers' money. Our goal is to offer basic services to our citizens that improve their quality of life at a price affordable to them. Our budget philosophy is not directed at cutting the cost of government by cutting services. It is directed toward cutting costs and improving services.

We must be innovative in our approach to the work that we do. The City cannot afford to follow the Business As Usual rule. It is our responsibility to challenge our employees and ourselves to find better ways to provide governmental services. Education and goal setting are the keys to innovation. Encouraging our employees' growth and development will foster innovation. The City of Hartford should be in the vanguard of how cities do business.

The adopted budget for fiscal year 2011-12 of \$547.3 million is an increase of \$2.9 million over the adopted 2010-11 budget. The negative growth in State aid exacerbates the slow growth in the City of Hartford Grand List, thus putting more pressure on property taxes. The new budget included a one mill rate decrease to 71.79 mills.

The City is exploring ways to reduce the 2011-12 expenditure budget and increase its revenue sources. In developing the City's 2012-13 budget, various options are being explored to reduce City expenditures and maximize revenues.

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 Hartford, 550 Main Street, Hartford, Connecticut 06103.

STATEMENT OF NET ASSETS

June 30, 2011

(In Thousands)

| | Primary Government | | | Component Unit |
|---|---------------------|------------------|---------------------|-------------------|
| | Governmental | Business-Type | Total | Hartford |
| | Type Activities | Activities | | Parking Authority |
| Assets | | | | |
| Cash and cash equivalents | \$ 206,544 | \$ 1,919 | \$ 208,463 | \$ 581 |
| Investments | 21,974 | - | 21,974 | - |
| Receivables, net | 150,895 | - | 150,895 | 2,013 |
| Internal balances | 488 | (488) | - | - |
| Due from component unit | - | 254 | 254 | - |
| Other assets | 283 | - | 283 | - |
| Capital assets: | | | | |
| Assets not being depreciated | 275,070 | 8,428 | 283,498 | - |
| Assets being depreciated, net | 995,863 | 53,361 | 1,049,224 | - |
| Total assets | 1,651,117 | 63,474 | 1,714,591 | 2,594 |
| Liabilities | | | | |
| Accounts payable and accrued expenses | 92,386 | 3 | 92,389 | 555 |
| Due to primary government | - | - | - | 254 |
| Bond anticipation notes payable | 45,350 | - | 45,350 | - |
| Deferred charges | 473 | - | 473 | - |
| Deferred revenue | - | - | - | 1,785 |
| Unearned revenue | 12,073 | - | 12,073 | - |
| Noncurrent liabilities: | | | | |
| Due within one year | 53,417 | 1,425 | 54,842 | - |
| Due in more than one year | 383,017 | 24,951 | 407,968 | - |
| Total liabilities | 586,716 | 26,379 | 613,095 | 2,594 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 954,780 | 35,417 | 990,197 | - |
| Restricted for: | | | | |
| Housing loans and grants | 41,696 | - | 41,696 | - |
| Trust purposes: | | | | |
| Expendable | 12,411 | - | 12,411 | - |
| Nonexpendable | 8,359 | - | 8,359 | - |
| Unrestricted | 47,155 | 1,678 | 48,833 | - |
| Total net assets | \$ 1,064,401 | \$ 37,095 | \$ 1,101,496 | \$ - |

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

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011
(In Thousands)

| | General | Capital Improvement Fund | Community Development Loan and Grant | Debt Service | Educational Grants | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|---|-----------------|-----------------------|-----------------------------------|--------------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 78,102 | \$ 58,321 | \$ 2,952 | \$ 299 | \$ 12,456 | \$ 14,899 | \$ 167,029 |
| Investments | - | - | - | - | - | 21,974 | 21,974 |
| Receivables, net | 55,898 | 39,803 | 33,393 | - | 2,083 | 19,108 | 150,285 |
| Due from other funds | 488 | 2,335 | - | - | - | - | 2,823 |
| Inventories and other assets | - | - | - | - | - | 283 | 283 |
| Total assets | \$ 134,488 | \$ 100,459 | \$ 36,345 | \$ 299 | \$ 14,539 | \$ 56,264 | \$ 342,394 |
| Liabilities | | | | | | | |
| Accounts payable and accrued liabilities | 54,276 | 17,802 | 7 | 153 | 5,157 | 6,249 | 83,644 |
| Due to other funds | 1 | - | - | - | - | 2,335 | 2,336 |
| Unamortized premium | - | 473 | - | - | - | - | 473 |
| Deferred/unearned revenue | 55,125 | 15,484 | 33,386 | - | 1,773 | 8,332 | 114,100 |
| Bond anticipation notes | - | 45,350 | - | - | - | - | 45,350 |
| Total liabilities | 109,402 | 79,109 | 33,393 | 153 | 6,930 | 16,916 | 245,903 |
| Fund balances | | | | | | | |
| Nonspendable | - | - | - | - | - | 18,583 | 18,583 |
| Restricted | - | - | 2,952 | - | - | 19,052 | 22,004 |
| Committed | - | 21,350 | - | 146 | 7,609 | 1,915 | 31,020 |
| Assigned | 2,525 | - | - | - | - | - | 2,525 |
| Unassigned | 22,561 | - | - | - | - | (202) | 22,359 |
| Total fund balances | 25,086 | 21,350 | 2,952 | 146 | 7,609 | 39,348 | 96,491 |
| Total liabilities and fund balances | \$ 134,488 | \$ 100,459 | \$ 36,345 | \$ 299 | \$ 14,539 | \$ 56,264 | \$ 342,394 |

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

(Continued on Next Page)

BALANCE SHEET - GOVERNMENTAL FUNDS (Continued)

June 30, 2011

(In Thousands)

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

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

| | | |
|--|----|-------------------------|
| Fund balances - total governmental funds (Exhibit III) | \$ | 96,491 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | | |
| Governmental capital assets | \$ | 1,860,647 |
| Less accumulated depreciation | | <u>(589,714)</u> |
| Net capital assets | | 1,270,933 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as deferred in the funds: | | |
| Property tax receivables | | 31,623 |
| Interest receivable on property taxes | | 10,697 |
| Receivable from the State for school construction projects | | 12,787 |
| Housing loans | | 33,386 |
| Other receivables | | 13,534 |
| 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. | | 11,849 |
| 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 | | (293,745) |
| Interest payable on bonds and notes | | (7,120) |
| Compensated absences | | (36,389) |
| HUD loans | | (12,941) |
| Capital leases | | (3,031) |
| Clean Water Fund serial note | | (1,582) |
| Net OPEB obligation | | (48,083) |
| Net pension obligation | | (4,154) |
| Arbitration accrual | | (483) |
| Bond premium | | (9,405) |
| Deferred charges on refunding | | <u>34</u> |
| Net Assets of Governmental Activities (Exhibit I) | \$ | <u><u>1,064,401</u></u> |

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2011
 (In Thousands)

| | General | Capital Improvement Fund | Community Development Loan and Grant | Debt Service | Educational Grants | Nonmajor Governmental Funds | Total Governmental Funds |
|--|------------------|--------------------------------|---|-----------------|-----------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Property taxes | \$ 274,013 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 274,013 |
| Licenses, permits, and other charges | 4,891 | - | - | - | - | - | 4,891 |
| Intergovernmental revenues | 272,915 | 12,800 | - | - | 92,057 | 97,850 | 475,622 |
| Charges for services | 2,807 | - | - | - | - | 7,935 | 10,742 |
| Use of property | 6,354 | - | - | - | - | - | 6,354 |
| Investment income | 317 | - | 203 | - | - | 2,559 | 3,079 |
| Miscellaneous | 1,389 | - | 704 | - | 8,684 | 3,083 | 13,860 |
| Total revenues | 562,686 | 12,800 | 907 | - | 100,741 | 111,427 | 788,561 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 19,800 | - | - | - | - | 1,747 | 21,547 |
| Public safety | 75,672 | - | - | - | - | 8,611 | 84,283 |
| Public works | 13,083 | - | - | - | - | 2,199 | 15,282 |
| Development and community affairs | 4,228 | - | 1,591 | - | - | 54,682 | 60,501 |
| Human services | 7,103 | - | - | - | - | 20,775 | 27,878 |
| Education | 304,370 | - | - | - | 102,239 | 12,490 | 419,099 |
| Recreation and culture | 7,915 | - | - | - | - | 1,562 | 9,477 |
| Benefits and insurance | 65,160 | - | - | - | - | - | 65,160 |
| Other | 26,637 | - | - | - | - | - | 26,637 |
| Capital outlay | - | 65,664 | - | - | - | 2,354 | 68,018 |
| Debt service | - | 291 | - | 35,029 | - | 2,874 | 38,194 |
| Total expenditures | 523,968 | 65,955 | 1,591 | 35,029 | 102,239 | 107,294 | 836,076 |
| Excess (deficiency) of revenues over expenditures | 38,718 | (53,155) | (684) | (35,029) | (1,498) | 4,133 | (47,515) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 4,159 | - | - | 35,029 | 2,194 | 2,398 | 43,780 |
| Transfers out | (37,427) | - | - | - | - | (5,865) | (43,292) |
| Issuance of bonds | - | 15,950 | - | - | - | 9,050 | 25,000 |
| Issuance of notes | - | 7,000 | - | - | - | - | 7,000 |
| Bond premium | - | 291 | - | - | - | 13 | 304 |
| Total other financing sources (uses) | (33,268) | 23,241 | - | 35,029 | 2,194 | 5,596 | 32,792 |
| Net change in fund balances | 5,450 | (29,914) | (684) | - | 696 | 9,729 | (14,723) |
| FUND BALANCES, beginning of year, as restated (Note 15) | 19,636 | 51,264 | 3,636 | 146 | 6,913 | 29,619 | 111,214 |
| FUND BALANCES, end of year | \$ 25,086 | \$ 21,350 | \$ 2,952 | \$ 146 | \$ 7,609 | \$ 39,348 | \$ 96,491 |

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

(Continued on Next Page)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS, (Continued)
For the Year Ended June 30, 2011
(In Thousands)**

Reconciliation of the Statement of Revenues, Expenditures and changes in fund balances of governmental funds to the Statement of Activities:

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

| | |
|---|-------------|
| Net change in fund balances - total governmental funds (Exhibit IV) | \$ (14,723) |
|---|-------------|

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 | 71,648 |
| Loss on disposal | (12,300) |
| Depreciation expense | (42,962) |

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

| | |
|---|----------|
| School building grant receipts | (1,794) |
| Property tax receivable - accrual basis change | 7,202 |
| Property tax interest and lien revenue - accrual basis change | 2,620 |
| Housing loans | (18,432) |
| Intergovernmental revenue on school bonds | 11,924 |

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.

| | |
|--|----------|
| Bond and series note principal payments | 21,275 |
| Issuance of bonds and notes | (25,000) |
| Accrued interest on bonds - accrual basis change | (731) |
| HUD loan proceeds | (7,000) |
| HUD loan principal payments | 304 |
| CWF serial note | 83 |
| Capital lease payments | 2,126 |
| Amortization of deferred charge on refunding | (52) |
| Bond premium | (1,227) |
| Arbitration accrual | (483) |
| Amortization of bond premium | 790 |

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

| | |
|--|---------|
| Compensated absences | 2,743 |
| Change in pension and other postemployment benefit liabilities | (5,094) |

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

| |
|--------|
| 17,379 |
|--------|

Change in Net Assets of Governmental Activities (Exhibit II)

| |
|----------|
| \$ 8,296 |
|----------|

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

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2011

(In Thousands)

| | Business-Type Activities | Governmental Activities |
|---|--|---------------------------------------|
| | Hartford Parking Facilities | Internal Service Funds |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,919 | \$ 39,515 |
| Receivables, net | - | 610 |
| Due from component unit | 254 | - |
| Total current assets | <u>2,173</u> | <u>40,125</u> |
| CAPITAL ASSETS, NET | <u>61,789</u> | <u>-</u> |
| Total assets | <u>63,962</u> | <u>40,125</u> |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and other payables | 3 | 1,621 |
| Due to other funds | 488 | - |
| Risk management claims | - | 12,055 |
| Bonds payable | 1,425 | - |
| Total current liabilities | <u>1,916</u> | <u>13,676</u> |
| NONCURRENT LIABILITIES | | |
| Risk management claims | - | 14,600 |
| Bonds payable | 24,951 | - |
| Total noncurrent liabilities | <u>24,951</u> | <u>14,600</u> |
| Total liabilities | <u>26,867</u> | <u>28,276</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 35,413 | - |
| Unrestricted | 1,682 | 11,849 |
| Total net assets | <u>\$ 37,095</u> | <u>\$ 11,849</u> |

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

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

For the Year Ended June 30, 2011

(In Thousands)

| | <u>Business-Type Activities</u> <u>Hartford Parking Facilities</u> | <u>Governmental Activities</u> <u>Internal Service Funds</u> |
|---|---|---|
| OPERATING REVENUES | | |
| City's contribution for insurance | \$ - | \$ 92,044 |
| Employee and pensioners contributions for insurance | - | 21,677 |
| Hartford Parking Authority - operations | 4,419 | - |
| Other | 313 | 2,157 |
| Total operating revenues | <u>4,732</u> | <u>115,878</u> |
| OPERATING EXPENSES | | |
| Administrative | 490 | 6,580 |
| Operations | - | 5,789 |
| Insurance benefits and claims | - | 86,130 |
| Depreciation and amortization | 1,988 | - |
| Total operating expenses | <u>2,478</u> | <u>98,499</u> |
| Operating income | <u>2,254</u> | <u>17,379</u> |
| NONOPERATING INCOME (EXPENSE) | | |
| Interest earnings | 7 | - |
| Interest expense | (1,618) | - |
| Total nonoperating income (expense) | <u>(1,611)</u> | <u>-</u> |
| Net income before transfers | 643 | 17,379 |
| Transfers out | (488) | - |
| Change in net assets | 155 | 17,379 |
| FUND NET ASSETS (DEFICITS), beginning | <u>36,940</u> | <u>(5,530)</u> |
| FUND NET ASSETS, ending | <u>\$ 37,095</u> | <u>\$ 11,849</u> |

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

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2011
(In Thousands)

| | Business-Type Activities | Governmental Activities |
|---|--|---------------------------------------|
| | Hartford Parking Facilities | Internal Service Funds |
| Cash Flows From Operating Activities | | |
| City's contribution | \$ - | \$ 96,069 |
| Cash paid by participants | - | 20,895 |
| Cash received from Hartford Parking Authority | 5,375 | - |
| Cash paid for salaries and benefits | - | (6,362) |
| Cash paid for claims | - | (93,486) |
| Cash paid to other funds | (859) | - |
| Net cash provided by operating activities | 4,516 | 17,116 |
| Cash Flows From Capital and Related Financing Activities | | |
| Principal paid on bonds | (1,365) | - |
| Interest paid on bonds | (1,402) | - |
| Net cash used in capital and related financing activities | (2,767) | - |
| Cash Flows From Investing Activities | | |
| Income on investments | 7 | - |
| Net increase in cash and cash equivalents | 1,756 | 17,116 |
| Cash and Cash Equivalents, beginning of year | 163 | 22,399 |
| Cash and Cash Equivalents, end of year | \$ 1,919 | \$ 39,515 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating income | \$ 2,254 | \$ 18,324 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,988 | - |
| Decrease in other receivables | - | 117 |
| Decrease in accounts payable and accrued liabilities | (304) | (246) |
| Decrease in due to other funds | (65) | - |
| Decrease in insurance claims payable | - | (1,079) |
| Increase in due from component unit | 643 | - |
| Net cash provided by operating activities | \$ 4,516 | \$ 17,116 |

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

STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2011

(In Thousands)

| | Pension Trust Funds | School Agency Funds |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 88,293 | \$ 605 |
| Investments: | | |
| Fixed income securities | 276,506 | - |
| Common stock and other | 624,717 | - |
| Total investments | 901,223 | - |
| Loan receivable | 1,000 | - |
| Accrued investment earnings | 3,367 | - |
| Total assets | 993,883 | 605 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 205 | - |
| Net settlement due on investments purchased/sold | 10,613 | - |
| Due to student groups and other | - | 605 |
| Total liabilities | 10,818 | 605 |
| Net Assets Held in Trust for Pension Benefits | \$ 983,065 | \$ - |

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

**STATEMENT OF CHANGES IN PLAN NET ASSETS -
FIDUCIARY FUNDS - PENSION TRUST FUNDS**

For the Year Ended June 30, 2011

(In Thousands)

Additions

Contributions:

| | |
|----------------------------|---------------|
| Employer | \$ 22,148 |
| Plan members | 9,959 |
| Total contributions | <u>32,107</u> |

Investment Income:

| | |
|---|----------------|
| Net appreciation in fair value of investments | 140,967 |
| Interest and dividends | 14,925 |
| Total investment income | <u>155,892</u> |

Less investment expense

| | |
|--|--------------|
| | <u>4,267</u> |
|--|--------------|

Net investment income

151,625

Deductions

| | |
|-------------------------|---------------|
| Benefits | 90,419 |
| Administration | 2,161 |
| Other | 67 |
| Total deductions | <u>92,647</u> |

Increase in net assets

91,085

Net Assets Held in Trust for Pension Benefits

| | |
|-------------------|-------------------|
| Beginning of year | <u>891,980</u> |
| End of year | <u>\$ 983,065</u> |

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

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

(In Thousands)

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Hartford, Connecticut (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.

Reporting entity

The City of Hartford, Connecticut was incorporated May 29, 1784 and the City consolidated in April, 1896. The City operates under a Mayor-Council form of government and provides a full range of services including public safety, roads, solid waste collection, health, social services, culture and recreation, education, planning, development, zoning and general administrative services.

As required by generally accepted accounting principles, these financial statements present the primary government and the following component unit.

Discretely presented component unit

The Hartford Parking Authority (the Authority) has been included in the City's reporting as a governmental fund type in accordance with GAAP. The Authority was created pursuant to Chapter 100 of the General Statutes of Connecticut and is governed by five members appointed by the Mayor. The purpose of the Authority is to create, establish, finance, maintain, and operate the City of Hartford's dedicated parking facilities, and regulate the uses and parking rates to be charged at other regulated parking facilities. The City will maintain ownership of the facilities and retire associated debt with net parking revenue received from the Authority. Separate financial statements of the Authority are available from the Authority's offices, 155 Morgan Street, Hartford, Connecticut.

Government-wide and fund financial statements

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

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

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

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

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

Governmental Funds

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

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

Special Revenue Funds - accounts for specific revenues derived that are legally restricted to expenditure for particular purpose.

Debt Service Fund - accounts for the payment of principal and interest on general long-term debt of the City.

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

Permanent Funds - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Proprietary Funds

Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the City's proprietary funds:

Enterprise Funds - account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The reported enterprise fund of the City accounts for activities of the Hartford Parking Facilities.

Internal Service Funds - account for the financing of goods or services provided by one department to other departments or agencies of the City on a cost-reimbursement basis. The reported internal service funds of the City include self-insured funds for Employee Benefits, Workers' Compensation, and Liability and Property Damage and a fund used to account for the centralized operations of the Metro Hartford Information Services.

Fiduciary Funds

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

Pension Trust Funds - account for the Municipal Employees' Retirement System.

Agency Funds - are custodial in nature (assets equal liabilities). Agency Funds apply the accrual basis of accounting but do not involve measurement of results of operation. The School System Student Activity Fund and Adult Education Book Fund are the City's only agency funds.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

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 for. 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 (generally 60 days). A one-year availability period is used for revenue recognition for all construction grants. 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 obligations, other post-employment obligations, and claims and judgments, are recorded only when payment is due (matured).

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, charges for services, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. 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, primarily licenses and fees, 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 *Capital Improvement Fund* accounts for the proceeds of general obligation bonds and grants for various construction and reconstruction projects.

The *Community Development Loan and Grant Fund* accounts for loan and grant activities associated with the housing and development program.

The *Debt Service Fund* accounts for the payment of principal and interest on general long-term debt of the City.

The *Educational Grants Fund* accounts for State and Federal grants received and expended for educational purposes.

The City reports the following major enterprise fund:

The *Hartford Parking Facilities Fund* accounts for the operations of the City's dedicated parking facilities in conjunction with the Hartford Parking Authority.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for the risk management program of the City and the centralized operations of the Metro Hartford Information Services.

The *Pension Trust Funds*, fiduciary funds, account for the activities of the Hartford Retirement System, which accumulates resources for pension benefit payments to qualified City employees.

The *Agency Funds*, fiduciary fund, account for monies held as a custodian for outside student groups.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds are financed and operated in a manner similar to private business enterprises.

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 City's enterprise fund is net revenues from operations of the parking facilities and of the City's internal service funds are charges from participants and premiums from the City. Operating expenses for the enterprise fund include operating expenses, administrative expenses, and depreciation on capital assets. for the internal service funds, expenses represent claims paid. 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.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Cash equivalents

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.

Investments

Investments are stated at fair value, based on quoted market prices, except as disclosed below.

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. Investments in 2a7 like pools are stated at the position in the pool, and are the same as the value of the pool shares, amortized cost.

Receivables

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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables, including those for component units, are shown net of an allowance for uncollectibles. The property tax receivable allowance of \$3.9 million is equal to 11.9% of outstanding property taxes at June 30, 2011.

The City's property tax is levied each May on the assessed value listed as of the prior October 1 for all taxable real and personal property located in the City. The lien date is July 1 on the May 1 levy. Assessed values are established by the City Assessor at 70% of fair market value for all properties on the grand list as of October 1 each year. Taxes under \$100 (amount not rounded) are due in one installment July 1; real and personal property taxes of over \$100 (amount not rounded) are due in two installments July 1 and January 1. Motor vehicle taxes in excess of \$100 (amount not rounded) are due in two installments July 1 and January 1. Delinquent taxes are assessed interest of 1.5% per month.

The City has also entered into various loan agreements with third parties related to its public housing programs. These loan agreements have been recorded as notes receivable within the Community Development Loan and Grant Fund. Under these agreements, the City has loaned money for the purpose of establishing and/or improving public housing units. The loans are secured by an interest in the property being acquired and/or improved. The programs consist of the House Hartford Program, the Home Ownership Appraisal GAP Financing Program, Home Program and the Housing Preservation Loan Program. In addition, the City has made several loans under the HUD Section 108 Program. The City develops an allowance for uncollectible amounts on a loan-by-loan basis.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Allowances for doubtful accounts

Accounts and notes receivable for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based upon collection history and analysis of creditor's ability to pay. The majority of amount relates to taxes receivable, housing loans and police special duty fees.

Inventories

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.

Capital assets

Capital assets, which include land, buildings, equipment, and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on specific project related debt, during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---|--------------|
| Land improvements | 20 |
| Buildings and building improvements | 20-40 |
| Other structures | 15 |
| Office furniture, equipment and PC hardware | 5 |
| Computer equipment | 3-5 |
| Shop, playground, and grounds maintenance equipment | 10-20 |
| Autos, trucks, construction vehicles | 5-15 |
| Infrastructure | 25-70 |

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

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Compensated absences

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 and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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 as reported include unamortized bond premiums and discounts. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and bond principal payments, are reported as debt service expenditures.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to assign that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances as they do not constitute expenditures or liabilities.

Fund equity and net assets

In the government-wide and proprietary fund financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted Net Assets – This category presents external restriction imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets or Deficit – This category represents the net assets of the City, which are not restricted. A deficit will require future funding.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

In the fund financial statements, the City reported the following governmental fund balances:

- Nonspendable Fund Balance – These amounts cannot be spent because they are not in spendable form, or because they are legally or contractually required to be maintained intact.
- Restricted Fund Balance – These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.
- Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by the Court of Common Council. The constraints cannot be removed unless the Commission removes it in the same manner it was implemented.
- Assigned Fund Balance – 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.
- Unassigned Fund Balance – includes residual positive fund balance within the General Fund which has not been classified within the other abovementioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted amounts are available for use, it is the City's practice to use restricted resources first. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance.

Note 2. 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 funds 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

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

designated surplus reserve, and the value of the position in the pool is the same as the value of the pool shares.

The City pension plan asset allocation parameters are as follows:

| | |
|-------------------------|-------|
| Equities | 50% |
| Fixed income securities | 48.5% |
| Cash | 1.5% |

Deposits

City

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy includes policies on the safety of principal, prudence, and financial dealings with institutions designed to mitigate custodial credit risk. As of June 30, 2011, \$268,640 of the City's bank balance of \$311,312 was uninsured and uncollateralized.

Hartford Parking Authority

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority follows the City's deposit policies which include policies on the safety of principal, prudence, and financial dealings with institutions to mitigate custodial credit risk. As of June 30, 2011, \$156 of the Authority's bank balance of \$563 was uninsured and uncollateralized.

Cash and investments of the City consist of the following at June 30, 2011:

Cash and Cash Equivalents

| | |
|---|----------------|
| Deposits with financial institutions | \$ 287,351 |
| State of Connecticut Short-Term Investment fund | 10,591 |
| Total cash and cash equivalents | <u>297,942</u> |

Investments

| | |
|------------------------------|---------------|
| Non-Major Funds | |
| U.S. Government Agencies | 969 * |
| U.S. Treasury | 1,641 * |
| Corporate Bonds | 2,334 * |
| Foreign Bonds | 5,870 * |
| Common Stock | 10,639 * |
| Other | 521 |
| Total non-major funds | <u>21,974</u> |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

| | | |
|---|---------------------|---|
| Pension Trust Funds: | | |
| U.S. Government Agencies | 48,093 | * |
| U.S. Treasury | 97,214 | * |
| Corporate Bonds | 97,944 | * |
| Foreign Bonds | 33,255 | * |
| Common Trusts | 124,876 | |
| Alternative Investments | 59,240 | |
| Common stock | 440,601 | * |
| Total pension trust funds | <u>901,223</u> | |
| Total investments | <u>923,197</u> | |
| Total cash, cash equivalents and investments | <u>\$ 1,221,139</u> | |

* These investments are uninsured and unregistered, with securities held by the counterparty, in the City's or the pension fund's name.

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

| | | |
|---|-----------|-------------------------|
| Statement of Net Assets | | |
| Cash and cash equivalents | \$ | 209,044 |
| Investments | | <u>21,974</u> |
| Total statement of net assets | | <u>231,018</u> |
| Fiduciary Funds: | | |
| Cash and cash equivalents | | 88,898 |
| Investments | | <u>901,223</u> |
| | | <u>990,121</u> |
| Total cash, cash equivalents and investments | \$ | <u><u>1,221,139</u></u> |

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's and Pension Plan's formal investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's formal investment policy includes asset allocation percentage ranges to assist in limiting interest rate risk.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Foreign currency risk: The City's and Pension Plan's formal investment policy limits at any point in time, the exact level of investment in international equities to between seventeen percent and twenty-one percent of the total MERF portfolio. The City's exposure to foreign currency related to equities, fixed income securities and other domestic equities as of June 30, 2011, is as follows:

| | Currency | Fair Value |
|--------------------------|--------------------------|------------|
| Fixed Income Securities: | Euro Currency Unit | \$ 17,778 |
| | Japanese Yen | 6,719 |
| | Polish Zloty | 3,574 |
| | Peso | 1,984 |
| | British Pound Sterling | 3,192 |
| | Other foreign currencies | 5,878 |
| Equities: | Japanese Yen | 19,112 |
| | Euro Currency Unit | 11,994 |
| | British Pound Sterling | 746 |
| | South Korean Won | 2,546 |
| | Hong Kong Dollar | 932 |
| | Singapore Dollar | 2,492 |
| | Swiss Franc | 2,557 |
| | Other foreign currencies | 2,818 |

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 (in Years) | | | |
|--|-------------------|----------------------------------|------------------|------------------|--------------------------|
| | | Less Than 1 Year | 1-5 Years | 5-10 Years | Greater Than 10 Years |
| Foreign Bonds | \$ 39,125 | \$ 805 | \$ 14,566 | \$ 17,856 | \$ 5,898 |
| U.S. Government Agencies | 49,062 | 2,389 | 4,363 | 4,119 | 38,191 |
| U.S. Treasury | 98,855 | 1,075 | 12,785 | 5,062 | 79,933 |
| Corporate Bonds | 100,278 | 904 | 20,982 | 45,032 | 33,360 |
| Pooled fixed income | 10,591 | 10,591 | - | - | - |
| TOTAL | \$ 297,911 | \$ 15,764 | \$ 52,696 | \$ 72,069 | \$ 157,382 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

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 City's and Pension Plan's investment policy further limits its investment choices including prohibiting investments in derivatives that are not used for the specific purposes identified in the City's Funding and Investment Policy Statement. Other prohibited transactions are identified in Article X of the Funding and Investment Policy Statement. The following are the actual ratings by Standard and Poors.

| Actual Rating | Foreign Bonds | U.S. Gov't Agencies | U.S. Treasury | Corporate Bonds | Pooled Fixed Income |
|---------------|------------------|---------------------|------------------|-------------------|---------------------|
| AAA | \$ 2,288 | \$ 46,471 | \$ 98,855 | \$ 10,187 | \$ - |
| AAAm | - | - | - | - | 10,591 |
| AA+ | 230 | - | - | 1,851 | - |
| AA | - | - | - | 3,768 | - |
| AA- | 248 | - | - | 2,586 | - |
| A+ | 829 | - | - | 5,136 | - |
| A | 8,274 | - | - | 11,024 | - |
| A- | 1,840 | - | - | 9,879 | - |
| BBB+ | 944 | - | - | 7,031 | - |
| BBB | - | - | - | 8,446 | - |
| BBB- | 239 | - | - | 7,426 | - |
| BB+ | 287 | - | - | 1,827 | - |
| BB | - | - | - | 3,399 | - |
| BB- | - | - | - | 4,274 | - |
| B+ | - | - | - | 5,400 | - |
| B | - | - | - | 4,208 | - |
| B- | - | - | - | 4,087 | - |
| CCC+ | - | - | - | 2,508 | - |
| CCC | - | - | - | 1,519 | - |
| CCC- | - | - | - | 118 | - |
| CC | - | - | - | 3 | - |
| D | - | - | - | 226 | - |
| Unrated | 23,946 | 2,591 | - | 5,375 | - |
| | <u>\$ 39,125</u> | <u>\$ 49,062</u> | <u>\$ 98,855</u> | <u>\$ 100,278</u> | <u>\$ 10,591</u> |

Concentration of Credit Risk - The City's and Pension Plan's investment policy does not allow for an investment in securities that are not readily marketable in any one issuer that is in excess of five percent of the City's total portfolio. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. Additionally, investment manager guidelines require that investments be broadly diversified so as to limit the impact of large losses in individual investments on the total portfolio.

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's individual

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

investments in fixed income securities, equities, U.S treasury securities, domestic corporate bonds, foreign bonds, and U.S government agency securities are uninsured and unregistered securities held by a counterparty, or by its trust department or agent that are not in the City's name. The City's other investments are held in common trusts and alternative investments which, because they are evidenced by contracts rather than by securities, are not subject to custodial credit risk determination.

Note 3. 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 Improvement Fund | Community Development Loan and Grant Fund | Educational Grants | Nonmajor and Other Funds | Internal Service Fund | Total Governmental Funds |
|-------------------------------|-----------|--------------------------------|--|-----------------------|--------------------------------|-----------------------------|--------------------------------|
| Receivables | | | | | | | |
| Taxes | \$ 32,899 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 32,899 |
| Accrued interest on taxes | 12,585 | - | - | - | - | - | 12,585 |
| Intergovernmental | 12,787 | 39,803 | - | 2,083 | 7,646 | - | 62,319 |
| Accounts | 5,682 | - | - | - | 3,481 | 610 | 9,773 |
| Housing loans | - | - | 66,445 | - | - | - | 66,445 |
| Section 108-business loans | - | - | - | - | 12,941 | - | 12,941 |
| Gross receivables | 63,953 | 39,803 | 66,445 | 2,083 | 24,068 | 610 | 196,962 |
| Less: | | | | | | | |
| Allowance for uncollectibles: | | | | | | | |
| Taxes | (3,952) | - | - | - | - | - | (3,952) |
| Accrued interest on taxes | (1,888) | - | - | - | - | - | (1,888) |
| Accounts | (2,215) | - | - | - | (1,960) | - | (4,175) |
| Housing loans | - | - | (33,052) | - | - | - | (33,052) |
| Section 108-business loans | - | - | - | - | (3,000) | - | (3,000) |
| Total allowance | (8,055) | - | (33,052) | - | (4,960) | - | (46,067) |
| Net total receivables | \$ 55,898 | \$ 39,803 | \$ 33,393 | \$ 2,083 | \$ 19,108 | \$ 610 | \$ 150,895 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2011
 (In Thousands)

Note 4. Deferred Revenue/Unearned Revenue

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

| <u>Primary Government Unit</u> | <u>Deferred</u> | <u>Unearned</u> | <u>Total</u> |
|---|-------------------|------------------|-------------------|
| General Fund: | | | |
| Delinquent property taxes | \$ 31,623 | \$ - | \$ 31,623 |
| Accrued interest on delinquent property taxes | 10,697 | - | 10,697 |
| School building construction grant receivables | 12,787 | - | 12,787 |
| Other receivables | 18 | - | 18 |
| Capital Improvement Fund: | | | |
| Grant drawdowns prior to meeting all eligibility requirements | 11,891 | 3,593 | 15,484 |
| Community Development Loan and Grant: | | | |
| Housing loans and interest | 33,386 | - | 33,386 |
| Educational Grants: | | | |
| Grant drawdowns prior to meeting all eligibility requirements | - | 1,773 | 1,773 |
| Nonmajor and other funds: | | | |
| Grant drawdowns prior to meeting all eligibility requirements and other | 1,625 | 6,707 | 8,332 |
| Total deferred/unearned revenue for governmental funds, and/or governmental activities | <u>\$ 102,027</u> | <u>\$ 12,073</u> | <u>\$ 114,100</u> |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Note 5. Interfund Receivables, Payables and Transfers

During the course of operations, transactions are processed through a fund on behalf of another fund. A summary of interfund balances as of June 30, 2011 is presented below:

| | Due From Other Funds | Due To Other Funds |
|-----------------------------|-------------------------|-----------------------|
| Capital Improvement | \$ 2,335 | \$ - |
| Nonmajor Governmental Funds | - | 2,335 |
| | <u>\$ 2,335</u> | <u>\$ 2,335</u> |

The interfunds relate to loans made primarily between the Capital Improvement Fund and Nonmajor Governmental Funds. All of the balance is scheduled to be collected in the subsequent year.

A summary of interfund transfers is presented below:

| | Transfers From Other Funds | Transfers To Other Funds |
|-----------------------------|----------------------------------|--------------------------------|
| General Fund | \$ 4,159 | \$ 37,427 |
| Debt Service | 35,029 | - |
| Educational Grants | 2,194 | - |
| Nonmajor Governmental Funds | 2,398 | 5,865 |
| Hartford Parking Facilities | - | 488 |
| Total | <u>\$ 43,780</u> | <u>\$ 43,780</u> |

Transfers from the General Fund to the Debt Service Fund represent the City's payment toward debt service on bonds outstanding. Transfers from the Hartford Parking Facilities enterprise fund to the General Fund represents a portion of net activity derived from the City's parking facilities. Transfers from the Nonmajor Governmental Funds to the General Fund primarily include net income derived from the City's police private duty services program. Transfers from Nonmajor Governmental Funds to the Educational Grants Fund represent monies collected on behalf of the Educational Grants Fund.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|--|----------------------|-----------|-------------|-----------|-------------------|
| Governmental activities: | | | | | |
| Capital assets, not being depreciated: | | | | | |
| Land | \$ 71,702 | \$ - | \$ (2,996) | \$ - | \$ 68,706 |
| Construction in progress | 179,205 | 58,124 | (4,493) | (26,472) | 206,364 |
| Total capital assets, not being depreciated | 250,907 | 58,124 | (7,489) | (26,472) | 275,070 |
| Capital assets, being depreciated: | | | | | |
| Land improvements | 23,016 | 346 | - | 55 | 23,417 |
| Buildings | 1,007,472 | 592 | (4,058) | 423 | 1,004,429 |
| Other structures | 21,145 | 2,265 | - | 1,475 | 24,885 |
| Furniture and equipment | 34,427 | 5,640 | - | - | 40,067 |
| Rolling equipment | 40,307 | 3,422 | (2,845) | - | 40,884 |
| Infrastructure | 426,117 | 1,259 | - | 24,519 | 451,895 |
| Total capital assets being depreciated | 1,552,484 | 13,524 | (6,903) | 26,472 | 1,585,577 |
| Less accumulated depreciation for: | | | | | |
| Land improvements | (13,475) | (2,514) | - | (85) | (16,074) |
| Buildings | (234,426) | (25,272) | - | 65 | (259,633) |
| Other structures | (12,881) | (583) | - | 20 | (13,444) |
| Furniture and equipment | (31,153) | (5,336) | - | - | (36,489) |
| Rolling equipment | (29,468) | (2,560) | 2,092 | - | (29,936) |
| Infrastructure | (227,441) | (6,697) | - | - | (234,138) |
| Total accumulated depreciation | (548,844) | (42,962) | 2,092 | - | (589,714) |
| Total capital assets, being depreciated, net | 1,003,640 | (29,438) | (4,811) | 26,472 | 995,863 |
| Governmental activities capital assets, net | \$ 1,254,547 | \$ 28,686 | \$ (12,300) | \$ - | \$ 1,270,933 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|----------------------|------------|-----------|-------------------|
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,428 | \$ - | \$ - | \$ 8,428 |
| Total capital assets, not being depreciated | 8,428 | - | - | 8,428 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 29 | - | - | 29 |
| Parking garages | 69,988 | - | - | 69,988 |
| Other structures | 3,202 | - | - | 3,202 |
| Furniture, fixtures and equipment | 272 | - | - | 272 |
| Total capital assets, being depreciated | 73,491 | - | - | 73,491 |
| Less accumulated depreciation for: | | | | |
| Land improvements | (8) | (2) | - | (10) |
| Parking garages | (17,322) | (1,598) | - | (18,920) |
| Other structures | (641) | (287) | - | (928) |
| Furniture, fixtures and equipment | (171) | (101) | - | (272) |
| Total accumulated depreciation | (18,142) | (1,988) | - | (20,130) |
| Total capital assets, being depreciated, net | 55,349 | (1,988) | - | 53,361 |
| Business-type activities capital assets, net | \$ 63,777 | \$ (1,988) | \$ - | \$ 61,789 |

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

| | |
|--|------------------|
| Governmental Activities: | |
| General government | \$ 6,681 |
| Public safety | 3,807 |
| Public works | 20,203 |
| Development and community affairs | 294 |
| Education | 11,722 |
| Recreation and culture | 255 |
| Total depreciation expense – governmental activities | <u>\$ 42,962</u> |
| Business-type activities: | |
| Hartford Parking Facilities | <u>\$ 1,988</u> |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Construction Commitments

The City has the following authorized construction projects in the Capital Improvement Fund as of June 30, 2011. The projects include building construction and facility improvements, land and structure improvements to parks and cultural facilities, transportation improvement projects, and other capital improvement projects.

At year-end, the City's encumbrances and commitments with contractors are as follows:

| | Cumulative Appropriations | Cumulative* Disbursements | Encumbrances* and Commitments | Unencumbered Balance |
|------------------------------------|------------------------------|------------------------------|-------------------------------------|-------------------------|
| Public works - facilities | \$ 51,370 | \$ 21,566 | \$ 1,460 | \$ 28,344 |
| Public safety - facilities | 87,100 | 53,002 | 23,604 | 10,494 |
| Recreation and culture projects | 85,504 | 71,762 | 3,486 | 10,256 |
| Education projects | 834,079 | 612,400 | 31,419 | 190,260 |
| Public works - infrastructure | 97,990 | 66,101 | 2,550 | 29,339 |
| Local capital improvement projects | 19,159 | 16,713 | 474 | 1,972 |
| | <u>\$ 1,175,202</u> | <u>\$ 841,544</u> | <u>\$ 62,993</u> | <u>\$ 270,665</u> |

* Excludes retainage payable recorded in the financial statements in the amount of \$6.4 million at June 30, 2011.

Note 7. Leases

Operating leases

Lease Agreements as Lessor

The City leases certain building, land, and air space rights under operating leases. The agreements provide for minimum annual rentals plus contingent rentals based on a percentage of cash flow from the properties.

The total rental income from operating leases during 2011 amounted to \$6.3 million. The cost of the buildings and land associated with these rental income amounts is estimated at \$108.6 million with a carrying value of \$73.5 million. Depreciation expense related to these properties was \$2.0 million during the year.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Lease Agreements as Lessee

The City entered into a 15 year lease commencing on July 1, 2002 for the rental of office space from the Connecticut Constitution Associates, LLC for the various City departments and agencies. At the beginning of year six and year eleven, the base rent will be increased by an amount equal to the product of the base rent times 100% of the percentage increase, if any, of the CPI over the CPI at the commencement date or the first day of the sixth lease year, as the case may be. Future minimum lease payments are projected as follows.

| | |
|-----------|----------|
| 2011-2017 | \$1,000* |
|-----------|----------|

* Annual lease payment without consideration of potential increases resulting from the change in the CPI in the eleventh year of the fifteen year lease.

In addition to the base rent, the City pays a proportionate share of the landlord's operating expenses and real estate taxes. During the fiscal year ended June 30, 2011, base rent and additional rent amounted to \$2,311.

The City also has various other lease agreements. The table below represents all other future lease obligations:

| | | |
|-------|----|-------|
| 2012 | \$ | 4,762 |
| 2013 | | 4,022 |
| 2014 | | 2,952 |
| 2015 | | 2,075 |
| 2016 | | 1,559 |
| 2017+ | | 2,957 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Note 8. Long-Term Debt

Governmental Activities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|---------------------|-------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 290,020 | \$ 25,000 | \$ (21,275) | \$ 293,745 | \$ 21,965 |
| Less: deferred amounts | 8,881 | 1,227 | (737) | 9,371 | - |
| Total bonds payable | 298,901 | 26,227 | (22,012) | 303,116 | 21,965 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 39,132 | 177 | (2,920) | 36,389 | 5,000 |
| HUD Section 108 loans | 6,245 | 7,000 | (304) | 12,941 | 327 |
| Arbitration accrual | - | 483 | - | 483 | - |
| Capital leases | 5,157 | - | (2,126) | 3,031 | 1,985 |
| CWF Serial Note | 1,665 | - | (83) | 1,582 | 85 |
| Net OPEB obligation | 42,907 | 5,176 | - | 48,083 | - |
| Net pension obligation | 4,236 | - | (82) | 4,154 | - |
| Risk management claims | 27,734 | 85,051 | (86,130) | 26,655 | 12,055 |
| Total other long-term liabilities | 127,076 | 97,887 | (91,645) | 133,318 | 19,452 |
| Total governmental activities long-term liabilities | \$ 425,977 | \$ 124,114 | \$ (113,657) | \$ 436,434 | \$ 41,417 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

General Obligation Bonds

General obligation bonds represent long-term indebtedness backed by the full faith and credit of the City and are comprised of the following issues:

| Date of Issue | Interest Rate (%) | Original Amounts | Maturity Dates | Annual Payment | Balance June 30, 2011 |
|----------------|-------------------|------------------|----------------|----------------|-----------------------|
| May 2001 | 4.25-5.50 | \$ 23,000 | 2015 | \$ 1,150 | \$ 4,600 |
| March 2003 | 4.25-5.25 | 30,225 | 2016 | 1,250-2,340 | 12,695 |
| July 2004 | 3.50-5.50 | 34,000 | 2023 | 1,600-1,800 | 23,200 |
| June 2005 | 4.50-5.00 | 29,510 | 2020 | 1,050-3,600 | 25,710 |
| June 2005 | 3.00-5.00 | 32,300 | 2024 | 1,700 | 23,800 |
| June 2006 | 4.00-5.00 | 70,000 | 2025 | 3,685 | 55,275 |
| June 2007 | 4.00-5.25 | 70,000 | 2026 | 3,680-3,685 | 58,945 |
| September 2009 | 2.00-5.00 | 12,150 | 2018 | 1325-1435 | 10,715 |
| April 2010 | 2.00-4.30 | 14,000 | 2029 | 735-740 | 14,000 |
| April 2011 | 3.00-5.25 | 15,725 | 2024 | 1300-1325 | 15,725 |
| April 2011 | 5.00 | 9,275 | 2031 | - | 9,275 |
| February 2009 | 2.50-5.00 | 40,225 | 2022 | 2,115-2,120 | 38,105 |
| March 1972 | 5.10 | 2,750 | 2012 | 250 | 250 |
| December 1972 | 5.00 | 1,500 | 2012 | 250 | 250 |
| February 1993 | 4.90-5.62 | 7,200 | 2013 | 600-1,200 | 1,200 |
| | | | | | <u>\$ 293,745</u> |

The annual requirements to amortize all bonded debt outstanding as of June 30, 2011 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---------------------|-------------------|-------------------|-------------------|
| 2012 | \$ 21,965 | \$ 13,893 | \$ 35,858 |
| 2013 | 22,980 | 12,403 | 35,383 |
| 2014 | 22,240 | 11,369 | 33,609 |
| 2015 | 22,210 | 10,373 | 32,583 |
| 2016 | 22,220 | 9,335 | 31,555 |
| 2017-2021 | 92,825 | 32,312 | 125,137 |
| 2022-2026 | 69,715 | 12,971 | 82,686 |
| 2027-2030 | 19,590 | 1,814 | 21,404 |
| | <u>\$ 293,745</u> | <u>\$ 104,470</u> | <u>\$ 398,215</u> |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Clean Water Fund - Serial Notes Payable

The City has entered into a Clean Water Fund serial note payable to the State of Connecticut as part of a tower brook conduit extension project administered by the Metropolitan District. Principal in the amount of \$83 and interest in the amount of \$33 was paid in the 2010-11 fiscal year. Future annual requirements are as follows:

| Year Ended | Principal | Interest | Total |
|------------|-----------------|---------------|-----------------|
| June 30, | | | |
| 2012 | \$ 85 | \$ 31 | \$ 116 |
| 2013 | 86 | 29 | 115 |
| 2014 | 88 | 27 | 115 |
| 2015 | 90 | 26 | 116 |
| 2016 | 92 | 24 | 116 |
| 2017-2021 | 487 | 90 | 577 |
| 2022-2026 | 539 | 39 | 578 |
| 2027-2030 | 115 | 1 | 116 |
| | <u>\$ 1,582</u> | <u>\$ 267</u> | <u>\$ 1,849</u> |

In previous years the City has defeased general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2011, the following bonds outstanding are considered defeased:

| Year of Original Issue | Date Refunded | Refunded Amount | Defeased Balance |
|------------------------|---------------|-----------------|------------------|
| 1998 | 06/01/2005 | \$ 13,185 | \$ 13,185 |
| 2000 | 06/01/2005 | 10,000 | 10,000 |
| 2001 | 06/01/2005 | 6,900 | 6,900 |
| 2000 | 04/01/2005 | 31,285 * | 29,570 |
| 2009 | 09/30/2009 | 12,150 | 12,825 |

* Morgan Street Garage Revenue Bonds

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

The City's indebtedness (\$605 million) does not exceed the legal debt limitation as required by the Connecticut General Statutes as reflected in the following schedule:

| Category | Debt Limit | Net Indebtedness | Balance |
|-----------------|---------------|---------------------|------------|
| General purpose | \$ 600,901 | \$ 326,346 | \$ 274,555 |
| Schools | 1,201,802 | 192,803 | 1,008,999 |
| Sewer | 1,001,501 | 86,118 | 915,383 |
| Urban renewal | 867,968 | - | 867,968 |
| Pension deficit | 801,201 | - | 801,201 |

The total overall statutory debt limitation for the City is equal to seven times annual receipts from taxation (\$1.9 billion).

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which debt is issued and outstanding. School building grants totaling \$12.8 million are applicable to outstanding bond issues.

Total bonds authorized and unissued as of June 30, 2011 were:

| Description | Authorized/ Unissued |
|-----------------|-------------------------|
| General Purpose | \$ 70,120 |
| Schools | 108,276 |
| Sewers | 8,578 |
| Total | \$ 186,974 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Housing and Urban Development (HUD) Section 108 Loans

The future annual requirements are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|------------------|---------------|------------------|
| 2012 | \$ 327 | \$ 77 | \$ 404 |
| 2013 | 346 | 37 | 383 |
| 2014 | 365 | 30 | 395 |
| 2015 | 389 | 22 | 411 |
| 2016 | 764 | 14 | 778 |
| 2017-2021 | 3,177 | 5 | 3,182 |
| 2022-2026 | 3,297 | - | 3,297 |
| 2027-2031 | 4,276 | - | 4,276 |
| | <u>\$ 12,941</u> | <u>\$ 185</u> | <u>\$ 13,126</u> |

Capital Leases

The City has entered into multi-year capital leases for the purchase of various vehicles and equipment. Principal payments for 2011 were \$2,126. The following is a summary of capital lease commitments as of June 30, 2011:

| Year Ended June 30, | Amount |
|---|-----------------|
| 2012 | 1,985 |
| 2013 | 1,002 |
| 2014 | 194 |
| Total lease payments | <u>3,181</u> |
| Less: amount representing interest | <u>150</u> |
| Present value of minimum lease payments | <u>\$ 3,031</u> |

The City originally issued \$13,514 in capital lease financing agreements to purchase vehicle and equipment capital assets. The net undepreciated value approximates the principal balance payable of \$3,031 at June 30, 2011.

Compensated Absences

Employees can accumulate additional amounts of unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination pay-out provisions as determined by individual union contract provides for payments to vested employees net of provisions to exchange selected amounts of accumulated sick time for pension service years. Payments to employees are appropriated from the General Fund.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

The following is a summary of management's estimate of vested and non-vested potential liability for lump sum payments to employees.

| | <u>June 30, 2011</u> |
|----------|-------------------------|
| BOE: | |
| Sick | \$ 17,839 |
| Vacation | 1,416 |
| CITY: | |
| Sick | 12,698 |
| Vacation | <u>4,436</u> |
| Total | <u><u>\$ 36,389</u></u> |

Business-Type Activities

Changes in Long-Term Liabilities

Long-term liabilities for the year ended June 30, 2011, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|----------------------------------|-------------------------|--------------------|------------------------|-------------------------|------------------------|
| Business-Type Activities: | | | | | |
| General obligation bonds | \$ 29,405 | \$ - | \$ 1,365 | \$ 28,040 | \$ 1,425 |
| Less: deferred amounts | (1,884) | - | (220) | (1,664) | - |
| Total bonds payable | <u><u>\$ 27,521</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,145</u></u> | <u><u>\$ 26,376</u></u> | <u><u>\$ 1,425</u></u> |

The annual requirements to amortize all general obligation bond debt outstanding as of June 30, 2011 are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|------------------------|-------------------------|-------------------------|-------------------------|
| 2012 | \$ 1,425 | \$ 1,341 | \$ 2,766 |
| 2013 | 1,485 | 1,273 | 2,758 |
| 2014 | 1,565 | 1,197 | 2,762 |
| 2015 | 1,645 | 1,117 | 2,762 |
| 2016 | 1,730 | 1,031 | 2,761 |
| 2017-2021 | 10,105 | 3,693 | 13,798 |
| 2022-2026 | 10,085 | 951 | 11,036 |
| | <u><u>\$ 28,040</u></u> | <u><u>\$ 10,603</u></u> | <u><u>\$ 38,643</u></u> |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

General obligation bonds represent long-term indebtedness backed by the full faith and credit of the City. Parking facility bonds recorded in the Hartford Parking facilities enterprise fund are comprised of the following:

| | |
|---|------------------|
| Morgan Street Garage - Refunding bonds issued 2005; final maturity August 1, 2024; interest at 3.0% to 5.5% | <u>\$ 28,040</u> |
|---|------------------|

Bond Anticipation Notes

Bond Anticipation Notes activity was as follows:

| | |
|---------------------------------|------------------|
| Beginning balance, July 1, 2010 | \$ 40,000 |
| Issuances | 45,350 |
| Retired/Matured | (40,000) |
| Ending balance, June 30, 2011 | <u>\$ 45,350</u> |

The bond anticipation note outstanding at year-end was issued March 31, 2011 and is due April 12, 2012 with interest at 2.0%. The purpose of the bond anticipation notes is to finance various ongoing City construction projects.

Note 9. Deficit Fund Equity

| | |
|--------------------------------|------------------|
| Nonmajor Funds: | |
| Vehicle Equipment & Technology | \$ 202 |
| Internal Service Funds: | |
| Workers' Compensation | 13,556 |
| Liability and Property Damage | 5,949 |
| | <u>\$ 19,707</u> |

The City anticipates financing the Vehicle Equipment and Technology deficit through future operations and lease proceeds. The Internal Service Funds deficit will be covered through future premiums.

Note 10. Risk Management

The City has established a risk management program (Internal Service Funds) to account for and finance its uninsured risks of loss for employee benefits, workers' compensation, and liability and property damage. Under this program, the fund provides coverage for up to a maximum of \$250 thousand in health insurance claims for each individual per claim year, \$2 million for each worker's compensation claim, \$500 thousand for each auto and general liability claim, \$100 thousand for each property damage claim and \$250 thousand per occurrence for public officials' claims. The City purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded either the self insured retention or the commercial coverage in any of the past three fiscal years. Workers' compensation salary continuation is paid from the employee's respective department budget.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

The General Fund makes payments to the Self Insurance Fund based on actuarial or underwriting estimates of the amounts needed to pay current-year claims and administrative expenses and to maintain a reserve for unanticipated and future losses. The claims liability of \$26.7 million, reported in the fund at June 30, 2011 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. Changes in the Fund's claims liability amount in fiscal years 2011 and 2010 were:

| | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claim Payments | Ending Fiscal Year Liability |
|----------------------|--|---|-------------------|------------------------------------|
| Self-Insurance Fund: | | | | |
| 2009-2010 | \$ 29,350 | \$ 82,847 | \$ 84,463 | \$ 27,734 |
| 2010-2011 | 27,734 | 85,051 | 86,130 | 26,655 |

Note 11. Commitments and Contingencies

Contractual commitments

On June 30, 1982, the City entered into a service agreement with the Connecticut Resources Recovery Authority (CRRRA) to which it is obligated to deliver a minimum tonnage of fifty-five thousand tons per year of solid waste for processing. The service fee is subject to annual revision based on the net cost of operating the facility. The service agreement expires in 2012.

Statutory commitments

The City is a member of the Metropolitan District (a quasi-municipal corporation that provides water supply and sewerage collection and disposal facilities for members), and is contingently liable for \$76.0 million or 28.0% of the debt of the District.

Contingencies

The City, its officers and employees, are defendants in numerous lawsuits. The City is insured for damages (see Note 10). Judgments or settlements for less than the deductible are paid from the General Fund. Corporation Counsel expects that none of the cases currently in litigation, if adversely decided, would have a negative impact on the finances of the City. In the opinion of the Corporation Counsel, there are no claims or litigation pending or to his knowledge threatened which, individually or in the aggregate, will or may result in final judgments against the City which would have a material adverse effect on the finances of the City.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Note 12. Other Postemployment Benefits

The City, in accordance with various collective bargaining agreements, is committed to provide health and other benefits to eligible retirees and their spouses. Benefits are established and amended through negotiations between the City and the various unions representing City employees. The City pays the full cost of life insurance premiums. The percentage contribution of employees and retirees for medical benefits are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts towards the cost of receiving benefits under the City's self-insured medical benefits program. The City provides post-retirement benefits through a single-employer defined benefit plan. The post-retirement plan does not issue stand-alone financial reports.

Funding policy

The City currently funds claims and administrative costs for postemployment benefits through its self-insured internal service funds. The City has worked in conjunction with health benefits consultants to establish a health benefits fund structure that is both premium-based, similar to a fully insured process, and isolates legacy costs versus ongoing employees while combining actives and retirees into one process. In order to isolate legacy costs from ongoing employees, three groups were created that support a phased strategy to funding where the first group is retirees before June 30, 2009 which remains pay-as-you-go with no amortization of prior service cost. The second group includes actives hired prior to July 1, 2009 and retired since then and provides funding of normal cost, including an accrual for future benefits, but no amortization of prior service cost. Finally, the third group is new hires since July 1, 2009 and is actuarially funded and claims paid, both current and future benefits. Groups 2 and 3 envision that a trust fund will be established while all 3 groups have distinct discount rates as provide for by GASB.

The City has not implemented a trust fund, as of June 30, 2011, to irrevocably segregate assets to fund the liability associated with postemployment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

The following is the current census of City benefit participants as of July 1, 2009:

| | |
|----------------------|----------------------|
| | <i>(not rounded)</i> |
| Active members | 4,620 |
| Retirees and spouses | <u>3,383</u> |
| Total | <u><u>8,003</u></u> |

Postemployment retiree benefit payments for the year ended June 30, 2011, net of retiree and other contributions, amounted to \$11,078.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Annual OPEB Cost and Net OPEB Obligations

The City of Hartford's annual other postemployment 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. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actuarial results are compared with past expectations and new estimates are made about the future.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

| | <u>Other Post- Employment Benefits (OPEB)</u> |
|--|---|
| Annual required contribution (ARC) | \$ 15,759 |
| Interest on net OPEB obligation | 2,390 |
| Adjustment for Net OPEB obligation | <u>(1,895)</u> |
| Annual OPEB cost | 16,254 |
| Contributions made | <u>11,078</u> |
| Increase in net OPEB obligation | 5,176 |
| Net OPEB obligation, beginning of year | <u>42,907</u> |
| Net OPEB obligation, end of year | <u><u>\$ 48,083</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 year ended June 30, 2009, 2010 and 2011 is presented below.

| Fiscal Year Ending | Annual OPEB Cost (AOC) | Actual Contribution | Percentage of AOC Contributed | Net OPEB Obligation |
|--------------------------|------------------------------|------------------------|-------------------------------------|---------------------------|
| 6/30/09 | \$ 24,853 | \$ 12,862 | 51.8% | \$ 28,166 |
| 6/30/10 | 25,084 | 10,343 | 41.2% | 42,907 |
| 6/30/11 | 16,254 | 11,078 | 68.2% | 48,083 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

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 costs 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.

ACTUARIAL ASSUMPTIONS - OPEB

| | |
|--------------------------------|---|
| Valuation Date: | July 1, 2009 |
| Actuarial Cost Method: | Entry Age – Normal Cost |
| Asset Valuation Method: | N/A |
| Amortization Method: | Level Percent, Closed |
| Remaining Amortization Period: | 30 Years Decreasing |
| Actuarial Assumptions: | |
| Discount Rate: | Group 1 – 5% per annum; Group 2 – 6.5% per annum; Group 3 – 8.0% per annum |
| Projected salary increase: | Group 1 – 5% per annum; Group 2 – 6.5% per annum; Group 3 – 8.0% per annum |
| Inflation Rate: | 3.0% |
| Health Cost Trend Rates: | Annual increases in premium for retired medical and benefits are assumed to be as follows: |

| Year After Valuation Date | Blended Increase |
|---------------------------------|---------------------|
| 2009 | 11.0% |
| 2010 | 10.0% |
| 2011 | 9.0% |
| 2012 | 8.5% |
| 2013 | 8.0% |
| 2014 | 7.5% |
| 2015 | 7.0% |
| 2016 | 6.0% |
| 2017 | 5.0% |

Dental Trend Rate: 5.0%

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

The schedule of funding progress is as follows:

| SCHEDULE OF FUNDING PROGRESS | | | | | | |
|-------------------------------------|-------------------------------|---|----------------------------------|--------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded Accrued Liability (UAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| 07/01/09 | - | 241,511 | 241,511 | 0.0% | \$ 307,857 | 78.4% |

Note 13. Employee Retirement Systems and Pension Plans

There are four defined benefit pension plans for employees of the City of Hartford. Two are single-employer plans, one is a cost sharing multiple-employer plan with the State of Connecticut, and one is a plan with the State of Connecticut for certified teachers at the Board of Education in which the City is a noncontributing employer.

The two single employer plans are administered by the City. The plans provide retirement, disability and survivorship benefits for all retired employees, in accordance with provisions which are subject to bargaining with unions representing most of the employees. The City provides retirement benefits for employees hired since 1947, through the City MERF, a contributory, defined benefit plan. Employees hired before the current City MERF went into effect on May 1, 1947 are paid from an unfunded program known as the RAF/PBF/FRF Plan. There are no remaining active members and the unfunded liability is decreasing rapidly.

An actuarial valuation survey is made annually on the City Municipal Employees' Retirement Fund (City MERF) and the Section 415 Plan, and at least every five years for the RAF/PBF/FRF Plan.

The City also administers an excess benefit plan established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

City of Hartford Municipal Employees' Retirement Fund (City MERF)

Plan Description

The City MERF is considered to be part of the City of Hartford's financial reporting entity and is included in the City's financial statements, as a pension trust fund. Individual stand-alone statements are not issued.

The City MERF was established as part of the City Charter.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

As of the actuarial valuation date, July 1, 2010, City MERF membership consisted of:

| | |
|--|----------------------|
| | <i>(not rounded)</i> |
| Retirees and beneficiaries currently receiving benefits | 2,808 |
| Terminated employees entitled to benefits but not yet receiving them | 189 |
| Active plan members | <u>2,246</u> |
| Total | <u><u>5,243</u></u> |

The City provides retirement benefits, for employees hired since May 1, 1947, through the City MERF, a single employer, contributory defined benefit plan. Under the Plan, all full-time employees, except teachers and members of certain union groups who have elected to join the State Municipal Employees' Retirement Fund (State MERF-B), are eligible. Employees are 100 percent vested after 5 or 10 years of service depending on the covered group. If an employee leaves covered employment or dies before becoming vested, accumulated employee contributions are returned with interest.

Summary of Significant Accounting Policies, Plan Changes and Plan Asset Matters

Basis of Accounting: City MERF financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which employee services are performed and are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefit payments and refunds are payable when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net pension obligation (asset), the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27. The pension obligation (asset) is recorded as a noncurrent liability (asset) in the government-wide financial statements.

Plan Changes

The valuation reflects plan improvements in both vesting and retirement eligibility for non-bargaining employees of the Board of Education and members of HSSSA. In addition, employee contribution rates increased for certain groups.

There were no investments in, loans to or leases with any City MERF official, City of Hartford official, party related to a City MERF official or City of Hartford official, or organization included in the City of Hartford reporting entity.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Funding Policy

Sworn police officers hired before July 1, 1999 and firefighters are required to contribute 8% of pay. Sworn police officers hired after June 30, 1999 are required to contribute 6.5% of pay. Non-sworn police employees are required to contribute 4% of social security-taxed wages and 7% above the social security-taxed level. Board of Education and General Government employees contribute between 3% and 10.14% of social security-taxed wages and between 6% and 13.14% of wages above the social security-taxed level, depending on their union or non-union grouping. The City is required to contribute the remaining amounts necessary to finance the coverage for its employees. Benefits and contributions are established by the City and may be amended only by the City Council through union negotiation.

Annual Pension Cost and Net Pension Obligations

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

| | | |
|--|----|---------------------|
| Annual required contribution, July 1, 2010 valuation | \$ | 18,846 |
| Interest on net pension obligation | | 339 |
| Adjustment to annual required contribution | | (421) |
| Annual pension cost | | <u>18,764</u> |
| Contributions made | | <u>18,846</u> |
| Decrease in net pension obligation | | (82) |
| Net pension obligation, beginning of year | | <u>4,236</u> |
| Net pension obligation, end of year | \$ | <u><u>4,154</u></u> |

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal and contractual funding limitations.

The annual required contribution for the current year was determined as part of the MERF actuarial valuation dated July 1, 2010. The actuarial method and assumptions used in the July 1, 2010 valuation are presented below:

| | |
|-------------------------------|--|
| Valuation date | 7/1/10 |
| Actuarial Method | Aggregate Actuarial Cost Method |
| Amortization Method | Level Dollar Amount |
| Remaining Amortization Method | 17.84 years – open period |
| Asset Valuation Method | Four-year smoothed market value |
| Actuarial assumptions: | |
| Investment rate of return | 8.00% |
| Projected salary increases | Projected salary which vary by age and group |
| Inflation Rate | 3.00% |
| Cost of Living Adjustments | None |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Trend Information

SCHEDULE OF FUNDING PROGRESS

| Fiscal Year Ended | Annual Pension Cost (APC) | Actual Contribution | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|---------------------------|---------------------|-------------------------------|------------------------|
| 06/30/09 | \$ 11,668 | \$ 12,829 | 110.00% | \$ 5,586 |
| 06/30/10 | 9,490 | 10,840 | 114.00% | 4,236 |
| 06/30/11 | 18,846 | 18,846 | 100.00% | 4,154 |

The aggregate actuarial cost method that is used for calculating the annual required contribution does not separately identify unfunded actuarial accrued liabilities. Rather, it effectively amortizes them over the average remaining life of active plan members, as part of normal cost. The aggregate actuarial cost method (first adopted for the 1969 valuation) is used for determining the funding requirements for the City MERF.

The Schedule of Funding Progress represented below, including the funded status, has been developed using the Entry Age Actuarial Cost method, and the information presented is intended to approximate the funded status and funding progress of the plan.

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded/ (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------|-------------------------------|---|-----------------------------------|--------------|-----------------|---|
| 07/01/10 | \$ 1,041,572 | \$ 1,175,040 | \$ 133,468 | 88.6% | \$ 132,529 | 100.7% |

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.

RAF/PBF/FRF Plan

Plan Description

As discussed above, the City pays retirement and survivor benefits to pensioners under an unfunded program basis which covered City employees hired before the current City MERF went into effect on May 1, 1947. These programs are combined into one pension trust fund for reporting in the City's financial statements. Individual stand-alone financial statements are not issued. The unfunded liability for this Plan is decreasing rapidly and has no remaining active members.

There are 151 (not rounded) retirees covered by this plan as of the actuarial valuation dated July 1, 2009.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Summary of Significant Accounting Policies and Plan Asset Matters

The annual required contribution (ARC) and the annual pension cost represent the actual benefits paid during the year. The annual required contribution is based upon actuarial calculations. The Plan was closed to new members on May 1, 1947 and there are no remaining active members. The unfunded liability for this Plan is rapidly decreasing. The City has determined that the Plan did not have a net pension obligation (NPO) as calculated in accordance with the transition requirements of GASB Statement No. 27. All contributions since the transition have been made in accordance with the actuarial required contribution and are based upon actuarially sound funding methodology.

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. Retired policemen contribute 1% of pension payments. Benefits and contributions were established by City Charter and are not subject to amendment.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost, which is equal to the annual benefit payments, for the current year amounted to \$1.4 million. The Plan did not have a net pension obligation as of June 30, 2011.

The actuarial method and assumptions are presented below:

| | |
|-------------------------------|---------------------------------|
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | N/A |
| Remaining Amortization Method | Closed – no amortization period |
| Actuarial assumptions: | |
| Investment rate of return | 8.00% |
| Projected salary increases | None |
| Inflation Rate | 3.00% |
| Cost of Living Adjustments | None |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Trend Information

| SCHEDULE OF FUNDING PROGRESS | | | | | |
|-------------------------------------|---------------------------|---------------------|-------------------------------|------------------------|--|
| Fiscal Year Ended | Annual Pension Cost (APC) | Actual Contribution | Percentage of APC Contributed | Net Pension Obligation | |
| 06/30/09 | \$ 1,770 | \$ 1,770 | 100.00% | \$ - | |
| 06/30/10 | 1,521 | 1,521 | 100.00% | - | |
| 06/30/11 | 1,354 | 1,354 | 100.00% | - | |

The actuarial accrued liability is the calculated present value of expected payments to be made from this Plan.

| SCHEDULE OF FUNDING PROGRESS | | | | | | | |
|-------------------------------------|-------------------------------|-----------------------------------|-----------------------------------|--------------|-----------------|---|--|
| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) | Unfunded/ (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll | |
| 07/01/10 | \$ - | \$ 6,155 | \$ 6,155 | 0.0% | N/A | N/A | |

City of Hartford 415 (m) Fund

Plan Description

This plan currently covers six (6) retirees and no active employees as of June 30, 2011 and is administered by the City. This unfunded plan is an excess benefit plan and was adopted by the Common Council on March 24, 1997. The plan was established to fund that portion of certain retirees' pension benefits that exceed the limits permitted under Section 415 of the Federal Internal Revenue Code (IRC).

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. The Plan was adopted on March 24, 1997 and there are no active members. The unfunded liability for this Plan is rapidly decreasing. Since the effective date for the plan was March 24, 1997, the Plan did not have a net pension obligation (NPO) as calculated in accordance with the transition requirements of GASB Statement No. 27. Benefits and contributions were established by City Charter and are not subject to amendment.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
June 30, 2011
(In Thousands)

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 \$50. The Plan does not have a net pension obligation. The City's annual pension cost is equal to the actual contribution made (annual benefit payments).

| | |
|-------------------------------|---------------------------------|
| Actuarial Cost Method | Projected Unit Credit |
| Amortization Method | Level Dollar |
| Remaining Amortization Method | Closed – no amortization period |
| Actuarial assumptions: | |
| Investment rate of return | 8.00% |
| Projected salary increases | None |
| Inflation Rate | 3.00% |
| Cost of Living Adjustments | None |

Trend Information

| SCHEDULE OF FUNDING PROGRESS | | | | |
|-------------------------------------|---------------------------|---------------------|-------------------------------|------------------------|
| Fiscal Year Ended | Annual Pension Cost (APC) | Actual Contribution | Percentage of APC Contributed | Net Pension Obligation |
| 06/30/11 | 84 | 84 | 100.00% | - |

The actuarial accrued liability is the calculated present value of the expected payments to be made for this unfunded plan.

| SCHEDULE OF FUNDING PROGRESS | | | | | | |
|-------------------------------------|-------------------------------|-----------------------------------|-----------------------------------|--------------|-----------------|---|
| Actuarial Valuation Date | Actuarial Valuation of Assets | Actuarial Accrued Liability (AAL) | Unfunded/ (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| 07/01/10 | \$ - | \$ 180 | \$ 180 | 0.0% | N/A | N/A |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

State MERF-B

Members of City AFSCME Local 1716 and members of Local 566, which consisted of 524 members on June 30, 2010, participate in the Municipal Employees' Retirement Fund (MERF), 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits to the employees and beneficiaries of participating municipalities. Chapter 113 Part II of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates, and other plan provisions. 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.

Funding Policy - Plan members 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 at an actuarially determined rate. The contribution requirements of the City are established and may be amended by the State Retirement Commission. Total contributions to MERF for the years ended June 30, 2011, 2010 and 2009 were \$3.4 million, \$2.9 million and \$2.9 million, respectively, equal to the City's required contributions for each year.

Teachers' Retirement System

All City of Hartford certified teachers participate in the State of Connecticut Teachers' Retirement System, a cost-sharing multiple-employer public employee retirement system (PERS), established under Section 10.183 of the General Statutes of the State of Connecticut. A teacher is eligible to receive a normal retirement benefit if he or she has: (1) attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut, or (2) attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The Board of Education withholds 7.25% of all teachers' annual salaries, \$9.9 million in fiscal year 2011, and transmits the funds to the State Teachers' Retirement Board.

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. The City does not have any liability for teacher pensions. For the year ended June 30, 2011 the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$21.8 million as payments made by the State of Connecticut on-behalf of the City.

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.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Pension Trust Funds

The City maintains two pension trust funds (Municipal Employees' Retirement Fund and the RAF/PBF/FRF) to account for its fiduciary responsibility. The following schedules present the net assets held in trust for pension benefits at June 30, 2011 and the changes in net assets for the year then ended.

| | Municipal Employees' Retirement Fund | RAF/PBF FRF Plan | Total Trust Funds |
|--|---|------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 88,293 | \$ - | \$ 88,293 |
| Investments: | | | |
| U.S. Treasury | 97,214 | - | 97,214 |
| Alternative Investments | 59,240 | - | 59,240 |
| Common Stock | 440,601 | - | 440,601 |
| Corporate Bonds | 97,944 | - | 97,944 |
| Foreign Bonds | 33,255 | - | 33,255 |
| Common Trust | 124,876 | - | 124,876 |
| U.S. Government Agencies | 48,093 | - | 48,093 |
| Accrued investment earnings | 3,367 | - | 3,367 |
| Loan receivable | 1,000 | - | 1,000 |
| Total assets | 993,883 | - | 993,883 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 205 | - | 205 |
| Net settlement due on investments purchased/sold | 10,613 | - | 10,613 |
| Total liabilities | 10,818 | - | 10,818 |
| Net Assets Held in Trust for | | | |
| Pension Benefits | \$ 983,065 | \$ - | \$ 983,065 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2011
 (In Thousands)

| | Municipal Employees' Retirement Fund | RAF/PBF/FRF Plan | Total Trust Funds |
|---|---|---------------------|----------------------|
| Addition | | | |
| Contributions: | | | |
| Employer - ARC | \$ 18,731 | \$ 1,315 | \$ 20,046 |
| Employer - other | 2,102 | - | 2,102 |
| Plan members | 9,959 | - | 9,959 |
| Total contributions | 30,792 | 1,315 | 32,107 |
| Investment Income: | | | |
| Net appreciation in fair value of investments | 140,967 | - | 140,967 |
| Interest and dividends | 14,925 | - | 14,925 |
| Total investment income | 155,892 | - | 155,892 |
| Less investment expense | 4,267 | - | 4,267 |
| Net investment income | 151,625 | - | 151,625 |
| Deductions | | | |
| Benefits | 89,064 | 1,355 | 90,419 |
| Administration | 2,161 | - | 2,161 |
| Other | 67 | - | 67 |
| Total deductions | 91,292 | 1,355 | 92,647 |
| Net increase | 91,125 | (40) | 91,085 |
| Net Assets Held in Trust for | | | |
| Pension Benefits | | | |
| Beginning of year | 891,940 | 40 | 891,980 |
| End of year | <u>\$ 983,065</u> | <u>\$ -</u> | <u>\$ 983,065</u> |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued
 June 30, 2011
 (In Thousands)

Note 14. Governmental Funds – Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes accounting and financial reporting standards for governmental funds. It establishes criteria for classifying fund balances into specifically defined classification and clarifies definitions for governmental fund types. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Below is a table of fund balance categories and classifications at June 30, 2011 for the City governmental funds:

| | General Fund | Capital Improvement Fund | Community Development Loan and Grant | Debt Service | Educational Grants | Nonmajor Governmental Funds |
|-----------------------------------|------------------|--------------------------------|--|-----------------|-----------------------|-----------------------------------|
| Fund balances: | | | | | | |
| Non-spendable: | | | | | | |
| Permanent funds | - | - | - | - | - | 8,359 |
| Loans | - | - | - | - | - | 9,941 |
| Inventory | - | - | - | - | - | 283 |
| Total non-spendable | - | - | - | - | - | 18,583 |
| Restricted: | | | | | | |
| Development and community affairs | - | - | 2,952 | - | - | 2,961 |
| Recreation and Culture | - | - | - | - | - | 9,078 |
| Human services | - | - | - | - | - | 3,910 |
| Education | - | - | - | - | - | 3,103 |
| Total restricted | - | - | 2,952 | - | - | 19,052 |
| Committed: | | | | | | |
| Capital projects | - | 21,350 | - | - | - | 1,915 |
| Debt service | - | - | - | 146 | - | - |
| Education | - | - | - | - | 7,609 | - |
| Total committed | - | 21,350 | - | 146 | 7,609 | 1,915 |
| Assigned: | | | | | | |
| Recreation | 60 | - | - | - | - | - |
| Public safety | 75 | - | - | - | - | - |
| Education | 2,390 | - | - | - | - | - |
| Total assigned | 2,525 | - | - | - | - | - |
| Unassigned: | | | | | | |
| General government | 22,561 | - | - | - | - | (202) |
| Total unassigned | 22,561 | - | - | - | - | (202) |
| Total fund balance | \$ 25,086 | \$ 21,350 | \$ 2,952 | \$ 146 | \$ 7,609 | \$ 39,348 |

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented as of July 1, 2010. The effect of fund type reclassification is as follows:

| | General | Nonmajor Governmental Funds |
|---|------------------|-----------------------------------|
| Fund balance, June 30, 2010, as previously reported | | |
| Change in fund type classification per implementation of GASB Statement No. 54 | \$ 18,648 988 | \$ 30,607 (988) |
| Fund balance, July 1, 2010, as restated | <u>\$ 19,636</u> | <u>\$ 29,619</u> |

Under GASB No. 54 and the amended special revenue definition, the Capital Lease Fund was reclassified to a Capital Projects Fund.

Note 16. Governmental Accounting Standards Board (GASB) Statements

The City adopted the following statements during the year ended June 30, 2011:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.** This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. As explained in Notes 14 and 15 to the basic financial statements, the City reclassified the fund balances for governmental funds and restated the General Fund and Nonmajor Governmental Funds fund balance by \$988 as a result of the implementation of this Statement.
- GASB Statement No. 59, *Financial Instruments Omnibus*.** This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools.

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

The Governmental Accounting Standards Board (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 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans***, was issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, to permit certain OPEB plans to use an alternative measurement method. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions of this Statement will be effective for the City beginning with its year ending June 30, 2012.
- **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 City 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 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

CITY OF HARTFORD, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2011

(In Thousands)

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. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*** (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the City beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectibility of swap payments is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

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REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
 (NON-GAAP BASIS) - GENERAL FUND
 For the Year Ended June 30, 2011
 (In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|---|--------------------|-----------------|----------------|---|
| GENERAL PROPERTY TAX | | | | |
| Current year's levy | \$ 251,883 | \$ 251,883 | \$ 255,008 | \$ 3,125 |
| Levy of prior years | 6,400 | 6,400 | 8,124 | 1,724 |
| Interest and liens | 2,500 | 2,500 | 3,815 | 1,315 |
| Proceeds from lien sales | 8,750 | 8,750 | 6,026 | (2,724) |
| Total general property tax | 269,533 | 269,533 | 272,973 | 3,440 |
| OTHER LOCAL TAXES | | | | |
| Business taxes | 700 | 700 | 1,040 | 340 |
| LICENSES, PERMITS, FEES AND OTHER | | | | |
| Street use | 28 | 28 | 28 | - |
| Business Licenses: | | | | |
| Health licenses | 300 | 300 | 307 | 7 |
| Police and protection licenses | 48 | 48 | 43 | (5) |
| Professional and occupational licenses | 7 | 7 | 6 | (1) |
| Total business licenses | 355 | 355 | 356 | 1 |
| Non-Business Licenses and Permits: | | | | |
| Building structure and equipment permits | 6,101 | 6,101 | 4,197 | (1,904) |
| Other non-business licenses and permits | 68 | 68 | 77 | 9 |
| Total non-business licenses and permits | 6,169 | 6,169 | 4,274 | (1,895) |
| Total licenses and permits | 6,552 | 6,552 | 4,658 | (1,894) |
| FINES, FORFEITS AND PENALTIES | 232 | 232 | 233 | 1 |
| REVENUE FROM USE OF MONEY AND PROPERTY | | | | |
| Income from investments | 376 | 376 | 316 | (60) |
| Income from use of property | 631 | 631 | 582 | (49) |
| Income from development properties | 5,001 | 5,001 | 5,772 | 771 |
| Total revenue from use of money and property | 6,008 | 6,008 | 6,670 | 662 |

See Note to Required Supplementary Information.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
(NON-GAAP BASIS) - GENERAL FUND, Continued
For the Year Ended June 30, 2011
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-----------------|----------------|---|
| INTERGOVERNMENTAL REVENUE | | | | |
| Federal Government - ARRA | 60 | 60 | 26,862 | 26,802 |
| State of Connecticut: | | | | |
| Education | 194,511 | 194,511 | 167,690 | (26,821) |
| Housing | 485 | 485 | 531 | 46 |
| Public Works | 613 | 613 | 611 | (2) |
| Elderly Services | 283 | 283 | 250 | (33) |
| Mashantucket Pequot Fund | 8,795 | 8,795 | 8,212 | (583) |
| Payment in Lieu of Taxes | 46,216 | 46,216 | 46,648 | 432 |
| Shared Taxes | 300 | 300 | 262 | (38) |
| Other | 51 | 51 | 85 | 34 |
| Total State of Connecticut | 251,254 | 251,254 | 224,289 | (26,965) |
| Total intergovernmental revenue | 251,314 | 251,314 | 251,151 | (163) |
| CHARGES FOR SERVICES | | | | |
| General Government: | | | | |
| Recording legal instruments | 325 | 325 | 268 | (57) |
| All other | 999 | 999 | 1,295 | 296 |
| Total general government | 1,324 | 1,324 | 1,563 | 239 |
| Public Safety: | | | | |
| Police charges | 248 | 248 | 250 | 2 |
| Fire protection services | 181 | 181 | 179 | (2) |
| Total public safety | 429 | 429 | 429 | - |
| Public Works: | | | | |
| Highways and streets | 1 | 1 | 3 | 2 |
| Sanitation | 50 | 50 | 86 | 36 |
| Total public works | 51 | 51 | 89 | 38 |

See Note to Required Supplementary Information.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL
(NON-GAAP BASIS) - GENERAL FUND, Continued
For the Year Ended June 30, 2011
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------|--------------------|-------------------|----------------|---|
| CHARGES FOR SERVICES, Cont'd. | | | | |
| Other: | | | | |
| Health | 7 | 7 | 1 | (6) |
| Social Services | 30 | 30 | 3 | (27) |
| Recreation | 10 | 10 | 10 | - |
| Miscellaneous | 118 | 118 | 117 | (1) |
| Total other | <u>165</u> | <u>165</u> | <u>131</u> | <u>(34)</u> |
| Total charges for services | <u>1,969</u> | <u>1,969</u> | <u>2,212</u> | <u>243</u> |
| REIMBURSEMENTS | | | | |
| Other | 420 | 420 | 384 | (36) |
| Reimbursements from other funds | 2,951 | 2,951 | 3,520 | 569 |
| Total reimbursements | <u>3,371</u> | <u>3,371</u> | <u>3,904</u> | <u>533</u> |
| OTHER REVENUES | | | | |
| Settlements | 50 | 50 | 111 | 61 |
| Miscellaneous | 1,230 | 1,230 | 503 | (727) |
| Total other revenues | <u>1,280</u> | <u>1,280</u> | <u>614</u> | <u>(666)</u> |
| OTHER FINANCING SOURCES | | | | |
| Transfers in from other funds: | | | | |
| Hartford Parking Facilities Fund | 850 | 850 | 488 | (362) |
| Operating Transfers In | - | - | 1,431 | 1,431 |
| Special Police Services | 1,900 | 1,900 | 2,240 | 340 |
| Capital Improvement Fund | 431 | 431 | 86 | (345) |
| Premium from Bond Sale | 305 | 305 | 305 | - |
| Total other financing sources | <u>3,486</u> | <u>3,486</u> | <u>4,550</u> | <u>1,064</u> |
| TOTAL | <u>\$ 544,445</u> | <u>\$ 544,445</u> | <u>548,005</u> | <u>\$ 3,560</u> |

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the State Teachers' Retirement System for City teachers are not budgeted 21,764

Effect of the Implementation of GASB No. 54 596

Budgetary revenues derived from reimbursements for expenditures allocated to other funds are excluded for GAAP financial statement reporting purposes (3,520)

Total Revenues and Other Financing Sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

\$ 566,845

See Note to Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2011
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-----------------|---------------|---|
| GENERAL GOVERNMENT | | | | |
| Mayor | \$ 1,200 | \$ 1,200 | \$ 1,192 | \$ 8 |
| Court of Common Council | 616 | 616 | 610 | 6 |
| City Treasurer | 522 | 522 | 521 | 1 |
| Registrars of Voters | 814 | 814 | 814 | - |
| Corporation Counsel | 1,556 | 1,556 | 1,552 | 4 |
| Town and City Clerk | 813 | 813 | 809 | 4 |
| Internal Audit | 478 | 478 | 477 | 1 |
| Office of Information Services | 3,431 | 3,431 | 3,431 | - |
| Finance | 3,893 | 3,893 | 3,857 | 36 |
| Human Resources | 1,280 | 1,280 | 1,273 | 7 |
| Human Relations | 688 | 688 | 675 | 13 |
| Office of Management and Budget | 1,236 | 1,236 | 1,231 | 5 |
| Office of Youth Services | 2,762 | 2,762 | 2,761 | 1 |
| Office of Capital Assets | 15 | 15 | 14 | 1 |
| Office of Young Children | 584 | 584 | 583 | 1 |
| Total general government | 19,888 | 19,888 | 19,800 | 88 |
| PUBLIC SAFETY | | | | |
| Fire | 32,363 | 32,363 | 32,322 | 41 |
| Police | 39,261 | 39,261 | 39,260 | 1 |
| Emergency Services and Telecommunications | 4,186 | 4,186 | 4,164 | 22 |
| Total public safety | 75,810 | 75,810 | 75,746 | 64 |
| INFRASTRUCTURE AND LEISURE SERVICES | | | | |
| Public Works | 13,097 | 13,097 | 13,083 | 14 |
| DEVELOPMENT AND COMMUNITY AFFAIRS | | | | |
| Development Services | 4,263 | 4,263 | 4,228 | 35 |
| HUMAN SERVICES | | | | |
| Health and Human Services | 7,183 | 7,183 | 7,103 | 80 |
| EDUCATION | | | | |
| Board of Education | 285,804 | 283,471 | 283,471 | - |
| BENEFITS AND INSURANCE | | | | |
| Benefits and insurance | 62,792 | 65,160 | 65,160 | - |

See Note to Required Supplementary Information.

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES
(NON-GAAP BUDGETARY BASIS) - BUDGET AND ACTUAL, Continued
For the Year Ended June 30, 2011
(In Thousands)

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|-------------------------|-----------------------|-----------------------|----------------|---|
| SUNDRY | | | | |
| Debt service | 34,376 | 34,376 | 34,376 | - |
| Hartford public library | 7,915 | 7,915 | 7,915 | - |
| Other sundry items | 33,317 | 33,282 | 33,062 | 220 |
| Total sundry | <u>75,608</u> | <u>75,573</u> | <u>75,353</u> | <u>220</u> |
| Total | <u><u>544,445</u></u> | <u><u>544,445</u></u> | <u>543,944</u> | <u><u>501</u></u> |

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teacher's Retirement System for City teachers are not budgeted. 21,764

Reimbursements from other funds are credited against budgetary expenditures for GAAP financial statement reporting purposes (3,520)

Effect of the Implementation of GASB No. 54 32

Encumbrances

| | |
|---------------|--------------|
| June 30, 2010 | 148 |
| June 30, 2011 | <u>(973)</u> |

Total Expenditures and Other Financing Sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds \$ 561,395

See Note to Required Supplementary Information.

REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS AND OTHER POST RETIREMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
June 30, 2011
(In Thousands)

Schedules of Funding Progress

*City of Hartford Municipal Employees' Retirement Fund (City MERF)**

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|----------------------------------|--------------|-----------------|--------------------------------|
| 07/01/05 | 986,405 | 970,286 | (16,119) | 101.7% | 117,261 | (13.7%) |
| 07/01/06 | 1,021,491 | 1,002,848 | (18,643) | 101.9% | 124,837 | (14.9%) |
| 07/01/07 | 1,092,128 | 1,090,715 | (1,413) | 100.1% | 133,280 | (1.1%) |
| 07/01/08 | 1,123,379 | 1,099,441 | (23,938) | 102.2% | 139,243 | (17.3%) |
| 07/01/09 | 1,089,184 | 1,126,965 | 37,781 | 96.6% | 134,143 | 28.2% |
| 07/01/10 | 1,041,572 | 1,175,040 | 133,468 | 88.6% | 132,529 | 100.7% |

RAF/PBF/FRF Plan

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|----------------------------------|--------------|-----------------|--------------------------------|
| 07/01/05 | - | 11,123 | 11,123 | 0.0% | N/A | N/A |
| 07/01/06 | - | 9,389 | 9,389 | 0.0% | N/A | N/A |
| 07/01/07 | - | 8,276 | 8,276 | 0.0% | N/A | N/A |
| 07/01/08 | - | 7,700 | 7,700 | 0.0% | N/A | N/A |
| 07/01/09 | - | 7,249 | 7,249 | 0.0% | N/A | N/A |
| 07/01/10 | - | 6,155 | 6,155 | 0.0% | N/A | N/A |

City of Hartford 415(m) Fund

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded (Overfunded) AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a % of Covered Payroll |
|--------------------------|---------------------------|-----------------------------------|----------------------------------|--------------|-----------------|--------------------------------|
| 07/01/05 | - | 168 | 168 | 0.0% | N/A | N/A |
| 07/01/06 | - | 167 | 167 | 0.0% | N/A | N/A |
| 07/01/07 | - | 260 | 260 | 0.0% | N/A | N/A |
| 07/01/08 | - | 213 | 213 | 0.0% | N/A | N/A |
| 07/01/09 | - | 143 | 143 | 0.0% | N/A | N/A |
| 07/01/10 | - | 180 | 180 | 0.0% | N/A | N/A |

REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS AND OTHER POST RETIREMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS, Continued
June 30, 2011
(In Thousands)

| <i>OPEB</i> | | | | | | | |
|--------------------------------|---------------------------------|--|--|-----------------|--------------------|--|--|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded Accrued Liability (UAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll | |
| 07/01/07 | \$ - | \$ 373,386 | \$ 373,386 | 0.0% | N/A | N/A | |
| 07/01/08 | - | 302,988 | 302,988 | 0.0% | N/A | N/A | |
| 07/01/09 | - | 241,511 | 241,511 | 0.0% | 307,857 | 78.4% | |
| 07/01/10 | - | 247,852 | 247,852 | 0.0% | 307,857 | 81.0% | |

* For the City's MERF Plan, the projected unit cost method was used for July 1, 2002 through July 1, 2006, and the entry age normal cost method was used beginning with the July 1, 2007 valuation.

REQUIRED SUPPLEMENTARY INFORMATION
PENSIONS AND OTHER POST RETIREMENT BENEFITS
SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS
June 30, 2011
(In Thousands)

| <i>City of Hartford Municipal Employees' Retirement Fund (City MERF)</i> | | | <i>RAF/PBF/FRF Plan</i> | | |
|--|-----------------------|------------------------|-------------------------|-----------------------|------------------------|
| Year Ended | Annual | | Year Ended | Annual | |
| | Required Contribution | Percentage Contributed | | Required Contribution | Percentage Contributed |
| 06/30/06 | 16,196 | 74.0% | 06/30/06 | 1,926 | 100.0% |
| 06/30/07 | 15,463 | 107.0% | 06/30/07 | 1,757 | 100.0% |
| 06/30/08 | 13,253 | 125.0% | 06/30/08 | 1,967 | 100.0% |
| 06/30/09 | 11,797 | 109.0% | 06/30/09 | 1,700 | 100.0% |
| 06/30/10 | 9,602 | 113.0% | 06/30/10 | 1,521 | 100.0% |
| 06/30/11 | 18,846 | 100.0% | 06/30/11 | 1,354 | 100.0% |

| <i>City of Hartford 415(M) Fund</i> | | | <i>OPEB</i> | | |
|---|-----------------------|------------------------|-------------|-----------------------|------------------------|
| Year Ended | Annual | | Year Ended | Annual | |
| | Required Contribution | Percentage Contributed | | Required Contribution | Percentage Contributed |
| 06/30/06 | 39 | 100.0% | 06/30/2008 | \$ 31,600 | 51.2% |
| 06/30/07 | 53 | 100.0% | 06/30/2009 | 24,500 | 52.8% |
| 06/30/08 | 61 | 100.0% | 06/30/2010 | 24,744 | 41.8% |
| 06/30/09 | 50 | 100.0% | 06/30/2011 | 15,759 | 70.3% |
| 06/30/10 | 43 | 100.0% | | | |
| 06/30/11 | 84 | 100.0% | | | |

CITY OF HARTFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011
(In Thousands)

Note 1. Stewardship, Compliance and Accountability

Budgetary information

The City adopted the legal budget for the 2010-2011 General Fund in accordance with the procedures summarized below:

By the third Monday in April, the Mayor must submit to the City Council a recommended operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them.

Through direction of the Mayor and the City Council, open meetings and public hearings are held to obtain residents' and taxpayers' comments on the recommended budget.

The City Council modifies the budget by resolution (except revenues, debt service and pension requirements) and then submits the budget as amended to the Mayor for certification no later than May 21.

The Mayor may approve, reduce, and/or disapprove the budget within 48 hours, but no later than May 23.

Upon action by the Mayor, Council has until May 31 to adopt the budget, the appropriation ordinance and the tax levy ordinance. If it fails to adopt the budget by that date the budget as certified by the Mayor shall be deemed to be the budget of the City for the ensuing fiscal year and expenditures shall be made in accordance therewith (Hartford Municipal Code Sec. 9).

After the budget has been adopted and the new fiscal year begins, an appropriation may be amended. The Mayor may, at any time, transfer any unencumbered balance or portion thereof, from one classification of expenditures to another within the same department.

At the request of the Mayor, but only within the last three months of the fiscal year, the Court of Common Council may transfer by resolution, any unencumbered appropriation balance or portion thereof from one department or agency to another.

Supplemental appropriations are made on the recommendation of the Mayor upon certification by the Director of Finance that there exists an available general fund cash surplus to meet this appropriation.

Budgets for General Fund are presented on a basis consistent with generally accepted accounting principles except that encumbrances and transfers out are shown as budgetary obligations, transfers in are shown as revenues, State of Connecticut on-behalf contributions are shown as revenues and expenses, and reimbursements to and from other funds are shown as reductions of revenues and expenses.

The General Fund budget is the City's only legally adopted annual budget. Budgets for Special Revenue and Capital Projects Funds are adopted on a project length basis in accordance with related grant or funding agreements.

The level of control for the General Fund budget is at the department/major activity level which are authorized by ordinance. The level of control for Capital Projects Funds is appropriations at the project level. Total expenditures cannot exceed total appropriations by project, over the length of the project.

CITY OF HARTFORD, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION, Continued

June 30, 2011

(In Thousands)

The Community Development Block Grant (Special Revenue) project budgets are approved by City Council. The level of control for all other Special Revenue Funds is at the project or program level in accordance with agreement provisions and various budgetary periods.

All unencumbered and unexpended appropriations lapse at year end for the General Fund. Appropriations do not lapse at year end for Special Revenue Funds. Appropriations for capital projects are carried forward until such time as the project is completed or terminated.

During the fiscal year ended June 30, 2011 there were no General Fund supplemental budget appropriations and there were no additional appropriations against fund balance.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assigned fund balances 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 OPINIONS OF BOND COUNSEL

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[FORM OF OPINION OF BOND COUNSEL - THE SERIES A BONDS]

April 12, 2012

City of Hartford
 Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the "City"), a Tax Regulatory Agreement of the City, dated April 12, 2012 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$50,000,000 City of Hartford, Connecticut General Obligation Bonds, Series 2012A, dated as of the date of delivery (the "Bonds"), maturing on April 1 in each of the years, in the principal amounts and bearing interest payable on October 1, 2012 and semiannually thereafter on April 1 and October 1 in each year until maturity or earlier redemption, at the rates per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> | <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> |
|-------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|--------------------------------|
| 2013 | \$2,500,000 | 2.000% | 2023 | \$2,500,000 | 5.000% |
| 2014 | 2,500,000 | 4.000 | 2024 | 2,500,000 | 5.000 |
| 2015 | 2,500,000 | 5.000 | 2025 | 2,500,000 | 5.000 |
| 2016 | 2,500,000 | 5.000 | 2026 | 2,500,000 | 5.000 |
| 2017 | 2,500,000 | 5.000 | 2027 | 2,500,000 | 5.000 |
| 2018 | 2,500,000 | 5.000 | 2028 | 2,500,000 | 5.000 |
| 2019 | 2,500,000 | 5.000 | 2029 | 2,500,000 | 5.000 |
| 2020 | 2,500,000 | 5.000 | 2030 | 2,500,000 | 5.000 |
| 2021 | 2,500,000 | 5.000 | 2031 | 2,500,000 | 5.000 |
| 2022 | 2,500,000 | 5.000 | 2032 | 2,500,000 | 5.000 |

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

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

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the City the principal of and interest on which is payable 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. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, 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. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

[FORM OF OPINION OF BOND COUNSEL- THE SERIES B BONDS]

April 12, 2012

City of Hartford
 Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the "City"), a Tax Regulatory Agreement of the City, dated April 12, 2012 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$21,280,000 City of Hartford, Connecticut General Obligation Refunding Bonds, Series 2012B, dated as of the date of delivery (the "Bonds"), maturing on July 15 in each of the years, in the principal amounts and bearing interest payable on July 15, 2012 and semiannually thereafter on January 15 and July 15 in each year until maturity or earlier redemption, at the rates per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> | <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> |
|-------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|--------------------------------|
| 2012 | \$560,000 | 2.000% | 2018 | \$500,000 | 3.000% |
| 2013 | 1,245,000 | 2.000 | 2019 | 860,000 | 2.500 |
| 2014 | 3,025,000 | 4.000 | 2019 | 1,000,000 | 5.000 |
| 2015 | 1,855,000 | 5.000 | 2020 | 1,845,000 | 4.000 |
| 2016 | 100,000 | 4.000 | 2021 | 1,105,000 | 3.000 |
| 2016 | 1,775,000 | 5.000 | 2021 | 725,000 | 4.000 |
| 2017 | 1,895,000 | 5.000 | 2022 | 1,810,000 | 3.125 |
| 2018 | 1,385,000 | 2.125 | 2023 | 1,595,000 | 5.000 |

with principal payable at the principal office of U.S. Bank National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of December and June in each year, by check mailed to such registered owner at his address as shown on the registration books of the City kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

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

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the City the principal of and interest on which is payable 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. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Bonds is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, 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. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Very truly yours,

ROBINSON & COLE LLP

[FORM OF OPINION OF BOND COUNSEL-THE NOTES]

April 12, 2012

City of Hartford,
Hartford, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the City of Hartford, Connecticut (the "City"), a Tax Regulatory Agreement of the City, dated April 12, 2012 (the "Tax Regulatory Agreement"), and other proofs submitted to us relative to the issuance and sale of \$52,500,000 City of Hartford, Connecticut General Obligation Bond Anticipation Notes, dated April 12, 2012 and maturing April 11, 2013 consisting of Note R-1 in the aggregate principal amount of \$52,500,000, bearing interest at the rate of 2.00% per annum, with principal and interest payable at maturity (the "Notes"). The Notes are not subject to redemption prior to maturity.

The Notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to effect a book-entry system for the ownership and transfer of the Notes. So long as DTC or its nominee is the registered owner, principal and interest payments on the Notes will be made to DTC.

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

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under authority of the Constitution and General Statutes of Connecticut and that the Notes are a valid general obligation of the City the principal of and interest on which is payable 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. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. Interest on the Notes is, however, includable in adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the

compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Notes.

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

Very truly yours,

ROBINSON & COLE LLP

APPENDIX C - FORMS OF DISCLOSURE DISSEMINATION AGENT AGREEMENTS

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of April 12, 2012, is executed and delivered by The City of Hartford, Connecticut (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means Director of Finance, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than eight months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2012. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"

2. "Non-Payment related defaults, if material;"
 3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
 4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
 5. "Substitution of credit or liquidity providers, or their failure to perform;"
 6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
 7. "Modifications to rights of securities holders, if material;"
 8. "Bond calls, if material;"
 9. "Defeasances;"
 10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
 11. "Rating changes;"
 12. "Tender offers;"
 13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
 14. "Merger, consolidation, or acquisition of the obligated person, if material;" and
 15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
 2. "change in obligated person;"
 3. "notice to investors pursuant to bond documents;"
 4. "certain communications from the Internal Revenue Service;"

5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"
4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “Debt Sections,” “Financial Section” and “Litigation”.

(b) Audited Financial Statements prepared in accordance with [generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with

Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall

have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to [5] [an issue of] the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds [of such issue], when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: Diana O'Brien
Title: Vice President

CITY OF HARTFORD, CONNECTICUT
as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer City of Hartford, Connecticut
Obligated Person(s) City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series
2012A, \$50,000,000
Dated 4/12/2012

CUSIP Number(s): 416415AB3 416415AC1 416415AD9 416415AE7 416415AF4 416415AG2
416415AH0 416415AJ6 416415AK3 416415AL1 416415AM9 416415AN7
416415AP2 416415AQ0 416415AR8 416415AS6 416415AT4 416415AU1
416415AV9 416415AW7

Name of Issuer City of Hartford, Connecticut
Obligated Person(s) City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series
2012B, \$21,280,000
Dated 4/12/2012

CUSIP Number(s): 416415AX5 416415AY3 416415AZ0 416415BA4 416415BB2 416415BK2
416415BC0 416415BD8 416415BL0 416415BE6 416415BM8 416415BF3 416415BG1
416415BN6 416415BH9 416415BJ5

Name of Issuer City of Hartford, Connecticut
Obligated Person(s) City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series
2011A, \$25,000,000
Dated: of Issuance: 4/14/2011

CUSIP Number(s): 4164147E4 4164147F1 4164147G9 4164147H7 4164147J3 4164147K0 4164147L8
4164147M6 4164147N4 4164147P9 4164147Q7 4164147R5 4164147S3

Name of Issuer City of Hartford, Connecticut
Obligated Person(s) City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2010A,
\$14,000,000
Dated: of Issuance: 4/15/2010

CUSIP Number(s): 4164146L9 4164146M7 4164146N5 4164146P0 4164146Q8 4164146R6 4164146S4
4164146T2 4164146U9 4164146V7 4164146W5 4164146X3 4164146Y1 4164146Z8
4164147A2 4164147B0 4164147C8

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Refunding Bonds,
Series 2009, \$12,150,000

Dated: of Issuance: 9/30/2009

CUSIP Number(s): 4164146A3 4164146B1 4164146C9 4164146D7 4164146E5 4164146F2 4164146G0

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2009A,
\$40,225,000 Dated: March 10, 2009

Dated Date: 03/10/2009

CUSIP Number(s): 4164144Q0 4164145L0 4164144R8 4164145M8 4164144S6
4164145N6 4164144T4 4164145P1 4164144U1 4164145Q9
4164144V9 4164145R7 4164144W7 4164145S5 4164144X5
4164145T3 4164144Y3 4164145U0 4164144Z0 4164145V8
4164145A4 4164145W6 4164145B2 4164145C0 4164145J5

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Refunding Bonds, Series
2005, \$34,340,000 consisting of General Obligation Refunding Bonds, Series
2005A, \$25,160,000 and General Obligation Refunding Bonds, Series 2005B
(Taxable), \$9,180,000 Dated: April 1, 2005

Dated Date: 04/01/2005

CUSIP Number(s): 416414V98 416414W22 416414W30 416414W48 416414W55 416414W63
416414W71 416414W89 416414W97 416414X21 416414X39 416414X47
416414X54 416414X88 416414Y20 416414Y38 416414Y46

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Issue of 2004,
\$34,000,000 Dated: July 15, 2004

Dated Date: 07/15/2004

CUSIP Number(s): 416414T75 416414T83 416414T91 416414U24 416414U32 416414U40
416414U57 416414U65 416414U73 416414U81 416414U99 416414V23
416414V31 416414V49 416414V56

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2003,
\$30,225,000 Dated: March 15, 2003
Dated Date: 03/15/2003
CUSIP Number(s): 416414Q86 416414Q94 416414R28 416414R36 416414R44 416414R51
416414R69 416414S27 416414S35 416414S43 416414S50 416414S68
416414S76 416414S84

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2001,
\$23,000,000 Dated: May 15, 2001
Dated Date: 05/15/2001
CUSIP Number(s): 416414N55 416414N63 416414N71 416414N89 416414N97 416414P20
416414P38 416414P46 416414P53 416414P61 416414P79 416414P87
416414P95

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 2000,
\$20,000,000 Dated: June 15, 2000
Dated Date: 06/15/2000
CUSIP Number(s): 416414L24 416414L32 416414L40 416414L57 416414L65 416414L73
416414L81 416414L99 416414M23 416414M31 416414M49 416414M56

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1998,
\$28,500,000 Dated: November 15, 1998
Dated Date: 11/15/1998
CUSIP Number(s): 416414H86 416414H94 416414J27 416414J35 416414J43 416414J50
416414J68 416414J76 416414J84 416414J92

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut
Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1998,
\$29,300,000 Dated: January 15, 1998
Dated Date: 01/15/1998
CUSIP Number(s): 416414F47 416414F54 416414F62 416414F70 416414F88 416414F96
416414G20 416414G38 416414G46

Name of Issuer: City of Hartford, Connecticut
Obligated Person(s): City of Hartford, Connecticut

Name of Bond Issue: City of Hartford, Connecticut General Obligation Bonds, Series 1996,
\$25,000,000 Dated: December 15, 1996

Dated Date: 12/15/1996

CUSIP Number(s): 416414C73 416414C81 416414C99 416414D23 416414D31 416414D49
416414D56 416414D64

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: City of Hartford, Connecticut

Obligated Person: City of Hartford, Connecticut

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____].

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc:

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of ____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Event Disclosure (Check One):

1. ____ "amendment to continuing disclosure undertaking;"
2. ____ "change in obligated person;"
3. ____ "notice to investors pursuant to bond documents;"
4. ____ "certain communications from the Internal Revenue Service;"
5. ____ "secondary market purchases;"
6. ____ "bid for auction rate or other securities;"
7. ____ "capital or other financing plan;"
8. ____ "litigation/enforcement action;"
9. ____ "change of tender agent, remarketing agent, or other on-going party;"
10. ____ "derivative or other similar transaction;" and
11. ____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of ____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Financial Disclosure (Check One):

1. ____ "quarterly/monthly financial information;"
2. ____ "change in fiscal year/timing of annual disclosure;"
3. ____ "change in accounting standard;"
4. ____ "interim/additional financial information/operating data;"
5. ____ "budget;"
6. ____ "investment/debt/financial policy;"
7. ____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. ____ "consultant reports;" and
9. ____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of April 12, 2012, is executed and delivered by The City of Hartford, Connecticut (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Notes (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Notes in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Notes and the 9-digit CUSIP numbers for all Notes to which the document applies.

“Disclosure Representative” means the Director of Finance, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 8 hereof.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Notes (including persons holding Notes through nominees, depositories or other intermediaries) or (b) treated as the owner of any Notes for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notes” means the Notes as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating hereto.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 2(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Notes (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Notes, as listed on Appendix A.

“Trustee” means the institution, if any, identified as such in the document under which the Notes were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 6(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 6(b) of this Disclosure Agreement.

SECTION 2. Provision of Notice Events, Voluntary Event Disclosure and Voluntary Financial Disclosure.

(a) The occurrence of any of the following events with respect to the Notes constitutes a Notice Event:

- (i) upon receipt, promptly file the text of each Notice Event received under Sections 3(a) and 3(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 3(a) or 3(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 3(c) of this Disclosure Agreement:
 1. “Principal and interest payment delinquencies;”
 2. “Non-Payment related defaults, if material;”
 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”

5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Tender offers;"
13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. "Merger, consolidation, or acquisition of the obligated person, if material," and
15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(ii) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 6(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 6(a) (being any of the categories set forth below) when filing pursuant to Section 6(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(iii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 6(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 6(b) (being any of the

categories set forth below) when filing pursuant to Section 6(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

- (iv) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(b) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Notes constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Notes, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 3: For the purposes of the event described in subsection (a)(12) of this Section 3, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 3, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such

information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 3 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 4. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Notes and the 9-digit CUSIP numbers for the Notes as to which the provided information relates.

SECTION 5. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 6. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 6(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 6(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(b) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 6(a) hereof or any Voluntary Financial Disclosure pursuant to Section 6(b) hereof.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual

Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 7. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Notes upon the legal defeasance, prior redemption or payment in full of all of the Notes, when the Issuer is no longer an obligated person with respect to the Notes, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 8. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Notes. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 9. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Notes or under any other document relating to the Notes, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 10. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Notes or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Notes.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or

question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 11. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Notes and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee of the Notes, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Notes, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: Diana O'Brien
Title: Vice President

The City of Hartford, Connecticut
as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A

NAME AND CUSIP NUMBERS OF NOTES

| | |
|---------------------|---|
| Name of Issuer | The City of Hartford, Connecticut\ |
| Obligated Person(s) | The City of Hartford, Connecticut |
| Name of Bond Issue: | City of Hartford, Connecticut General Obligation Bond Anticipation Notes |
| Dated: | 4/12/2012 |
| CUSIP Number: | 416415AA5 |

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: The City of Hartford, Connecticut

Obligated Person: The City of Hartford, Connecticut

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Notes as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc:

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Notes to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of ____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Notes to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Event Disclosure (Check One):

1. ____ "amendment to continuing disclosure undertaking;"
2. ____ "change in obligated person;"
3. ____ "notice to investors pursuant to bond documents;"
4. ____ "certain communications from the Internal Revenue Service;"
5. ____ "secondary market purchases;"
6. ____ "bid for auction rate or other securities;"
7. ____ "capital or other financing plan;"
8. ____ "litigation/enforcement action;"
9. ____ "change of tender agent, remarketing agent, or other on-going party;"
10. ____ "derivative or other similar transaction;" and
11. ____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of ____ between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the Notes to which this notice relates:

Number of pages attached: ____

____ Description of Voluntary Financial Disclosure (Check One):

1. ____ "quarterly/monthly financial information;"
2. ____ "change in fiscal year/timing of annual disclosure;"
3. ____ "change in accounting standard;"
4. ____ "interim/additional financial information/operating data;"
5. ____ "budget;"
6. ____ "investment/debt/financial policy;"
7. ____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. ____ "consultant reports;" and
9. ____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date:

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APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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