

**CITY OF NEW HAVEN, CONNECTICUT**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

**CITY OF NEW HAVEN, CONNECTICUT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2005**

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**CITY OF NEW HAVEN, CONNECTICUT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2005**

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## LEVITSKY & BERNEY

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### INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of  
Aldermen of the City of New Haven  
New Haven, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New Haven, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New Haven Parking Authority and the New Haven Coliseum Authority, component units of the City, and the New Haven Water Pollution Control Authority, an enterprise fund, which statements reflect total net assets of \$112,209,888 and total changes in net assets of (\$2,195,456) for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the New Haven Parking Authority, the New Haven Coliseum Authority and the New Haven Water Pollution Control Authority is based on the report of the other auditors.

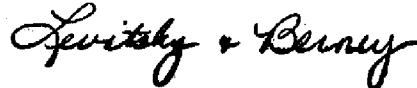
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the New Haven Parking Authority and the New Haven Water Pollution Control Authority were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, 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 units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the City of New Haven, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 18 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Haven, Connecticut's basic financial statements. The accompanying combining and individual fund statements and schedules, and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



LEVITSKY & BERNEY, P.C.  
Certified Public Accountants

November 18, 2005



**CITY OF NEW  
HAVEN**  
DEPARTMENT OF FINANCE



John DeStefano Jr.  
*Mayor*

Mark Pietrosimone  
*City Controller*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of New Haven's Management discussion and analysis for the fiscal year ending June 30, 2005 is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City of New Haven's finances, in a manner similar to a private sector business.

The analysis of the City as a whole begins on Exhibit A and B of the following audited financial statements. The statement of net assets presents information on all of the City of New Haven's assets and liabilities, with the difference between the two reported as net assets. The statements reflect the accrual basis of accounting, which is similar to 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.

The government-wide financial statements report the City's assets and changes in them. The City's net assets, the difference between assets and liabilities, is a way to monitor the City's financial health. Over time, increases and decreases in net assets does serve as an indicator of whether the financial position of the City of New Haven has changed.

In the statement of net assets and the statement of activities the City reports its activities:

**Governmental Activities** – The City of New Haven’s basic services are reported here, including education, public safety, public works, health and welfare, culture and recreation and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

**Business Type Activities** – The business type activities of the City of New Haven consist of the Water Pollution Control Authority, Golf Course, Skating Rink, East Rock Community Radio Tower and the Transfer Station Enterprise Funds.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of New Haven can be grouped into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflow and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

**Proprietary Funds.** The City of New Haven has two different types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of New Haven uses enterprise funds to account for its Water Pollution Control Authority, Golf Course, Skating Rink, Transfer Station and East Rock Community Radio Tower funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of New Haven’s various functions. The City of New Haven uses internal service funds to account for Self-Insurance Liability, Medical Self-Insurance and Workers Compensation. Because these funds predominately benefit governmental rather than business-type activities, they have been included within the governmental activities in the government-wide financial statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of New Haven’s governmental or business type activities. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found in the schedules of audited financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City of New Haven's combined net assets increased from a year ago by \$16.8 million to \$463.9 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1  
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
	<b>Current And Other Assets</b>	195,651,277	242,553,939	14,169,441	15,286,123	209,820,718
<b>Capital Assets</b>	882,558,219	800,646,503	126,428,211	118,250,762	1,008,986,430	918,897,265
<b>Total Assets</b>	<b>1,078,209,496</b>	<b>1,043,200,442</b>	<b>140,597,652</b>	<b>133,536,885</b>	<b>1,218,807,148</b>	<b>1,176,737,327</b>
<b>Other Liabilities</b>	146,374,484	149,323,250	262,301	(5,624,684)	146,636,785	143,698,566
<b>Long-term debt outstanding</b>	561,314,085	544,854,528	46,945,558	41,045,643	608,259,643	585,900,171
<b>Total Liabilities</b>	<b>707,688,569</b>	<b>694,177,778</b>	<b>47,207,859</b>	<b>35,420,959</b>	<b>754,896,428</b>	<b>729,598,737</b>
<b>Net Assets:</b>						
Invested in capital assets (net of debt)	392,890,484	323,566,090	79,659,170	77,396,120	472,549,654	400,962,210
Restricted	16,805,421	1,182,962	-	-	16,805,421	1,182,962
Unrestricted	(39,174,978)	24,273,612	13,730,623	20,719,806	(25,444,355)	44,993,418
<b>Total net Assets</b>	<b>370,520,927</b>	<b>349,022,664</b>	<b>93,389,793</b>	<b>98,115,926</b>	<b>463,910,720</b>	<b>447,138,590</b>

The change in governmental net assets is illustrated in the following page:



Table 2  
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	47,916,429	33,147,486	17,199,243	16,293,557	65,115,672	49,441,043
Operating Grants and Contributions	217,694,875	230,859,756	-	-	217,694,875	230,859,756
Capital Grants and Contributions	72,110,067	108,604,271	3,181,484	5,698,605	75,291,551	114,302,876
<b>General Revenues:</b>						
Property Taxes	151,508,587	151,805,328	-	-	151,508,587	151,805,328
Grants and Contributions not restricted to specific purposes	51,603,825	53,829,479	-	-	51,603,825	53,829,479
One Time Payments	6,000,000	-	-	-	6,000,000	-
Investment Earnings	2,075,304	1,076,470	189,515	95,022	2,264,819	1,171,492
Prior Period Adjustment	-	(269,824)	-	-	-	(269,824)
Transfers	7,310,000	494,000	(7,310,000)	(494,000)	-	-
<b>Total Revenues</b>	<b>556,219,087</b>	<b>579,546,966</b>	<b>13,260,242</b>	<b>21,593,184</b>	<b>569,479,329</b>	<b>601,140,150</b>
<b>Expenses:</b>						
<b>Program Expenses:</b>						
General Government	33,331,449	22,104,292	-	-	33,331,449	22,104,292
Education	241,022,920	240,583,172	-	-	241,022,920	240,583,172
Public Safety	58,787,561	56,652,505	-	-	58,787,561	56,652,505
Public Works	24,064,622	24,009,505	-	-	24,064,622	24,009,505
Public Services	40,469,049	38,483,755	-	-	40,469,049	38,483,755
Employee Benefits and Insurance	68,942,717	75,890,123	-	-	68,942,717	75,890,123
Development	-	-	-	-	-	-
Health and Welfare	8,619,934	8,464,729	-	-	8,619,934	8,464,729
Culture and Recreation	-	-	-	-	-	-
Other	35,889,536	38,765,338	-	-	35,889,536	38,765,338
Interest on long-term Debt	23,593,036	18,221,409	-	-	23,593,036	18,221,409
WPCA	-	-	16,938,947	16,167,204	16,938,947	16,167,204
Other	-	-	1,047,428	1,238,646	1,047,428	1,238,646
<b>Total Expenses</b>	<b>534,720,824</b>	<b>523,174,828</b>	<b>17,986,375</b>	<b>17,405,850</b>	<b>552,707,199</b>	<b>540,580,678</b>
<b>Increase in Net Assets</b>	<b>21,498,263</b>	<b>56,372,138</b>	<b>(4,726,133)</b>	<b>4,187,334</b>	<b>16,772,130</b>	<b>60,559,472</b>
Net Assets 6/30/04	349,022,664	292,650,526	98,115,926	93,928,592	447,138,590	386,579,118
Net Assets 6/30/05	370,520,927	349,022,664	93,389,793	98,115,926	463,910,720	447,138,590

## Financial Highlights

- The City finished the FY 05 General Fund budget with an operating surplus of \$30,895.
- The City continued to improve on its Tax Collection Rate from 97.29% in FY 04 to 98.39% in FY 05 (see tables in Tax Collection section of this report for an historical overview).
- The City's mill rate increased to 39.53 (per thousand) in FY05 as compared to a FY04 mill rate of 38.53 (per thousand) (see tables in Tax Collection section of this report for an historical overview).
- The City's FY05, Total Gross taxable grand list increased to \$4,101,236,254 (2003 GL) as compared to FY 04 Total Gross taxable grand list of \$4,162,644,625 (2002GL).
- The comparative analysis, performed by the City's Assessor (as of January 28, 2005) indicates an overall increase in the 2004 Net Grand List of approximately 2.4% from the 2003 Net Grand list. The net Real Estate Grand list increased by 2.0%. Several major projects, including IKEA, were completed by the assessment date. The City's assessment deferral program reduced the Real Estate portion of the Grand list by approximately \$27,742,874 and reduced taxes collectable by \$1,179,904. The net Personal property grand list increased by 3.8%. Depreciation, downsizing and the lack of new purchases were offset by the Assessor's and Finance Department's Personal Property discovery initiative. Actual growth in net Personal Property is a result of a decrease in economic exemptions. The Motor Vehicle net Grand List increased by 4.3%. The consensus among assessors is that late model cars depreciated at a considerable lesser rate combined with an increase in new car purchases.
- The City's General Fund budget (primary operating fund) had increased by \$18,502,897 from a FY 04 amended budgeted amount of \$361,524,730 to FY 05 amended budgeted amount of \$380,027,627. The portion of the budget for the Department of Education expenditures increased by \$3,050,000 from a FY 04 amount of \$153,771,565 to a FY 05 amount of \$156,821,565.

## Grand List

The City's net Grand List is the net value of all property within the City of New Haven. The City's taxable Grand list history is displayed as follows:

<u>FY</u>	<u>TAXABLE GRAND LIST</u>	<u>EXEMPTIONS</u>	<u>NET GRAND LIST</u>
04-05	\$4,101,236,254	\$214,694,634	\$3,886,541,620
03-04	\$4,162,644,625	\$225,754,890	\$3,936,889,735
02-03	\$4,116,596,496	\$230,393,141	\$3,886,203,255
01-02	\$3,938,129,114	\$197,935,779	\$3,740,193,335
00-01	\$3,879,505,506	\$170,634,828	\$3,708,870,678
99-00	\$3,914,599,952	\$166,350,564	\$3,748,249,388
98-99	\$3,873,658,389	\$157,650,241	\$3,716,608,148

## **Fund Balance**

A positive fund balance would allow the City to meet unexpected expenditure demands or revenue declines if the current City budget was unable to meet such demands without suddenly having a mid-year tax increase.

An excellent example of the benefits of a positive fund balance occurred in FY03. During the FY03, the State of Connecticut implemented a mid-year revenue reduction to all Cities and towns resulting in the City losing \$4.4 million in budgeted revenue. That year, City officials requested and subsequently received approval from the Board of Aldermen to use \$3,721,029 of the Fund Balance to eliminate the operating deficit. Through the use of the Fund Balance, the City was able to meet its budgetary demands without a supplemental form of increased taxes.

The year ending audited Fund Balance for FY 05 is \$12,979,396, which reflects a .24% increase over the previous year.

Rating Agencies look to fund balance as a barometer of fiscal health for the City. These rating agencies rate the risk for investors willing to buy debt issued for the purpose of financing the City's capital projects. The higher ratings translate into lower interest costs on capital borrowings. The City sold \$45 million in general obligation bonds in March 05. To do so, the City's current financial health was reviewed by several rating agencies and the City maintained its ratings from those rating agencies, however both Moody's Investor Services and Fitch Investor Services have in place negative outlooks, based on the additional pressures on the City's fiscal management, the City's reliance on one-time revenue and reduced financial flexibility in the short term future.

The ratings are as follows:

Moody's Investment Services	A3 rating, issued and maintained since 1999
Standard and Poor's	A- rating, issued and maintained since 2001
Fitch Investors Services	A rating, issued and maintained since 2001

The rating agencies have attributed their maintaining of these ratings to the City's strong financial management, property tax collection rates, strong cost cutting procedures, stable economic base that is bolstered by higher education, health care, pharmaceuticals and a growing biotechnology industry. However, each rating agency does show concern over the City's reliance on State Aid, below average wealth and income indicators, non-growth of the City's tax base and high debt burden.

Fund Balance history:

<u>End of Fiscal Year</u>	<u>Fund Balance</u>
93-94	3,282,867
94-95	6,554,209
95-96	11,610,049
96-97	14,078,135
97-98	15,874,656
98-99	17,985,630
99-00	17,332,501
00-01	20,332,114
01-02	17,658,226
02-03*	12,503,197
03-04	12,948,501
04-05	12,979,396

\*mid year State Budgeted Revenue cuts necessitated the use of fund balance to balance FY 02-03 operating budget.

**FY 05 General Fund Budget**

The Board of Aldermen originally approved the FY 05 City General Fund Budget on May 24, 2004 in compliance with City Charter requirements. The Connecticut State Legislature had not yet completed the State's budget. As a result, the City's budgeted State Revenue differed in several categories in the City's budget. The City revised its FY 05 budget and received approval for that revised budget from the Board of Aldermen on February 22, 2005. The General Fund budget increased from its original amount of \$378,399,341 to the amended amount of \$380,027,627.

The following table illustrates the City's summary of operations for the City's General Fund for FY 99 through FY04:

**City of New Haven Summary of Operations  
Fiscal Year 1999 to Fiscal Year 2004**

	Fiscal Year 1999 (Audited)	Fiscal Year 2000 (Audited)	Fiscal Year 2001 (Audited)	Fiscal Year 2002 (Audited)	Fiscal Year 2003 (Audited)	Fiscal Year 2004 (Audited)
<b>REVENUES</b>						
Property Taxes	\$ 137,335,273	130,011,614	133,758,527	134,571,868	146,401,025	151,484,011
Licenses, Permits and Other Charges	6,093,868	6,108,753	8,983,756	6,240,968	6,918,391	10,202,934
Fines, Forfeitures and Penalties	1,793,086	1,853,383	1,992,954	2,247,776	2,869,056	2,282,090
Federal and State Governments	176,474,431	183,933,786	196,076,728	200,176,791	187,053,063	187,085,418
Payment in Lieu of Taxes	-	-	-	-	-	3,262,738
Investment Income	2,405,710	2,430,790	2,129,758	512,696	885,891	748,993
Other Revenue	6,222,925	7,430,623	6,399,916	8,400,789	6,614,499	6,903,703
<b>Total Revenues</b>	<b>\$ 330,325,293</b>	<b>331,768,949</b>	<b>349,341,639</b>	<b>352,150,888</b>	<b>350,741,925</b>	<b>361,969,887</b>
<b>EXPENDITURES</b>						
General Government	\$ 12,892,367	14,428,762	15,065,084	14,023,098	19,259,447	17,460,362
Development	6,716,469	8,613,456	7,079,439	5,091,388	4,664,200	4,798,947
Public Safety	48,226,018	51,390,001	63,620,861	67,179,315	54,002,296	55,038,482
Public Works	11,973,864	12,768,457	13,552,710	13,733,855	15,523,562	15,446,675
Health & Welfare	6,108,976	6,481,953	7,055,619	8,192,492	7,355,917	6,655,735
Recreation	8,333,453	9,051,771	10,032,202	9,864,146	8,381,291	7,864,929
Education	135,326,076	147,581,642	150,798,608	156,947,934	150,712,891	153,608,236
Pension & Insurance	60,923,156	48,273,750	52,736,440	44,943,688	57,387,898	61,331,045
Other Expenditures	2,041,090	1,683,788	1,057,065	1,115,362	1,200,000	-
Capital Outlays	-	-	-	492,363	230,887	-
Debt Service	28,882,850	34,148,498	34,503,998	30,541,135	37,178,565	39,320,172
<b>Total Expenditures</b>	<b>\$ 321,424,319</b>	<b>332,422,078</b>	<b>345,502,026</b>	<b>352,124,776</b>	<b>355,896,954</b>	<b>361,524,583</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>\$ 8,900,974</b>	<b>(653,129)</b>	<b>3,839,613</b>	<b>26,112</b>	<b>(5,155,029)</b>	<b>445,304</b>
<b>OTHER FINANCING SOURCES(USES)</b>						
Proceeds from capital leases	\$ -	-	-	-	-	-
Proceeds from sale of bonds	-	8,350,000	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-
Payment of refunded bond escrow agent	-	-	-	-	-	-
Payment to insurance carrier	-	(8,350,000)	-	-	-	-
Retirement of Bonds	-	-	-	-	-	-
Operating transfers in	210,000	-	-	-	-	-
Operating transfers out	(7,000,000)	-	(840,000)	(2,700,000)	-	-
<b>Net other financing sources (uses)</b>	<b>\$ (6,790,000)</b>	<b>-</b>	<b>(840,000)</b>	<b>(2,700,000)</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ 2,110,974</b>	<b>(653,129)</b>	<b>2,999,613</b>	<b>(2,673,888)</b>	<b>(5,155,029)</b>	<b>445,304</b>
<b>FUND BALANCE (DEFICIT), beginning of the year</b>	<b>\$ 15,874,656</b>	<b>17,985,630</b>	<b>17,332,501</b>	<b>20,332,114</b>	<b>17,658,226</b>	<b>12,503,197</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 17,985,630</b>	<b>17,332,501</b>	<b>20,332,114</b>	<b>17,658,226</b>	<b>12,503,197</b>	<b>12,948,501</b>

**City of New Haven  
General Fund  
Statement of Operations  
For Period Ending June 30, 2005**

<u>Revenues</u>	<u>Actual Amounts</u>
Taxes	\$ 154,152,809
Licenses, Permits & Other Charges	8,736,457
Federal & State Governments	188,974,472
Fines, Forfeitures & Penalties	3,735,640
Investment Income	1,597,216
Payment in Lieu of Taxes	3,021,734
Other Revenue	10,217,841
<b>Total Revenue</b>	<b>\$ 370,436,169</b>

<u>Expenses</u>	<u>Actual Amounts</u>
Tax & Assessors	\$ 490,250
Corporation Counsel	1,927,545
Cultural & Recreation	8,016,916
Debt Services	44,587,448
Development	5,035,563
Education	156,634,755
Employee Benefits	48,349,908
City Employee Retirement Fund	7,229,000
Police & Fire Retirement Fund	11,028,000
Engineering	2,106,935
Finance	3,559,252
Utilities	3,035,772
Liability Self Insurance	3,380,179
Fire Services	26,335,187
General Government	1,068,509
Human Resources	488,912
Health & Welfare	6,980,100
Mayor & Administration	1,154,476
Board of Alderman	651,343
Police Services	30,987,867
Public Works	11,522,823
Office of Technology	979,886
Traffic & Parking	2,054,648
Capital Outlay	-
<b>Total Expenses</b>	<b>\$ 377,605,274</b>

**Excess (deficiency) of revenue  
over Expenses** \$ (7,169,105)

**Operating Transfers In** \$ 7,200,000

**Excess (deficiency) of revenues and  
other financing sources over  
expenditures and other financing uses** \$ 30,895

**General Fund (continued):**

On October 19, 2004, the Office of the Controller established FY2005 expenditure controls for the City's general fund budget. At the time, expenditure projections for Medical Benefits, Worker's Compensation and certain departmental overtime accounts projected year end deficits. In addition, revenue projections for Education Cost Sharing and Property tax collections indicated shortfalls. And then on March 9, 2005, controls were further tightened essentially freezing expenditures (except those considered essential to operations).

As a result, the only significant over-expenditure was recorded in the Worker's Compensation account. The over-expenditure can be traced to a specific claim and that the overall administration and risk control initiatives by the City actually result in lesser workers compensation claims being made. Most of this over expenditure has been identified as a potential receivable by the Finance Department upon notification by the City's Corporation Counsel's intent to sue to recover the City's cost. This deficit and other minor departmental deficits have been mitigated by savings accrued in other departments through the implementation of a savings plan that had, in effect, frozen all non-personnel spending except for health and safety related spending.

The City experienced several revenue shortfalls. Overall, delinquent tax collections were less than expected. Due to the City's continued success in current tax collections, delinquent tax collections suffered a significant shortfall. Other revenue areas that experienced shortfalls were State Grants for Education and Telecommunications tax and new revenue line items including Fire insurance recoveries. However, the City did better than expected in Traffic and Parking receipts, Parking Ticket collections, Building Inspections and interest income earned on short term investments

The annual debt service obligation for the general fund in FY 05 was reduced by \$12,977,796. The reduction was attributed to funds from the Education Trust Fund including those funds derived from the sale of the Woodward School to the State of Connecticut. The Education Trust Fund, originally established in 1996, has been spent entirely for school construction.

**Internal Service Funds:**

The City's internal service funds are for Self-Insurance, Medical Self -Insurance and Worker's Compensation.

**Self Insurance:**

The City's potential liability for current litigation is conservatively reported. In most cases, lawsuit settlements are for less than the amount originally reserved as potential liability. The City's self-insurance account including potential liability of future lawsuit settlements creates a negative fund balance of \$12,575,022. This represents an increase \$4,898,682 from the previous FY04 deficit of \$7,676,340. The City had appropriated \$1,765,194 for this account FY05, down from FY04 appropriation of \$2,500,000.

**Medical Self -Insurance:**

The Medical Self -Insurance account experienced a surplus of \$141,488 evening the fund's balance to zero, after last year's (FY04) reported fund balance deficit of \$141,488.

**Worker's Compensation:**

The Worker's Compensation account shows a deficit of \$1,629,826. Most of this deficit belongs to one claim, which the City's Office of the Corporation Counsel has initiated subrogation to recoup these costs for the City. FY05 expenses for this claim were \$612,403.

**Capital Project Funds:**

The City and Board of Education's capital projects are primarily funded through the City's Capital Project Fund Budget. Funds are borrowed to finance the cost of capital improvements throughout the City as well as the Board of Education and City's share of the cost for the City Wide School Construction Program. Capital debt is amortized and its annual payments are appropriated in the City's General Fund Budget.

The City's bonds outstanding, as of June 30, 2005 totaled \$535,144,622 compared to June 30, 2004 total of \$515,992,252. The City did retire \$38,945,413 in principal for FY 2005.

In FY 03, the City implemented certain spending controls in its administration and expenses for Capital Projects called the Capital Funds Borrowing Plan. The Capital Funds Borrowing Plan (CFBP) immediately initiated a review of all outstanding capital appropriations for their importance and priority. The plan also defines the life of capital appropriations and established procedures so that capital borrowings meet the financial parameters established in the Capital Funds Borrowing Plan. The review of capital appropriations resulted in the closing out of various capital accounts when projects were completed and funds remained unspent and unobligated. This review completed the reconciling of expenditures and revenue in all previously authorized capital authorizations.

During FY 2005, the City exceeded its self imposed limitation on Capital appropriations. The CFBP intended on limiting the City's new debt appropriations to \$15 million annually, however, the City's approval of additional projects throughout the year exceeded this parameter.



**Pension Funds:**

The City of New Haven is the administrator of two single employer public retirement systems established by the City to provide pension benefits for its employees. The Public Employee Retirement Systems are considered part of the City of New Haven's financial reporting entity and are included in the City's financial statements as pension trust funds. The City provides benefits through a single employer, contributory, defined-benefit plan in which practically all full time employees of the general fund, including non-certified Board of Education employees are eligible under the City Employees Retirement Fund (CERF) while all policemen and firefighters are eligible in the Policemen and Firemen Retirement Fund (P&F). CERF was established in 1938. The Policemen and Firemen's fund was created in 1958 as a replacement for separate police and fire pension funds. The former Policemen's Relief Fund and the Firemen's Relief Fund were merged into the combined fund in 1990. Retirements benefits for certified teachers are provided by the Connecticut State Teacher's Retirement System. The City does not directly contribute to this plan.

Since the approval of the FY 95 budget, the City has contributed 100% of the actuarial recommendations to its two employee retirement funds. The City Employees Retirement Fund's (CERF) market value of plan assets has grown from \$84,075,100 (as of 6-30-92) to \$185,808,659 (as of June 30, 2005). The Police & Fire Retirement Fund (P&F) market value of plan assets has grown from \$115,987,200 (as of 6-30-92) to \$259,905,595 (as of June 30, 2005).

The Annual Pension Cost for the CERF is \$7,451,805 as compared to City contribution made of \$7,407,549 (see chart below). The Annual Pension Cost for the Policemen and Firemen pension fund is \$11,339,452 as compared to the City contribution of \$11,028,000 (see chart below).

The following is based on the most recent actuarial reports as of June 30, 2004.

There are 1,038 retirees and beneficiaries receiving benefits from CERF with 1,173 active plan members. There are 1,051 retirees and beneficiaries receiving benefits from P & F with 759 active plan members.

The funded ratio, which is defined to be the percentage that is obtained when the plan assets are divided by the total accrued liability of the plan, is listed below. Both funds experienced declines in their funded ratio.

**Funded Ratio**

<b><u>Fiscal Year</u></b>	<b><u>CERF</u></b>	<b><u>P &amp; F</u></b>
1994	69.3%	59.0%
1995	69.5%	55.0%
1996	72.6%	58.0%
1997	77.4%	63.0%
1998	85.6%	79.0%
1999	85.3%	81.5%
2000	81.2%	82.2%
2001	78.9%	66.7%
2002	70.1%	74.7%
2003	66.7%	70.0%
2004	63.3%	65.5%

In addition, the annual funding percentage (the City's contribution share as a percentage of employee payrolls) has increased for CERF, 13.07% n June 30, 2003 to 15.18% in June 30, 2004 and P&F, 17.30% in June 30, 2003 to 20.25% in June 30, 2004.

The following schedules illustrate the City's contribution to both CERF and P&F. The City has budgeted and contributed the actuarial recommended contribution rates as illustrated

**Schedule of City's Contributions**

**P & F**

<b>Year Ending</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Actual Contribution</b>
1997	\$ 9,574,000	100%	\$ 9,574,000
1998	\$ 10,477,000	100%	\$ 10,477,000
1999	\$ 10,600,000	100%	\$ 10,600,000
2000	\$ 8,433,000	100%	\$ 8,470,180
2001	\$ 8,629,112	100%	\$ 8,629,112
2002	\$ 8,814,347	100%	\$ 8,814,347
2003	\$ 8,970,280	100%	\$ 8,970,280
2004	\$ 10,404,000	100%	\$ 10,404,000
2005	\$ 11,028,000	100%	\$ 11,028,000

**CERF**

<b>Year Ending</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>	<b>Actual Contribution</b>
1997	\$ 4,453,000	105%	\$ 4,670,621
1998	\$ 4,893,000	100%	\$ 4,893,000
1999	\$ 4,942,000	100%	\$ 4,942,000
2000	\$ 3,938,000	104%	\$ 4,105,976
2001	\$ 4,646,751	100%	\$ 4,646,751
2002	\$ 5,484,073	100%	\$ 5,484,073
2003	\$ 6,071,288	100%	\$ 6,071,288
2004	\$ 7,408,604	100%	\$ 7,408,604
2005	\$ 7,407,549	100%	\$ 7,407,549

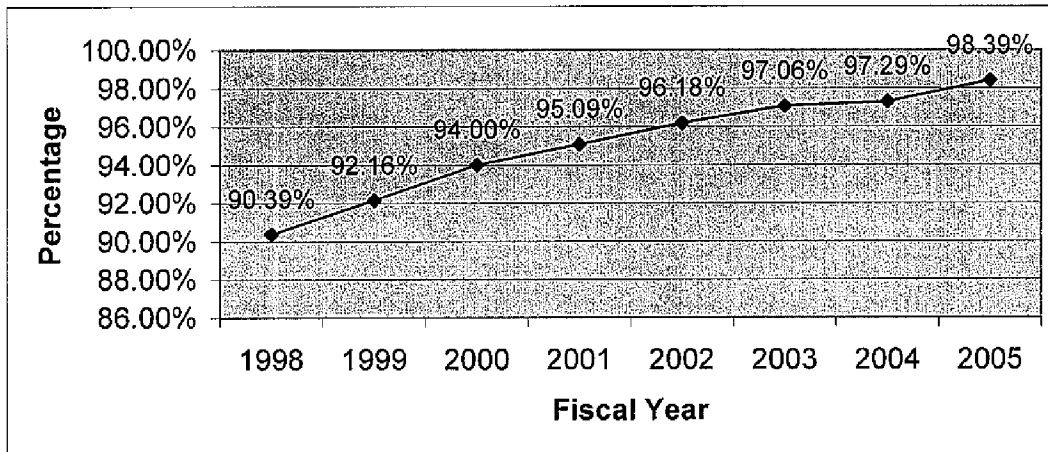
**Tax Collections**

The City's tax collection rate for FY 05 has increased to 98.39% compared to last year's rate of 97.29%. This marks the highest collection rate in over twenty years and continues the trend of annual increases to nine consecutive years.

The table and graph below illustrates the City's improvement in current tax collections:

**Current Tax Collections  
For the last 8 years  
At June 30th**

Fiscal Year	Adjusted Tax Receivable	Collected during FY	Collection as % of Levy
1998	\$ 135,028,037.00	\$ 122,046,164.00	90.39%
1999	\$ 127,196,880.00	\$ 117,228,085.00	92.16%
2000	\$ 127,622,084.00	\$ 119,969,598.00	94.00%
2001	\$ 127,776,724.00	\$ 121,498,389.00	95.09%
2002	\$ 129,216,697.00	\$ 124,285,757.00	96.18%
2003	\$ 142,151,239.00	\$ 137,971,882.00	97.06%
2004	\$ 149,550,639.00	\$ 145,503,999.00	97.29%
2005	\$ 152,337,248.00	\$ 149,886,899.00	98.39%



In November 1999 the City contracted with a collection agency to pursue the collection of delinquent real estate taxes. As of June 30, 2005 the City can cumulatively attribute to this arrangement over \$46,596,809 of past due current and delinquent real estate taxes collected. In FY 2005, the City pursued the administration of delinquent real estate taxes in house rather than to continue its contractual arrangement with its collection agency as the real estate delinquent tax portfolio has been cleared up considerably.

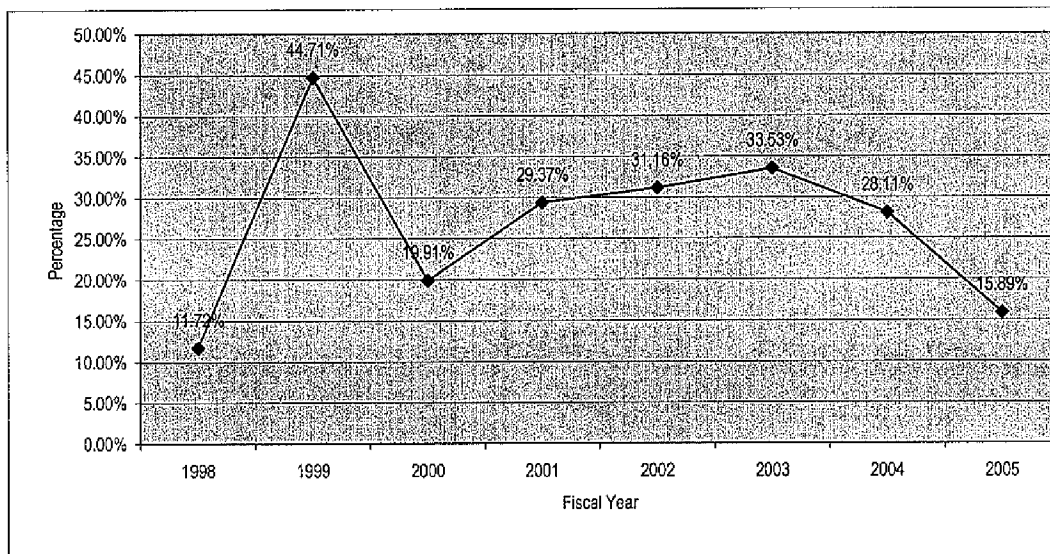
The City still contracts with various vendors and attorneys for the collection of delinquent motor vehicle and personal property taxes. In addition, the delinquent motor vehicle tax program includes the towing of vehicles to enforce the collection of taxes.

With the City's continued success in the collection of taxes, the chart below clearly depicts the lessening of the delinquent tax receivable. However, the delinquent taxes that remain have proven to be the hardest to collect.

The tables and graph below illustrate the above point as the City collected a lower amount of delinquent taxes as compared to previous years:

**Delinquent Tax Collections  
For the last 8 years  
At June 30th**

Fiscal Year	Adjusted Delinquent Receivable	Delinquent Taxes Collected during FY	Collection as % of delinquent
1998	\$ 38,120,151.00	\$ 4,466,025.00	11.72%
1999	\$ 22,618,598.00	\$ 10,112,472.00	44.71%
2000	\$ 20,061,150.00	\$ 3,993,719.00	19.91%
2001	\$ 20,486,646.00	\$ 6,016,512.00	29.37%
2002	\$ 17,621,598.00	\$ 5,490,112.00	31.16%
2003	\$ 14,182,387.00	\$ 4,755,009.00	33.53%
2004	\$ 10,547,783.00	\$ 2,965,135.00	28.11%
2005	\$ 5,717,284.00	\$ 908,614.00	15.89%



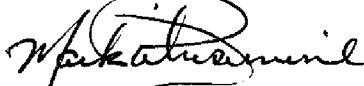
**Mill Rate:**

The City's mill rate was increased in FY 05 to \$39.53 per thousand marking the fourth year of a mill rate increase. The mill rate history is as follows:

<u>Fiscal Year</u>	<u>Mill Rate</u>
93-94	61.14
94-95	61.14
95-96	61.14
96-97	61.14
97-98	37.04
98-99	35.04
99-00	34.95
00-01	34.95
01-02	34.95
02-03	36.78
03-04	38.53
04-05	39.53

**Conclusion:**

The preparation of this report could not have been accomplished if it were not for the dedicated services of the staffs of the Department of Finance, Office of Management and Budget and members of other City departments who assisted in its compilation, to which I hereby express my heartfelt appreciation. I also extend this appreciation to Mayor John DeStefano, Jr., Board of Aldermen President Jorge Perez, Finance Committee Chairman Philip Voigt (posthumously), Finance Committee Deputy Chair Andrea Jackson-Brooks and the Board of Aldermen for their interest and support in the conducting of the financial operations of this City in a responsible and progressive manner.



Mark Pietrosimone  
Controller

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CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF NET ASSETS  
 JUNE 30, 2005

ASSETS	PRIMARY GOVERNMENT		
	Governmental Activities	Business- Type Activities	Total
Cash and Cash Equivalents	\$ 92,434,256	10,647,116	103,081,372
Investments	7,894,964		7,894,964
Receivables (Net of Allowance For Uncollectibles)	89,261,559	3,131,924	92,393,483
Inventories	198,002		198,002
Prepaid Expenses	3,280,956	37,765	3,318,721
Deferred Charges			-
Other	2,581,540	352,636	2,934,176
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents			-
Capital Assets (Net of Accumulated Depreciation):			
Land	44,023,972	1,047,641	45,071,613
Building and System, Including Improvements	464,347,835	19,360,350	483,708,185
Improvements Other Than Buildings	2,188,676	1,356,392	3,545,068
Vehicles, Machinery and Equipment	10,547,288	19,691,265	30,238,553
Infrastructure	90,157,191	48,929,646	139,086,837
Construction In Progress	271,293,257	36,042,917	307,336,174
<b>Total Assets</b>	<b>\$ 1,078,209,496</b>	<b>140,597,652</b>	<b>1,218,807,148</b>

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

**EXHIBIT A**  
**Page 1 of 2**

<b>COMPONENT UNITS</b>	
<b>Parking Authority</b>	<b>Coliseum Authority</b>
7,798,428	104,798
897,121	
268,975	23,235
675,918	
8,405,853	
106,000	
28,283,573	
1,187,388	
2,019,423	
<u>49,642,679</u>	<u>128,033</u>



CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF NET ASSETS  
JUNE 30, 2005

LIABILITIES	PRIMARY GOVERNMENT		
	Governmental Activities	Business- Type Activities	Total
Accounts Payable And Accrued Liabilities	\$ 111,947,972	2,552,266	114,500,238
Accrued Interest Payable	4,045,607		4,045,607
Internal Balances	2,082,770	(2,289,965)	(207,195)
Deferred Revenue	4,576,742		4,576,742
Unearned Revenue	93,799		93,799
Other Liabilities	23,627,594		23,627,594
Non-current Liabilities:			
Due Within One Year	63,740,187	2,832,524	66,572,711
Due In More Than One Year	497,573,898	44,113,034	541,686,932
<b>Total Liabilities</b>	<b>\$ 707,688,569</b>	<b>47,207,859</b>	<b>754,896,428</b>
<b>NET ASSETS</b>			
Invested In Capital Assets, Net of Related Debt	\$ 392,890,484	79,659,170	472,549,654
Restricted For:			
Special Revenues	14,003,529		14,003,529
Permanent Funds	2,801,892		2,801,892
Other			
Unrestricted	(39,174,978)	13,730,623	(25,444,355)
<b>Total Net Assets</b>	<b>\$ 370,520,927</b>	<b>93,389,793</b>	<b>463,910,720</b>

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

EXHIBIT A  
Page 2 of 2

<u>COMPONENT UNITS</u>	
<u>Parking Authority</u>	<u>Coliseum Authority</u>
337,550	332,767
105,151	
207,195	
637,591	
1,938,025	268,439
<u>23,431,729</u>	
<u>26,657,241</u>	<u>601,206</u>
7,454,801	
7,853,763	
<u>7,676,874</u>	<u>(473,173)</u>
<u>22,985,438</u>	<u>(473,173)</u>

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 33,331,449	31,728,899	20,344,067	72,110,067
Education	241,022,920	4,556,219	197,350,808	
Public Safety	58,787,561	6,227,951		
Public Works	24,064,622	160,079		
Public Services	40,469,049	5,063,403		
Employee Benefits and Insurance	68,942,717			
Culture and Recreation	8,619,934	179,878		
Other	35,889,536			
Interest On Long-Term Debt	23,593,036			
<b>Total Governmental Activities</b>	<b>\$ 534,720,824</b>	<b>47,916,429</b>	<b>217,694,875</b>	<b>72,110,067</b>
Business-Type Activities:				
WPCA	\$ 16,938,947	15,785,197		3,181,484
Other	1,047,428	1,414,046		
<b>Total Business-Type Activities</b>	<b>\$ 17,986,375</b>	<b>17,199,243</b>	<b>-</b>	<b>3,181,484</b>
<b>Total Primary Government</b>	<b>\$ 552,707,199</b>	<b>65,115,672</b>	<b>217,694,875</b>	<b>75,291,551</b>
<b>Component Units:</b>				
Parking Authority	\$ 13,344,139	15,546,164		
Coliseum Authority	344,971		639,336	
<b>Total Component Units</b>	<b>\$ 13,689,110</b>	<b>15,546,164</b>	<b>639,336</b>	<b>-</b>

General Revenues:  
 Property Taxes  
 Grants & Contributions Not Restricted To Specific Programs  
 One Time Payments  
 Investment Earnings  
 Transfers  
 Total General Revenues and Transfers

Change In Net Assets

Net Assets-Beginning

Net Assets-Ending

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

