

**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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## LEVITSKY & BERNEY

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS  
100 BRADLEY ROAD • WOODBRIDGE, CONNECTICUT 06525-2394  
203 389-5371 • FAX 203 389-4430

### 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.

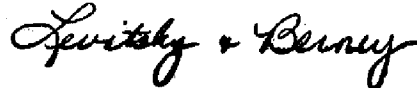
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the New Haven 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*

200 ORANGE STREET  
NEW HAVEN, CONNECTICUT 06510  
Tel. (203) 946-8300 - Fax. (203) 946-7244

## **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.

	Governmental Activities		Business Type Activities		Total	
	2005	2004	2005	2004	2005	2004
	<b>Current And Other Assets</b>	<b>195,651,277</b>	<b>242,553,939</b>	<b>14,169,441</b>	<b>15,286,123</b>	<b>209,820,718</b>
<b>Capital Assets</b>	<b>882,558,219</b>	<b>800,646,503</b>	<b>126,428,211</b>	<b>118,250,762</b>	<b>1,008,986,430</b>	<b>918,897,265</b>
<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>	<b>146,374,484</b>	<b>149,323,250</b>	<b>262,301</b>	<b>(5,624,684)</b>	<b>146,636,785</b>	<b>143,698,566</b>
<b>Long-term debt outstanding</b>	<b>561,314,085</b>	<b>544,854,528</b>	<b>46,945,558</b>	<b>41,045,643</b>	<b>608,259,643</b>	<b>585,900,171</b>
<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>						
<b>Invested in capital assets (net of debt)</b>	<b>392,890,484</b>	<b>323,566,090</b>	<b>79,659,170</b>	<b>77,396,120</b>	<b>472,549,654</b>	<b>400,962,210</b>
<b>Restricted</b>	<b>16,805,421</b>	<b>1,182,962</b>	<b>-</b>	<b>-</b>	<b>16,805,421</b>	<b>1,182,962</b>
<b>Unrestricted</b>	<b>(39,174,978)</b>	<b>24,273,612</b>	<b>13,730,623</b>	<b>20,719,806</b>	<b>(25,444,355)</b>	<b>44,993,418</b>
<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% in 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

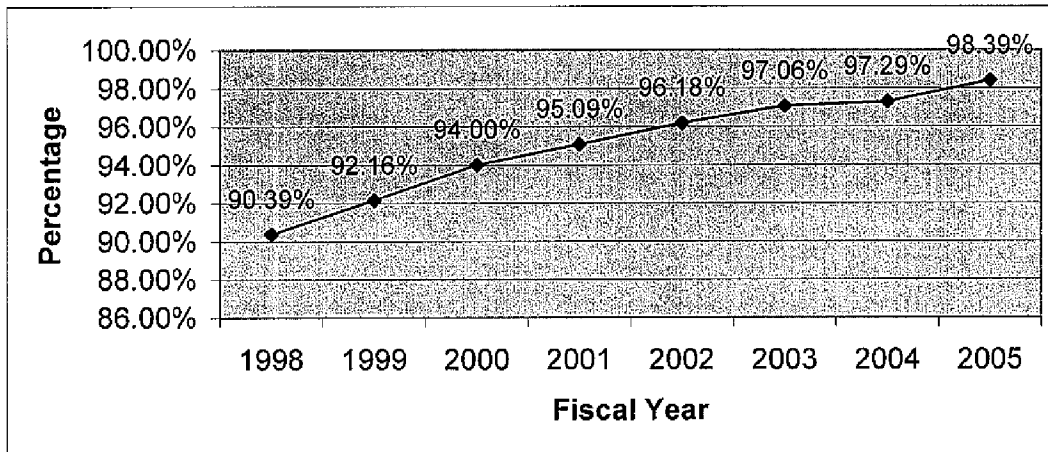
**Tax Collections**

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.

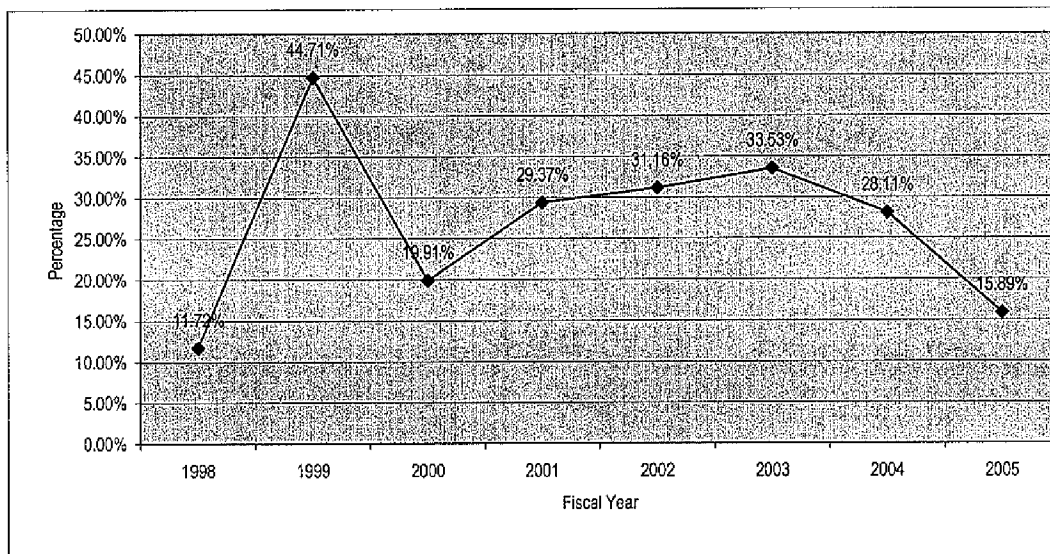
The City still contracts with various vendors and attorneys for the collection of delinquent motor vehicle and personal property taxes. In addition, the delinquent motor vehicle tax program includes the towing of vehicles to enforce the collection of taxes.

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%



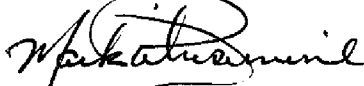
**Mill Rate:**

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.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Primary Government		Component Units	
	Business-Type Activities	Total	Parking Authority	Coliseum Authority
90,851,584		90,851,584		
(39,115,893)		(39,115,893)		
(52,559,610)		(52,559,610)		
(23,904,543)		(23,904,543)		
(35,405,646)		(35,405,646)		
(68,942,717)		(68,942,717)		
(8,440,056)		(8,440,056)		
(35,889,536)		(35,889,536)		
(23,593,036)		(23,593,036)		
<u>(196,999,453)</u>	<u>-</u>	<u>(196,999,453)</u>	<u>-</u>	<u>-</u>
	2,027,734	2,027,734		
	366,618	366,618		
<u>-</u>	<u>2,394,352</u>	<u>2,394,352</u>	<u>-</u>	<u>-</u>
<u>(196,999,453)</u>	<u>2,394,352</u>	<u>(194,605,101)</u>	<u>-</u>	<u>-</u>
		-	2,202,025	
		-		294,365
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,202,025</u>	<u>294,365</u>
151,508,587		151,508,587		
51,603,825		51,603,825		
6,000,000		6,000,000		
2,075,304	189,515	2,264,819	291,789	
7,310,000	(7,310,000)	-		
<u>218,497,716</u>	<u>(7,120,485)</u>	<u>211,377,231</u>	<u>291,789</u>	<u>-</u>
21,498,263	(4,726,133)	16,772,130	2,493,814	294,365
<u>349,022,664</u>	<u>98,115,926</u>	<u>447,138,590</u>	<u>20,491,624</u>	<u>(767,538)</u>
<u>370,520,927</u>	<u>93,389,793</u>	<u>463,910,720</u>	<u>22,985,438</u>	<u>(473,173)</u>

**CITY OF NEW HAVEN, CONNECTICUT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

<b>ASSETS</b>	<b>General</b>	<b>Community Development</b>	<b>Education Grants</b>
Cash and Cash Equivalents	\$ 26,008,499	11,101,982	4,449,846
Investments	1,927,518	2,139,511	
Receivables (Net of Allowance For Uncollectibles)	6,038,747	57,074	1,315,877
Receivables From Other Governments	73,277,158	2,085,058	3,726,887
Due From Other Funds	22,880,420	359,948	561,822
Inventories			198,002
Prepaid Expenses			1,912
Other Assets	<u>2,581,540</u>		
<b>Total Assets</b>	<b>\$ <u>132,713,882</u></b>	<b><u>15,743,573</u></b>	<b><u>10,254,346</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 18,432,286	2,105,272	2,749,597
Accrued Liabilities	7,010,732		763,777
Retainage Payable		181,420	
Due To Other Funds	5,271,730	290,546	4,517,663
Deferred Revenue	72,639,704	3,552,715	579,768
Unearned Revenue	73,596		
Temporary Loans And Notes Payable			
Other Liabilities	<u>16,306,438</u>	<u>1,048,930</u>	<u>500</u>
<b>Total Liabilities</b>	<b>\$ <u>119,734,486</u></b>	<b><u>7,178,883</u></b>	<b><u>8,611,305</u></b>

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

**EXHIBIT C**  
**Page 1 of 2**

<b>Capital Project Funds</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
41,112,809	22,090	6,159,722 3,827,935	88,854,948 7,894,964
143,397		237,608	7,792,703
1,758,317		376,103	81,223,523
175,926	276,923	770,417	25,025,456
			198,002
			1,912
			2,581,540
<b>43,190,449</b>	<b>299,013</b>	<b>11,371,785</b>	<b>213,573,048</b>
15,983,574		557,905	39,828,634
22,547	461	430,823	8,228,340
		175,218	356,638
9,845,328	298,552	2,035,376	22,259,195
		444,259	77,216,446
		20,203	93,799
53,955,000			53,955,000
1,560,317		1,110,311	20,026,496
<b>81,366,766</b>	<b>299,013</b>	<b>4,774,095</b>	<b>221,964,548</b>

**CITY OF NEW HAVEN, CONNECTICUT**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Community Development</u>	<u>Education Grants</u>
<b>Fund Balances:</b>			
Reserved for:			
Encumbrances	\$	8,564,690	
Unreserved, Reported in:			
General Fund	12,979,396		
Special Revenue Funds			1,643,041
Capital Projects Funds			
Permanent Funds			
<b>Total Fund Balances</b>	<b>\$ 12,979,396</b>	<b>8,564,690</b>	<b>1,643,041</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 132,713,882</b>	<b>15,743,573</b>	<b>10,254,346</b>

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

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

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

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

Internal service funds are used by management to charge the costs of liability and medical insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

**Net Assets of Governmental Activities**

**EXHIBIT C**  
**Page 2 of 2**

<u>Capital Project Funds</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
95,999,523		9,006,681	113,570,894
			12,979,396
(134,175,840)		(5,210,883)	(3,567,842)
		2,801,892	(134,175,840)
			2,801,892
<u>(38,176,317)</u>	<u>-</u>	<u>6,597,690</u>	<u>(8,391,500)</u>
<u>43,190,449</u>	<u>299,013</u>	<u>11,371,785</u>	
			882,558,219
			(4,045,607)
			75,918,748
			(14,204,848)
			(561,314,085)
			<u>\$ 370,520,927</u>

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Community Development</u>	<u>Education Grants</u>
<b>Revenues:</b>			
Property Taxes	\$ 154,152,809		
Licenses and Permits	8,736,457		
Intergovernmental	195,217,738	16,144,571	65,674,041
Charges for Services		2,179,269	922,052
Fines	3,735,640		
Investment Earnings	1,597,216	316,811	6
Payment in Lieu of Taxes	3,021,734		
Other	10,217,841	1,245,181	3,610,104
<b>Total Revenues</b>	<b>\$ 376,679,435</b>	<b>19,885,832</b>	<b>70,206,203</b>
<b>Expenditures:</b>			
Current:			
General Government	21,771,687		
Public Safety	57,323,054		
Public Works	15,684,406		
Public Services	6,980,100	20,251,410	
Culture and Recreation	8,016,916		
Employee Benefits and Insurance	66,606,908		
Education	162,878,021		71,605,597
Other Expenditures			
Debt Service:			
Principal	28,899,255	345,000	
Interest	15,688,193	381,590	
Capital Outlay:			
Other Capital Assets			13,500
<b>Total Expenditures</b>	<b>\$ 383,848,540</b>	<b>20,978,000</b>	<b>71,619,097</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>\$ (7,169,105)</b>	<b>(1,092,168)</b>	<b>(1,412,894)</b>

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

<u>Capital Project Funds</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
			154,152,809
			8,736,457
72,110,067		12,889,563	362,035,980
			3,101,321
			3,735,640
	99,446	61,825	2,075,304
			3,021,734
<u>70,432</u>	<u>6,272,969</u>	<u>4,771,470</u>	<u>26,187,997</u>
<u>72,180,499</u>	<u>6,372,415</u>	<u>17,722,858</u>	<u>563,047,242</u>
		3,861,715	25,633,402
			57,323,054
		631,988	16,316,394
		13,237,539	40,469,049
			8,016,916
			66,606,908
			234,483,618
35,800,381		89,155	35,889,536
30,890,000	7,590,846		67,725,101
	5,406,950		21,476,733
<u>98,937,672</u>			<u>98,951,172</u>
<u>165,628,053</u>	<u>12,997,796</u>	<u>17,820,397</u>	<u>672,891,883</u>
<u>(93,447,554)</u>	<u>(6,625,381)</u>	<u>(97,539)</u>	<u>(109,844,641)</u>

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Community Development</u>	<u>Education Grants</u>
<b>Other Financing Sources (Uses):</b>			
Capital Related Debt Issued	\$		
Transfer In	<u>7,200,000</u>		
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 7,200,000</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	\$ 30,895	(1,092,168)	(1,412,894)
<b>Fund Balances - Beginning</b>	<u>12,948,501</u>	<u>9,656,858</u>	<u>3,055,935</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 12,979,396</u></u>	<u><u>8,564,690</u></u>	<u><u>1,643,041</u></u>

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

<u>Capital Project Funds</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
80,011,678			80,011,678
110,000			7,310,000
<u>80,121,678</u>	<u>-</u>	<u>-</u>	<u>87,321,678</u>
(13,325,876)	(6,625,381)	(97,539)	(22,522,963)
<u>(24,850,441)</u>	<u>6,625,381</u>	<u>6,695,229</u>	<u>14,131,463</u>
<u>(38,176,317)</u>	<u>-</u>	<u>6,597,690</u>	<u>(8,391,500)</u>

## CITY OF NEW HAVEN, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2005**

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Amounts reported for governmental activities in the statement of activities (Page 24) are different because:

Net change in fund balances - total governmental funds (Page 32)	\$ (22,522,963)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	81,911,716
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(14,138,155)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(12,242,322)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(6,140,416)
Internal service funds are used by management to charge the costs of liability and medical insurance to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>(5,369,597)</u>
Change in net assets of governmental activities (Page 24)	<u>\$ 21,498,263</u>

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

## CITY OF NEW HAVEN, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 159,319,073	157,447,838	154,152,809	(3,295,029)
Education Grants	139,497,951	136,797,292	136,927,434	130,142
Other Governmental Grants	51,339,492	52,199,509	52,047,038	(152,471)
Licenses Permits and Other	7,822,925	7,919,000	8,736,457	817,457
Investment Income	900,000	900,000	1,597,216	697,216
Received From Fines	2,517,400	3,324,500	3,735,640	411,140
Payments in Lieu of Taxes (PILOT)	4,017,738	3,278,053	3,021,734	(256,319)
Other Taxes & Assessments	3,560,889	3,362,986	3,911,478	548,492
Miscellaneous	2,227,000	7,601,576	6,306,363	(1,295,213)
<b>Total Revenues</b>	<b>\$ 371,202,468</b>	<b>372,830,754</b>	<b>370,436,169</b>	<b>(2,394,585)</b>
<b>Expenditures:</b>				
Current:				
General Government	\$ 24,786,360	23,772,089	21,771,687	2,000,402
Public Safety	57,178,146	57,733,683	57,323,054	410,629
Public Works	15,658,660	15,838,308	15,684,406	153,902
Public Service	7,306,000	7,137,359	6,980,100	157,259
Cultural & Recreation	8,022,389	8,098,402	8,016,916	81,486
Employee Benefits	63,538,773	66,038,773	66,606,908	(568,135)
Education	157,321,565	156,821,565	156,634,755	186,810
Debt Service	44,587,448	44,587,448	44,587,448	-
Capital Outlay				-
<b>Total Expenditures</b>	<b>\$ 378,399,341</b>	<b>380,027,627</b>	<b>377,605,274</b>	<b>2,422,353</b>
<b>Excess of Expenses Over Revenue</b>	<b>\$ (7,196,873)</b>	<b>(7,196,873)</b>	<b>(7,169,105)</b>	<b>27,768</b>
<b>Other Financing Sources and Uses</b>	<b>\$ 7,196,873</b>	<b>7,196,873</b>	<b>7,200,000</b>	<b>3,127</b>
<b>Total Other Financing Sources and Uses</b>	<b>\$ 7,196,873</b>	<b>7,196,873</b>	<b>7,200,000</b>	<b>3,127</b>
<b>Net Changes in Fund Balance</b>	<b>\$ -</b>	<b>-</b>	<b>30,895</b>	<b>30,895</b>
<b>Fund Balance - Beginning</b>			<b>12,948,501</b>	
<b>Fund Balance - Ending</b>			<b>\$ 12,979,396</b>	

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

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Totals Current Year	Internal Service Funds
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 9,503,640	1,143,476	10,647,116	3,579,308
Accounts Receivable (Net Allowance For Uncollectibles)	2,579,765	449,710	3,029,475	245,333
Due From Other Funds	9,489,964		9,489,964	2,653,426
Other Receivables	102,449		102,449	
Prepaid Items	37,765		37,765	
<b>Total Current Assets</b>	<b>\$ 21,713,583</b>	<b>1,593,186</b>	<b>23,306,769</b>	<b>6,478,067</b>
<b>Noncurrent Assets:</b>				
Other Assets	\$ 352,636		352,636	
<b>Capital Assets:</b>				
Land	\$ 1,047,641		1,047,641	
Building and System Improvements Other Than Buildings	115,227,221	3,220,070	118,447,291	
Vehicles, Machinery and Equipment	4,077,917		4,077,917	
Construction In Progress	42,963,143		42,963,143	
Construction In Progress	36,042,917		36,042,917	
Less Accumulated Depreciation	(75,160,465)	(990,233)	(76,150,698)	
<b>Total Capital Assets (Net of Accumulated Depreciation)</b>	<b>\$ 124,198,374</b>	<b>2,229,837</b>	<b>126,428,211</b>	<b>-</b>
<b>Total Noncurrent Assets</b>	<b>\$ 124,551,010</b>	<b>2,229,837</b>	<b>126,780,847</b>	<b>-</b>
<b>Total Assets</b>	<b>\$ 146,264,593</b>	<b>3,823,023</b>	<b>150,087,616</b>	<b>6,478,067</b>

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

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental
	Water Pollution Control Authority	Other Enterprise Funds	Totals Current Year	Internal Service Funds
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities:</b>				
Accounts Payable and Accrued Liabilities	\$ 2,421,412	130,853	2,552,265	1,078,378
Due To Other Funds	7,200,000		7,200,000	7,502,457
Compensated Absences	176,517		176,517	
General Obligation Bonds - Current	922,309		922,309	
Estimated Healthcare Claims				-
Other - Current			-	4,129,600
Claims and Judgments Payable			-	3,879,862
Notes and Loans Payable - Current	1,733,698		1,733,698	491,520
<b>Total Current Liabilities</b>	<b>\$ 12,453,936</b>	<b>130,853</b>	<b>12,584,789</b>	<b>17,081,817</b>
<b>Noncurrent Liabilities:</b>				
General Obligation Bonds Payable (Net of Unamortized Discounts)	\$ 25,470,350		25,470,350	
Claims and Judgments Payable			-	3,601,098
Notes and Loans Payable	18,642,684		18,642,684	
<b>Total Noncurrent Liabilities</b>	<b>\$ 44,113,034</b>	<b>-</b>	<b>44,113,034</b>	<b>3,601,098</b>
<b>Total Liabilities</b>	<b>\$ 56,566,970</b>	<b>130,853</b>	<b>56,697,823</b>	<b>20,682,915</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net Of Related Debt	\$ 77,429,333	2,229,837	79,659,170	
Unrestricted	12,268,290	1,462,333	13,730,623	(14,204,848)
<b>Total Net Assets</b>	<b>\$ 89,697,623</b>	<b>3,692,170</b>	<b>93,389,793</b>	<b>(14,204,848)</b>

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

## CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Totals	Internal Service Funds
<b>Operating Revenues:</b>				
Charges For Sales and Services:				
Sewer Charges	\$ 13,296,896		13,296,896	
Other Services	1,683,377	1,414,046	3,097,423	65,246,212
Miscellaneous	804,924		804,924	
<b>Total Operating Revenues</b>	<b>\$ 15,785,197</b>	<b>1,414,046</b>	<b>17,199,243</b>	<b>65,246,212</b>
<b>Operating Expenses:</b>				
Costs of Sales and Services	\$ 12,470,261	955,426	13,425,687	70,617,252
Bad Debts (Net of Recovery)	(408,251)		(408,251)	
Depreciation and Amortization	4,400,189	92,002	4,492,191	
<b>Total Operating Expenses</b>	<b>\$ 16,462,199</b>	<b>1,047,428</b>	<b>17,509,627</b>	<b>70,617,252</b>
<b>Operating Income</b>	<b>\$ (677,002)</b>	<b>366,618</b>	<b>(310,384)</b>	<b>(5,371,040)</b>
<b>Non-Operating Revenues (Expenses):</b>				
Investment Earnings	\$ 188,631	884	189,515	1,443
Interest Expense	(476,748)		(476,748)	
<b>Total Non-Operating Revenue (Expenses)</b>	<b>\$ (288,117)</b>	<b>884</b>	<b>(287,233)</b>	<b>1,443</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ (965,119)</b>	<b>367,502</b>	<b>(597,617)</b>	<b>(5,369,597)</b>
Capital Contributions - Tap Fees	3,181,484		3,181,484	
Transfers In			-	
Transfers Out	(7,200,000)	(110,000)	(7,310,000)	
<b>Change In Net Assets</b>	<b>\$ (4,983,635)</b>	<b>257,502</b>	<b>(4,726,133)</b>	<b>(5,369,597)</b>
<b>Total Net Assets - Beginning</b>	<b>94,681,258</b>	<b>3,434,668</b>	<b>98,115,926</b>	<b>(8,835,251)</b>
<b>Total Net Assets - Ending</b>	<b>\$ 89,697,623</b>	<b>3,692,170</b>	<b>93,389,793</b>	<b>(14,204,848)</b>

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

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>Cash Flows From Operating Activities:</b>				
City's Contribution	\$		-	55,812,816
Cash Received From Users	15,253,645	1,448,965	16,702,610	7,910,095
Payments To Suppliers	(11,499,663)	(994,198)	(12,493,861)	
Payments To Employees	(1,227,055)		(1,227,055)	
Internal Activity-Payments From (To) Other Funds		(358,333)	(358,333)	(1,128,726)
Claims and Other Expenses Paid			-	(66,323,039)
Other Receipts			-	1,919,114
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>\$ 2,526,927</b>	<b>96,434</b>	<b>2,623,361</b>	<b>(1,809,740)</b>
<b>Cash Flows From Capital And Related Financing Activities:</b>				
Purchases And Construction of Capital Assets	\$		(609,614)	
Proceeds Received on Capital Grants	294,072		294,072	
Proceeds Received on Bonds	414,939			
Principal Paid on Capital Debt	(3,166,960)		(3,166,960)	
Interest Paid on Capital Debt	(1,436,304)		(1,436,304)	
<b>Net Cash Used By Capital And Related Financing Activities</b>	<b>\$ (4,503,867)</b>	<b>-</b>	<b>(4,918,806)</b>	<b>-</b>
<b>Cash Flows From Investing Activities:</b>				
Interest And Dividends	\$ 188,631	884	189,515	1,443
<b>Cash Flows From Investing Activities</b>	<b>\$ 188,631</b>	<b>884</b>	<b>189,515</b>	<b>1,443</b>
<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>	<b>\$ (1,788,309)</b>	<b>97,318</b>	<b>(2,105,930)</b>	<b>(1,808,297)</b>
<b>Cash And Cash Equivalents - Beginning</b>	<b>11,291,949</b>	<b>1,046,158</b>	<b>12,338,107</b>	<b>5,387,605</b>
<b>Cash And Cash Equivalents - Ending</b>	<b>\$ 9,503,640</b>	<b>1,143,476</b>	<b>10,232,177</b>	<b>3,579,308</b>

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

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Total	Internal Service Funds
<b>Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:</b>				
Operating Income or (Loss)	\$ (677,002)	366,618	(310,384)	(5,371,040)
<b>Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:</b>				
Depreciation and Amortization Expense	\$ 4,400,189	92,002	4,492,191	
Transfer In (Out)		(110,000)	(110,000)	
Loss on Disposal of Fixed Assets	137,907		137,907	
Provision For Uncollectible Accounts	(408,251)		(408,251)	
<b>Change in Assets and Liabilities:</b>				
(Increase) Decrease In Accounts Receivable	(240,679)	34,919	(205,760)	395,813
(Increase) Decrease In Other Assets	117,378		117,378	(1,618,632)
(Increase) Decrease In Due From Other Funds			-	
Increase (Decrease) In Accounts Payable	(532,693)	(40,483)	(573,176)	1,540,757
Increase (Decrease) In Accrued Expenses	(255,438)	1,711	(253,727)	3,197,167
Increase (Decrease) In Accrued Estimated Healthcare Payments				(443,711)
Increase (Decrease) In Compensated Absences	(14,484)		(14,484)	
Increase (Decrease) In Due To Other Funds		(248,333)	(248,333)	489,906
Total Adjustments	\$ 3,203,929	(270,184)	2,933,745	3,561,300
<b>Net Cash Provided (Used) By Operating Activities</b>	\$ 2,526,927	96,434	2,623,361	(1,809,740)
<b>Non-Cash Investing, Capital and Financing Activities:</b>				
During the Fiscal Year the City's Capital Project Funds Received and Expensed Monies on Behalf of the WPCA as follows:				
Proceeds of Issuance of Long Term-Debt	\$ 8,666,420		8,666,420	
Transfer	(7,200,000)		(7,200,000)	
Capital Contributions	2,887,412		2,887,412	
Purchases of Property And Equipment And Payments For Bond Issuance Costs	(11,186,151)		(11,186,151)	
<b>Decrease in Due To Other Funds</b>	\$ (6,832,319)	-	(6,832,319)	-

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

## CITY OF NEW HAVEN, CONNECTICUT

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2005**

	<b>Combined Employee Retirement Funds</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash And Short-Term Investments	\$ 50,646,367
Interest and Dividends Receivable	1,382,703
Accounts Receivable	2,897,665
Investments, At Fair Value:	
Government Agency	7,206,976
Government Bonds	29,354,950
Municipal Bonds	3,381,991
Government Mortgages	37,946,626
Indexed Linked Government Bonds	379,690
Other Fixed Income (MFB/NTGI Gvt.)	6,571,343
Common Stock	240,346,584
Preferred Stock	116,190
Commercial Backed Mortgages	2,148,918
Venture Capital Partnerships	15,499,294
Corporate Bonds	38,202,776
Corporate Convertible Bonds	1,263,288
Asset Backed Securities	2,974,773
Other Fixed Income (MFB/NTGI Corp.)	2,804,811
Non-Government Backed Bonds	3,757,501
Total Investments	\$ <u>391,955,711</u>
<b>Total Assets</b>	<b>\$ <u>446,882,446</u></b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 4,291,485
Accrued Liabilities	243,714
<b>Total Liabilities</b>	<b>\$ <u>4,535,199</u></b>
<b>NET ASSETS</b>	
Held In Trust For Pension Benefits	\$ <u><u>442,347,247</u></u>

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

## CITY OF NEW HAVEN, CONNECTICUT

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

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	<b>Combined Employee Retirement Funds</b>
	<hr/>
<b>Additions</b>	
Contributions:	
Employer Contributions	\$ 18,584,399
Plan Members	8,019,598
Plan Members Buybacks	116,495
Total Contributions	<hr/> \$ 26,720,492
Investment Earnings:	
Net Increase (Decrease) In Fair Value Of Investments	\$ 28,721,309
Interest	7,787,480
Dividends	3,154,107
Total Investment Income (Loss)	<hr/> \$ 39,662,896
Less: Investment Expenses:	
Investment Management Fees	1,936,005
Legal Fees	35,363
Interest Expense	70,441
Net Investment Earnings	<hr/> \$ 37,621,087
<b>Total Additions</b>	<hr/> \$ 64,341,579
<b>Deductions</b>	
Benefits	\$ 45,689,094
<b>Total Deductions</b>	<hr/> \$ 45,689,094
<b>Net Increase (Decrease)</b>	\$ 18,652,485
<b>Net Assets - Beginning of Year</b>	423,694,762
<b>Net Assets - End of Year</b>	<hr/> <hr/> \$ 442,347,247

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

## **Notes to the Financial Statements**

# CITY OF NEW HAVEN, CONNECTICUT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 1 – Summary of Significant Accounting Policies

#### Reporting Entity

The City of New Haven, Connecticut (the City) was incorporated as a City in 1784. The City covers an area of 21.1 square miles, and is located 75 miles east of New York City. The City operates under a Mayor-Board of Aldermen form of government and provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued before November 30, 1989, unless they contradict GASB pronouncements. The more significant accounting policies of the City are described below:

Generally accepted accounting principles require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered, as a result, the component units discussed below are included in the City's reporting entity because of their operational significance or financial relationship with the City.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- the fiscal dependency of the organization on the City.

Based on the aforementioned criteria, the City has two component units.

**CITY OF NEW HAVEN, CONNECTICUT**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Reporting Entity** (Continued)

**Discretely Presented Component Units**

The component unit column in the government-wide financial statements includes financial data of the City's two component units which are both considered major. These units are reported in a separate column to emphasize that they are legally separate from the City.

***New Haven Parking Authority*** — The New Haven Parking Authority (the Parking Authority) was created and established in 1951 by a special act of the General Assembly of the State for the purpose of developing, maintaining, and operating parking facilities for the City. The Parking Authority consists of the Traffic Engineer for the City and a Board of Commissioners with five members appointed by the Mayor. The Parking Authority is authorized in the name of the City to acquire, construct, reconstruct, improve, operate and maintain parking facilities at such locations as shall be approved by the Board of Aldermen. The Parking Authority is also authorized, subject to authorization and approval of the Board of Aldermen, to finance its various projects through the issuance of general obligation bonds of the City, revenue bonds, or bond anticipation notes, which in turn will be retired using proceeds from various parking fees, special charges and appropriations from the general fund.

***New Haven Coliseum Authority*** – The New Haven Coliseum Authority (the Coliseum Authority) was established by the Board of Aldermen of the City of New Haven on June 15, 1966 to construct and operate a coliseum and parking facility. The powers of the Coliseum Authority are exercised by a commission of seven members consisting of the Mayor, a member of the Board of Aldermen, and five City residents who are nominated by the Mayor and appointed by the Board of Aldermen.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting boards for governmental accounting financial reporting principles. These principles require that the City report government-wide and fund financial statements, which are described below.

**CITY OF NEW HAVEN, CONNECTICUT**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Reporting Entity** (Continued)

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(Continued)

**Government-wide 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 primary government and its component units. *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 *primary government* is reported separately from certain legally separated *component units* described above.

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*.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Inter-fund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column.

Internal service fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown in governmental activities Statement of Activities.

**CITY OF NEW HAVEN, CONNECTICUT**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Reporting Entity (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation  
(Continued)**

**Fund financial statements**

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

The 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. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However expenditures related to long-term liabilities, such as debt service payments and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are assessed as of October 1, and are levied on the following July 1. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers property tax revenue to be available if it is collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental grant revenues and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and funds are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and collected after 60 days of the fiscal year end.

CITY OF NEW HAVEN, CONNECTICUT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005

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Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement, Focus, Basis of Accounting and Financial Statements (Continued)

Presentation (Continued)

Financial information of the City, the primary government, is presented in this report as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Basic financial statements:
  - Government-wide financial statements consist of a statement of net assets and a statement of activities.
  - Fund financial statements consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental, proprietary and fiduciary funds.
- Notes to the financial statements providing information that is essential to a user's understanding of the basic financial statements.
- Required supplementary information such as budgetary comparison schedules and other types of data required by GASB.

The government reports the following major governmental funds:

The **General Fund** is the general operating fund of the City government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the City, which were not paid through a special fund.

The **Community Development Fund Block Grant Program** which entitles cities and counties to develop urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low and moderate income persons.

CITY OF NEW HAVEN, CONNECTICUT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005

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Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement, Focus, Basis of Accounting and Financial Statement (Continued)

Presentation (Continued)

The **Education Grants Fund** is used to account for the expenditures of State and Federal grants received for a variety of school programs.

The **Capital Project Fund** is used to account for resources used for the acquisition and construction of capital facilities, including those that are financed through special assessments.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following major proprietary funds:

The **Water Pollution Control Authority** accounts for the operations of the City's wastewater treatment plant. It is independent in terms of its relationship to other City functions. Its operations are financed from special assessments and direct charges to the users of the service.

Description of Funds

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various fund types are grouped as follows in the financial statements:

**Governmental Funds**

**General Fund** – The major operating fund of the City and operates under a legal budget. It is used to account for all the financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The uses and limitations of each special revenue fund are specified by City ordinances or federal and state statutes.

**Debt Service Fund** – Used for the accumulation of resources for, and the payment of, general long-term bonded debt, principal, interest, and related costs.

CITY OF NEW HAVEN, CONNECTICUT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005

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Note 1 – Summary of Significant Accounting Policies (Continued)

Description of Funds (Continued)

**Capital Projects Funds** – Used to account for the financial resources used for the acquisition or construction of major capital facilities or improvements, other than those financed by proprietary funds.

**Permanent Funds** – Used for the purpose of accounting for resources that are legally restricted to the extent that earnings, and not principal, may be used for purposes that support the reporting government's programs.

**Proprietary Funds**

**Enterprise Funds** – Used to account for operations as follows:

- a. Financed and operated in a manner similar to private business enterprises;
- b. Where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The City's enterprise funds are its Water Pollution Control Authority (the WPCA) the commercial and intergovernmental transactions associated with its Golf Course, Transfer Station, the Skating Rink, and the East Rock Communication Tower.

**Internal Service Funds** – Used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds are its Self-Insurance Reserve Fund, Workers' Compensation and Medical Self-Insurance Fund. The Self-Insurance Reserve Fund covers general liability not covered by any third party insurance and structured property tax settlements.

**Fiduciary Funds**

**Pension Trust Funds**– Pension Trust Funds consist of the City Employees', the Police and Fire, and other miscellaneous retirement funds.

CITY OF NEW HAVEN, CONNECTICUT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005

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**Note 1 – Summary of Significant Accounting Policies** (Continued)

**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.

**Assets, Liabilities and Net Assets or Equity**

***Cash and Cash Equivalents*** – For purposes of the Statement of Cash Flows, cash equivalents are money market accounts, highly liquid investments that are readily convertible to cash and certificates of deposit with original maturities of three months or less.

***Investments*** – Investments, which may be restricted by law or legal instruments, are under control of either the City's Treasurer or other administrative bodies as determined by law. Investments are generally stated at fair value in accordance with GASB Statement 31, *Accounting and Financial Reporting For Certain Investments and for External Investment Pools*. Investments not required to be reported at fair value are stated at cost or amortized cost. In determining realized gains or losses on sales of investments, cost is determined by specific identification.

***Property Taxes*** – Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year.

Property taxes that have been levied and are due on or before year end are recognized as revenue if they have been collected within sixty days after year end. Property taxes receivable not collected within sixty days after year end are reflected as deferred revenue. An allowance based on historical collection experience is provided for uncollectible taxes.

***Loans and Other Receivables***- Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Loans are recorded net of an allowance for uncollectible amounts.

**CITY OF NEW HAVEN, CONNECTICUT**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005**

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Assets, Liabilities and Net Assets or Equity (Continued)**

**Inventories** – Inventory of the cafeteria fund consists of supplies and food for consumption and is stated at the lower of cost or market with cost based on (a) actual cost for purchased food and (b) stated value approximating fair value assigned by the federal government for food donated by the federal government, using the first-in, first-out basis. Inventories are recorded as expenditures when purchased. Donated items are valued at market value and recorded as revenue when received and as expenditures when used. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets.

**Capital Assets and Depreciation** - Capital assets, which include property, plant and equipment, and infrastructure (e.g. road, curbs and gutters, streets and sidewalks, and drainage systems) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The City defines capital assets, not including infrastructure assets, as assets with an individual cost exceeding the capitalization thresholds as listed below, and an estimated useful life of five years or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets (retroactive to January 1, 1979) are included as part of the governmental capital assets reported in the government-wide statements. Infrastructure assets capitalized have an original cost of \$250,000 or more.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Description</u>	<u>Capitalization Dollar Thresholds</u>	<u>Estimated Lives (Years)</u>
Computers	\$ 5,000	5
Machinery, Equipment, Furniture, Fixtures and Other Related Assets	10,000	5-20
Motor Vehicles	5,000	8
Land Improvements	50,000	20
Buildings and Other Structures	50,000	50
Infrastructure	250,000	10-50

# CITY OF NEW HAVEN, CONNECTICUT

## NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS JUNE 30, 2005

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### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Measurement Focus/Basis of Accounting (Continued)

**Compensated Absences** – City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. These hours accumulate based on numerous collective bargaining agreements. Sick leave accumulates at rates of 7 days per year to 15 days per year. Vacation accrues at rates of 5 days per year to 25 days per year. Accrued amounts vest and are paid on termination or retirement at rates from 0 percent to 100 percent.

Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year, or are expected to be paid with available resources. The vesting method using historical data was used to calculate the liability. The liability for the remainder of the sick and vacation leave, and an estimate of the non-vested portion expected to be paid in the future from governmental funds, is accounted for as Long-Term Debt.

Vested sick leave and accumulated vacation leave of proprietary funds are recorded as expenses and liabilities of those funds as the benefits accrue to employees. Non-vested sick leave is recorded to the extent it is expected to be paid.

**Estimated Unbilled Utility Services** – An estimated amount has been recorded for utility services provided but not billed as of the end of the year.

**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 reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

**Restricted Assets and Liabilities** – At June 30, 2005, the Parking Authority had \$29,971,210 in restricted assets. In accordance with the resolutions of each bond issue, certain assets of their Union Station Facility are restricted and held by a trustee for the protection of the bondholders.

**Deferred Revenue** – Deferred revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Property Taxes Receivable not collected within sixty days after year-end are reflected as deferred revenue. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

CITY OF NEW HAVEN, CONNECTICUT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2005

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Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

**Inter-fund Transactions - Receivables and Payables** - Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due To/From Other Funds" (current portion of interfund loans) or "Advances To/From Other Funds" (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances".

If "Advances To/From Other Funds" were reported in the fund financial statements, they would be offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable financial resources.

The City has the following types of transactions among funds:

1. *Reciprocal Inter-fund Loans*: Amounts provided by one fund to another with a requirement for repayment.
2. *Reciprocal Inter-fund Services Provided and Used*: Purchased and sales of goods and services between funds for a price approximating their external exchange value.
3. *Nonreciprocal Inter-fund Transfers*: Flows of assets between funds without equivalent flows of assets in return and without a requirement for repayment. This includes payments in lieu of taxes that are not payments for, and are not reasonably equivalent in value to, services provided.
4. *Nonreciprocal Inter-fund Reimbursements*: Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

The City's inter-fund receivables and payables at June 30, 2005 are presented in Note 7.

**Net Assets** - The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

**Investment In Capital Assets (net of related debt)** – is intended to reflect the portion of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

