

CITY OF NEW HAVEN, CONNECTICUT
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

CITY OF NEW HAVEN, CONNECTICUT

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page Number</u>
Financial Section:		
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-18
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	A	19-22
Statement of Activities	B	23-24
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	25-28
Statement of Revenues, Expenditures, and Changes In Fund Balances – Governmental Funds	D	29-32
Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds to the Statement of Activities	E	33
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	F	34
Statement of Net Assets – Proprietary Funds	G	35-36
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	H	37
Statement of Cash Flows - Proprietary Funds	I	38-39
Statement of Fiduciary Net Assets – Fiduciary Funds	J	40
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	K	41
Notes to the Financial Statements		42-94

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FOR THE YEAR ENDED JUNE 30, 2006

TABLE OF CONTENTS

	<u>Schedule</u>	<u>Page Number</u>
Required Supplementary Information:		
Balance Sheet – General Fund	1	95
Schedule of Revenues and Other Financing Sources - Budget and Actual (Non-GAAP Budgetary Basis) General Fund	2	96-98
Schedule of Expenditures and Other Financing Uses - Budget and Actual (Non-GAAP Budgetary Basis) General Fund	3	99-100
Combining and Individual Fund Statements and Schedules:		
Combining Balance Sheet – Non-major Governmental Funds	4	101-102
Combining Statement of Revenues, Expenditures, and Changes In Fund Balance – Non-major Governmental Funds	5	103-104
Combining Statement of Net Assets Other Enterprise Funds	6	105-106
Combining Statements of Revenues, Expenses and Changes In Fund Net Assets – Other Enterprise Funds	7	107-108
Combining Statement of Cash Flows - Other Enterprise Funds	8	109-110
Combining Statement of Net Assets – Internal Service Funds	9	111
Combining Statement of Revenues, Expenses, and Changes In Fund Net Assets - Internal Service Funds	10	112
Combining Statement of Cash Flows – Internal Service Funds	11	113
Combining Statement of Employee Retirement Fund Net Assets – Fiduciary Funds	12	114-115
Combining Statement of Changes In Fiduciary Net Assets Fiduciary Funds	13	116
Other Schedules:		
Schedule of Debt Limitation	14	117-118
Schedule of Property Taxes Levied, Collected And Outstanding	15	119-120



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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Haven, Connecticut, as of and for the year ended June 30, 2006, 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 represent 4.09 percent, 5.33 percent, and 3.31 percent, respectively, of the assets, net assets, and revenues of the City of New Haven, Connecticut. 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.

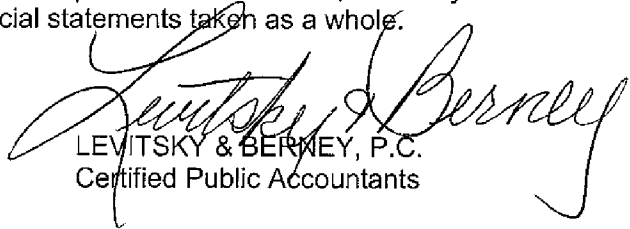
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the New Haven 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, 2006, and the respective changes in financial position and, where applicable, cash flows 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 January 23, 2006, 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 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 combining and individual non-major 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

January 23, 2006



CITY OF NEW HAVEN
DEPARTMENT OF FINANCE



John DeStefano Jr.
Mayor

Mark Pietrosimone
City Controller

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of New Haven's Management discussion and analysis for the fiscal year ending June 30, 2006 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 audit. 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 are 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 Enterprise Fund, Skating Rink Enterprise Fund, Radio Tower Enterprise Fund and the Transfer Station Enterprise Fund.

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, Golf Course and 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 later in the schedules of audited financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City of New Haven's combined net assets decreased from a year ago by \$19.2 million to \$444.7 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current And Other Assets	200,891,960	195,651,277	1,850,243	14,169,441	202,742,203	209,820,718
Capital Assets	984,228,743	882,558,219	2,137,835	126,428,211	986,366,578	1,008,986,430
Total Assets	1,185,120,703	1,078,209,496	3,988,078	140,597,652	1,189,108,781	1,218,807,148
Other Liabilities	163,642,828	146,374,484	368,711	262,301	164,011,539	146,636,785
Long-term debt outstanding	580,353,397	561,314,085	-	46,945,558	580,353,397	608,259,643
Total Liabilities	743,996,225	707,688,569	368,711	47,207,859	744,364,936	754,896,428
Net Assets:						
Invested in capital assets (net of Restricted)	475,295,189	392,890,484	2,137,835	79,659,170	477,433,024	472,549,654
Unrestricted	34,516,475	16,805,421	-	-	34,516,475	16,805,421
	(68,687,186)	(39,174,978)	1,481,532	13,730,623	(67,205,654)	(25,444,355)
Total net Assets	441,124,478	370,520,927	3,619,367	93,389,793	444,743,845	463,910,720

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

Table 2
Changes in Net Assets

	Governmental Activities		Business Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program Revenues:						
Charges for services	54,068,180	47,916,429	4,494,496	17,199,243	58,562,676	65,115,672
Operating Grants and Contributions	233,395,097	217,694,875	-	-	233,395,097	217,694,875
Capital Grants and Contributions	71,712,343	72,110,067	629,191	3,181,484	72,341,534	75,291,551
General Revenues:						
Property Taxes	170,130,655	151,508,587	-	-	170,130,655	151,508,587
Grants and Contributions not restricted to specific purposes	51,943,898	51,603,825	-	-	51,943,898	51,603,825
One Time Payments	-	6,000,000	-	-	-	6,000,000
Investment Earnings	3,642,522	2,075,304	46,204	189,515	3,688,726	2,264,819
Prior Period Adjustment	-	-	-	-	-	-
Transfers	27,242,000	7,310,000	(27,242,000)	(7,310,000)	-	-
Total Revenues	612,134,695	556,219,087	(22,072,109)	13,260,242	590,062,586	569,479,329
Expenses:						
Program Expense:						
General Government	37,857,972	33,331,449	-	-	37,857,972	33,331,449
Education	256,839,100	241,022,920	-	-	256,839,100	241,022,920
Public Safety	60,927,432	58,787,561	-	-	60,927,432	58,787,561
Public Works	24,219,150	24,064,622	-	-	24,219,150	24,064,622
Public Services	35,216,619	40,469,049	-	-	35,216,619	40,469,049
Employee Benefits and Insurance	73,886,275	68,942,717	-	-	73,886,275	68,942,717
Development	-	-	-	-	-	-
Health and Welfare	8,465,545	8,619,934	-	-	8,465,545	8,619,934
Culture and Recreation	-	-	-	-	-	-
Other	24,432,970	35,889,536	-	-	24,432,970	35,889,536
Interest on long-term Debt	19,686,081	23,593,036	-	-	19,686,081	23,593,036
Loss on Sale of WPCA Assets	-	-	63,729,855	-	63,729,855	-
WPCA	-	-	2,427,169	16,938,947	2,427,169	16,938,947
Other	-	-	1,541,293	1,047,428	1,541,293	1,047,428
Total Expenses	541,531,144	534,720,824	67,698,317	17,986,375	609,229,461	552,707,199
Increase in Net Assets	70,603,551	21,498,263	(89,770,426)	(4,726,133)	(19,166,875)	16,772,130
Net Assets 6/30/05	370,520,927	349,022,664	93,389,793	98,115,926	463,910,720	447,138,590
Net Assets 6/30/06	441,124,478	370,520,927	3,619,367	93,389,793	444,743,845	463,910,720

Financial Highlights

- The City finished the FY 06 General Fund budget (primary operating fund) with an operating surplus of \$44,281.
- The City revised its FY 06 budget and received approval from the Board of Aldermen on December 19, 2005.
- In January, 2007, the City's FY06 general fund budget was further amended at the end of the fiscal year from \$393,724,085 to \$397,887,819.
- The City continued to improve on its Tax Collection Rate from 98.39% in FY 05 to 98.50% in FY 06 (see tables in Tax Collection section of this report for an historical overview).
- The City's mill rate increased to 42.53 (per thousand) in FY06 as compared to a FY05 mill rate of 39.53 (per thousand) (see tables in Tax Collection section of this report for an historical overview).
- The City's FY06, total gross taxable grand list increased slightly to \$4,172,791,142 (2004 GL) as compared to FY 05 total gross taxable grand list of \$4,101,236,254 (2003GL). The City's assessment deferral program reduced the Real Estate portion of the Grand list by approximately \$35,140,174 reducing taxes collectible by \$1,494,537.

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>
05-06	\$4,172,791,142	\$194,350,026	\$3,978,441,116
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

2004 Grand list

Real Estate Assessments of \$3,417,252,520 reflects a decrease of \$6,366,540 at the time of signing the Grand List 2004. By end of year, it was \$3,236,331,701. The reduction to the 2004 Grand List was expected due to pending court cases from the 2001 Grand List. The two most significant changes involved the property owned by PSEG Power Connecticut LLC, located at 5 Waterfront Street and the FBI building located at 26 Grove Street. The Personal Property assessment total of \$468,370,658 was actually an increase over the previous grand list year, however, due to exemptions the personal property component of the grand list ended at \$421,290,811. Motor Vehicle assessment increased to \$306,833,066 for the 2005 Grand list, up from \$281,853,241 with a net taxable amount of \$304,564,030.

Assessment deferrals for Grand List 2004 totaled \$35,140,174.

Fund Balance, Ratings and City Debt

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 06 is \$13,023,677, which reflects a .34% 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 \$49.5 million in general obligation bonds in February 06. To do so, the City's current financial health was reviewed by several rating agencies. At that time, the City maintained its ratings (as illustrated below) but Moody's Investor Services and Fitch Investor Services attached negative outlooks to those ratings citing the additional pressures on the City's fiscal management, City's reliance on one time revenue and reduced financial flexibility in the short term future.

In November, 2006 the City conducted a refinancing of some current bond obligations. Again, the City's financial health was reviewed by the various rating agencies. The rating review was successful as the three current ratings were maintained, and, the all three ratings agencies placed stable outlooks on the City's debt.

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

Ratings issued in November 2006.

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.

In November 2006, the City refinanced \$69,750,000 in bonds maturing in the years 2014 through 2021. Based on that sale, the interest rates and prices obtained, the City will achieve a net present value debt services savings of \$2,021,635.56 on an aggregate principal amount of \$70,130,000 of previously issued General Obligation Bonds of the City, or 2.8829%.

City Of New Haven Fund Balance History:

<u>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
05-06	13,023,677

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

FY 06 General Fund Budget

The Board of Aldermen originally approved the FY 06 City General Fund Budget on May 23, 2005 in compliance with City Charter requirements. The Connecticut State Legislature had not yet completed the State's budget. After the State budget process was completed, certain State Revenue items listed in the City's recently adopted budget needed to be changed. The City revised its FY 06 budget and received approval from the Board of Aldermen on December 19, 2005. In January, 2007, the budget was further amended so that the final budget amount now equals \$397, 887,819.

About 40% of the total budget is for the Board of Education. Of the City's entire \$397,887,819 general funded budget, \$159,391,085 is budgeted for the Board of Education and \$238,496,734 is non-Education related.

Beginning in October 2005, City Administrators projected several deficit areas in the general fund budget. At the time expenditure controls were set in place to control spending in an effort to offset projected over expenditures. In January 2006, those controls were further tightened. In December 2005, City administrators began to report these problem areas in published monthly reports, as required by City Charter. Expenditure over runs were mostly expected in the labor contractually obligated and Civilian wellness areas of Police Overtime (approx. \$925,000), Fire Overtime (\$300,000), Health Benefits (\$1,100,000), Workers Compensation (\$500,000) and Public Works-Waste disposal (\$1,000,000). On the revenue side, higher than budget projections were realized in tax collections, about \$2,300,000; investment income, about \$1,600,000; real estate conveyance tax, about \$1,300,000 and building permit revenue, about \$2,200,000. The additional revenue recognized by the City was sufficient enough to offset the above listed expenditure over runs and a projected revenue shortfall in parking tags (\$3,700,000) so that the City balanced the fiscal year 2006 with a slight surplus of \$44,000, despite exceeding the expenditure side of the City's budget by over \$3 million.

The annual debt service obligation for the general fund in FY 06 was reduced by \$11,805,505 due to the proceeds generated by the asset sale of the City's New Haven Water Pollution Control Authority.

The following table illustrates the City's summary of operations for the City's General Fund for FY 99 through FY05:

City of New Haven Summary of Operations
Fiscal Year 1999 to Fiscal Year 2005

	Fiscal Year 1999 (Audited)	Fiscal Year 2000 (Audited)	Fiscal Year 2001 (Audited)	Fiscal Year 2002 (Audited)	Fiscal Year 2003 (Audited)	Fiscal Year 2004 (Audited)	Fiscal Year 2005 (Audited)
REVENUES							
Property Taxes	\$ 137,335,273	130,011,614	133,758,527	134,571,868	146,401,025	151,484,011	154,152,809
Licenses, Permits and Other Charge	6,093,868	6,108,753	8,983,756	6,240,968	6,918,391	10,202,934	8,736,457
Federal and State Governments	176,474,431	183,933,786	196,076,728	200,176,791	187,053,063	187,085,418	188,974,472
Fines, Forfeitures and Penalties	1,793,086	1,853,383	1,992,954	2,247,776	2,869,056	2,282,090	3,736,640
Investment Income	2,405,710	2,430,790	2,129,758	512,696	885,891	748,993	1,597,216
Payment in Lieu of Taxes	-	-	-	-	-	3,262,738	3,021,734
Other Revenue	6,222,925	7,430,623	6,399,916	8,400,789	6,614,499	6,903,703	10,217,841
Total Revenues	\$ 330,325,293	331,768,949	349,341,639	352,150,888	350,741,925	361,969,887	370,436,169
EXPENDITURES							
General Government	\$ 12,892,367	14,428,762	15,065,084	14,023,098	19,259,447	17,460,362	16,736,124
Development	6,716,469	6,613,456	7,079,439	5,091,388	4,664,200	4,798,947	5,035,563
Public Safety	48,226,018	51,390,001	53,620,861	67,179,315	54,002,296	55,038,482	57,323,054
Public Works	11,973,864	12,768,457	13,552,710	13,733,855	15,523,562	15,446,675	15,684,406
Health & Welfare	6,108,976	6,481,953	7,055,619	8,192,492	7,355,917	6,655,735	6,980,100
Recreation	8,333,453	9,051,771	10,032,202	9,864,146	8,381,291	7,864,929	8,016,916
Education	135,326,076	147,581,642	150,798,608	156,947,934	150,712,891	153,608,236	156,634,755
Pension & Insurance	60,923,156	48,273,750	52,736,440	44,943,688	57,387,898	61,331,045	66,606,908
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	44,587,448
Total Expenditures	\$ 321,424,319	332,422,078	345,502,026	352,124,776	355,896,954	361,524,583	377,605,274
Excess (deficiency) of revenue over expenditures	\$ 8,900,974	(653,129)	3,839,613	26,112	(5,155,029)	445,304	(7,169,105)
OTHER FINANCING SOURCES(USES)							
Proceeds from capital leases	\$ -	-	-	-	-	-	-
Proceeds from sale of bonds	-	8,350,000	-	-	-	-	-
Proceeds of refunding bonds	-	-	-	-	-	-	-
Payment of refunded bond escrow	-	-	-	-	-	-	-
Payment to insurance carrier	-	(8,350,000)	-	-	-	-	-
Retirement of Bonds	-	-	-	-	-	-	-
Operating transfers in	210,000	-	-	-	-	-	7,200,000
Operating transfers out	(7,000,000)	-	(840,000)	(2,700,000)	-	-	-
Net other financing sources (uses)	\$ (6,790,000)	-	(840,000)	(2,700,000)	-	-	7,200,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing	\$ 2,110,974	(653,129)	2,999,613	(2,673,888)	(5,155,029)	445,304	30,895
FUND BALANCE (DEFICIT), beginning of the year	\$ 15,874,656	17,985,630	17,332,501	20,332,114	17,658,226	12,503,197	12,948,501
FUND BALANCE, end of year	\$ 17,985,630	17,332,501	20,332,114	17,658,226	12,503,197	12,948,501	12,979,396

**City of New Haven
General Fund
Statement of Operations
For Period Ending June 30, 2006**

<u>Revenues</u>	<u>Actual Amounts</u>
Taxes	\$ 171,146,909
Licenses, Permits & Other Charges	11,882,467
Federal & State Governments	193,043,035
Fines, Forfeitures & Penalties	2,601,679
Investment Income	3,258,299
Payment in Lieu of Taxes	2,595,622
Other Revenue	13,359,808
Total Revenue	<u>\$ 397,887,819</u>

<u>Expenses</u>	<u>Actual Amounts</u>
Tax & Assessors	\$ 518,806
Corporation Counsel	1,978,229
Cultural & Recreation	7,931,044
Debt Services	45,851,542
Development	5,187,039
Education	160,463,057
Employee Benefits	53,212,706
City Employee Retirement Fund	9,254,000
Police & Fire Retirement Fund	12,871,000
Engineering	2,174,445
Finance	4,657,144
Utilities	4,099,116
Liability Self Insurance	3,932,111
Fire Services	27,024,783
General Government	1,500,381
Human Resources	519,536
Health & Welfare	6,927,069
Mayor & Administration	1,207,155
Board of Alderman	607,181
Police Services	32,536,542
Public Works	12,203,935
Office of Technology	1,184,745
Traffic & Parking	2,001,972
Capital Outlay	-
Total Expenses	<u>\$ 397,843,538</u>

Excess (deficiency) of revenue over Expenses	<u>\$ 44,281</u>
---	-------------------------

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 self insurance fund has a negative fund balance of \$13,042,287. Of which, \$5.8 million is attributed to case reserves. Approximately \$7.242 million represents an under-funded liability for the City. The total negative fund balance is slightly higher than the previous year total which was reported as \$12,575,022.

Recognizing the need for additional financial resources into this account, the City increased its annual Public Liability appropriation from \$1.7 million in 2005 to \$2.5 million in 2006 and \$2.5 million in FY 2007, with longer term plans for subsequent years' appropriations to be budgeted at similar appropriation amounts as FY 06 and 07 or higher.

In addition, in order to further control or limit its liability, the City has initiated many risk related training programs over the last eight years for its' employees in the areas of Defensive Driver training, confined space, blood borne pathogen, lock out/tag out, hazardous communication, electricity, machine guarding, bucket trucks, truck and street sweeping and other training programs meeting general industry and construction standards. The City has also developed a collaborative relationship with the State's OSHA, by jointly developing safety programs and taking a proactive approach for the safety of its employees. The City also participates in the State and Federal sponsored training exercises for Homeland Security.

Since 1998, the City has purchased insurance for property loss and public officials' liability (including commercial excess insurance when applicable). This will prevent significant exposure for the City resulting from a catastrophic event or accident. In addition, the City plans on purchasing additional personal liability insurance in November 2007.

Medical Self -Insurance:

As a self insured entity, the City covers all associated costs for its employees medical insurance, Anthem Health Care Plans is the Third Party Administrator and the City uses the Anthem Health Care network. The Medical Self Insurance account is balanced for the year ending June 30, 2006 despite an 8% increase in health insurance cost equaling \$4,057,034 of additional expenses. Total health benefit cost to the City for FY06 was \$53,263,971 as compared to FY05 costs, which was \$49,206,937. With the exception of prescription drug costs, the rise in cost from FY05 to FY06 was attributable mainly to an increase in utilization and to a lesser degree to an increase in cost per service. Prescription drugs experienced a larger increase in cost per service compared to an increase in utilization. Annually, the City solicits proposals from Insurance Companies interested in providing excess "stop loss" medical benefit insurance, however, cost/benefit analysis have not yet demonstrated a benefit to the City.

Worker's Compensation:

The Worker's Compensation account shows a deficit of \$2,086,344. This entire deficit belongs to one claim, which the City's Office of the Corporation Counsel has initiated subrogation to recoup these costs for the City. FY06 expenses for this claim were \$456,518. The City also purchases excess "stop loss" workers compensation insurance to limit its liability.

Asset Sale

On August 29, 2005 the City of New Haven as one of the constituent municipalities and the New Haven WPCA entered into an asset purchase agreement. Other constituent municipalities included the Towns of East Haven, Hamden and Woodbridge. The wastewater system assets of the Constituent Municipalities were sold to the Greater New Haven Water Pollution Control Authority in return for payment of \$54 million to the Constituent municipalities. The City of New Haven receives \$34,332,000. The City reflected \$7.2 in funds related to the assumption of employer pension obligations in Fiscal Year 05. The remaining balance of \$27,132,000 was transferred in fiscal year 06. The \$27,132,000 was placed in a trust to offset debt principal and interest payments in FY06 and forward.

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, 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, 2006 totaled \$ 497,365,860 compared to June 30, 2005 total of \$525,278,746.

Bonds outstanding at year end	
June 30, 2004	\$500,848,442
June 30, 2003	\$428,682,276

The City retired \$26,600,990 in principal in FY 2006.

The City's current debt service requirements attribute 57% of its costs to the City's Board of Education (includes both School construction and non school construction capital cost) and 43% of its cost to other City capital expenses

The Office of the Controller enforces certain spending controls in its administration and expenses for Capital Projects. All Capital expenditures must be appropriate in their use as stated in the capital funds narrative. The City implemented the Capital Funds Borrowing Plan in fiscal year 2003. This plan initiated a review of all outstanding capital appropriations for their importance and priority. It also defines the life of a 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 successfully resulted in the closing out of various capital accounts when projects were completed and funds remained unspent and un-obligated. This review completed the reconciling of expenditures and revenue in all, previously authorized capital authorizations.

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 reports 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 firemen are eligible in the Policemen and Firemen Retire 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 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 \$196,568,694 (as of June 30, 2006). The Police & Fire Retirement Fund (P&F) market value of plan assets has grown from \$115,987,200 (as of 6-30-92) to \$268,343,198 (as of June 30, 2006).

The Annual Pension Cost for the CERF is \$ 9,299,658 as compared to City contribution made of \$9,254,000 (see chart below). The Annual Pension Cost for the Policemen and Firemen pension fund is \$13,192,879 as compared to the City contribution of \$12,871,000 (see chart below).

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

<u>Fiscal Year</u>	<u>CERF</u>	<u>P & F</u>
1994	69.3%	59%
1995	69.5%	55%
1996	72.6%	58%
1997	77.4%	63%
1998	85.6%	79%
1999	85.3%	82%
2000	81.2%	82%
2001	78.9%	66%
2002	70.1%	74.7%
2003	66.7%	70.0%
2004	63.3%	65.5%
2005	61.5%	61.9%

In addition, the annual funding percentage (the City's contribution share as a percentage of employee payrolls) has increased for both CERF, 14.66% in June 30, 2003 to 17.92% in June 30, 2004 and P&F, 20.07% in June 30, 2003 to 23.67% 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

Year Ending	Annual Required Contribution	Percentage Contributed	Actual Contribution
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	\$ 8,965,000	100%	\$ 8,965,000
2004	\$ 10,404,000	100%	\$ 10,404,000
2005	\$ 11,028,000	100%	\$ 11,028,000
2006	\$ 12,871,000	100%	\$ 12,871,000

CERF

Year Ending	Annual Required Contribution	Percentage Contributed	Actual Contribution
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
2006	\$ 9,254,000	100%	\$ 9,254,000

Tax Collections

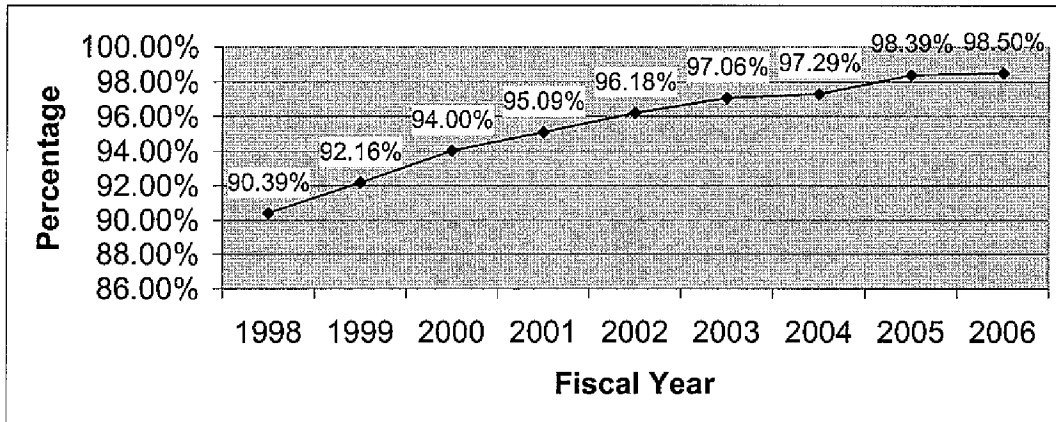
The City's tax collection rate for FY 06 has increased to 98.50% compared to last year's rate of 98.39%. This marks the highest collection rate in over twenty years and continues the trend of annual increases to eleven consecutive years.

Individually, real estate collections increased to 99.15% of the tax levy as compared to 98.82% for FY 05, personal property collections were 99.40% of the tax levy as compared to 98.98% for FY 05, Motor Vehicle collections were 92.52% of the tax levy as compared to 92.10 for FY 05. Only the supplemental motor vehicle tax collection rate had a decline to 84.62% of tax levy in FY 06 as compared to 90.49% in FY 05.

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

**Current Tax Collections
For the last 9 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%
2006 \$	166,035,275.00	\$ 165,513,357.00	98.50%



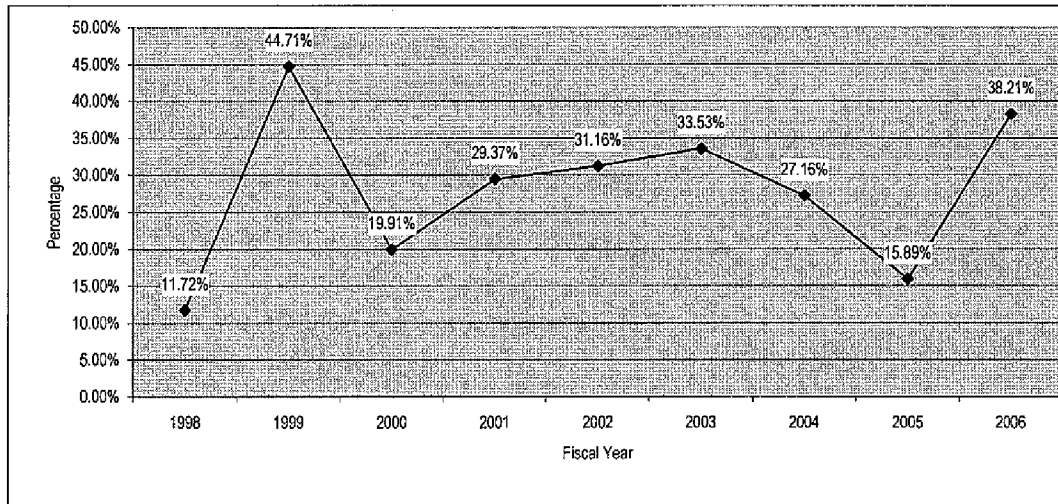
In November 1999 the City contracted with a collection agency to pursue the collection of delinquent real estate taxes. As of June 30, 2006 the City can cumulatively attribute to this arrangement over \$47,419,473.82 of past due current and delinquent real estate taxes collected. In FY 2005, the City 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 contractual arrangement continues for only the remainder of the portfolio of pre-2005 delinquencies.

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.

The City's uncollected portion of the tax levy continues to drop as a result of the increased tax collection rate. In FY 06, the uncollected portion was \$2,474,648 as compared to FY 05 which had an uncollected portion of the tax levy equaling \$2,637,211.

**Delinquent Tax Collections
For the last 9 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	\$ 10,916,983.00	\$ 2,965,135.00	27.16%
2005	\$ 5,717,284.00	\$ 908,614.00	15.89%
2006	\$ 5,681,072.00	\$ 2,170,786.00	38.21%



Mill Rate:

The City's mill rate was increased in FY 06 to \$42.53 per thousand marking the fourth consecutive year in which there was a 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
05-06	42.53

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 Carl Goldfield, FY 06 Finance Committee Chairs Joseph H Jolly, Jorge Perez and Sergio Rodriguez 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, 2006

ASSETS	PRIMARY GOVERNMENT		
	Governmental Activities	Business- Type Activities	Total
Cash and Cash Equivalents	\$ 98,480,403	1,438,441	99,918,844
Investments	8,928,229		8,928,229
Receivables (Net of Allowance For Uncollectibles)	90,018,519	411,802	90,430,321
Inventories	218,236		218,236
Prepaid Expenses	3,246,573		3,246,573
Deferred Charges			-
Restricted Assets:			
Temporarily Restricted:			
Cash and Cash Equivalents			-
Capital Assets (Net of Accumulated Depreciation):			
Land	44,145,906		44,145,906
Building and System, Including Improvements	612,977,863	2,137,835	615,115,698
Improvements Other Than Buildings	1,772,669		1,772,669
Vehicles, Machinery and Equipment	10,044,889		10,044,889
Infrastructure	85,053,115		85,053,115
Construction In Progress	230,234,301		230,234,301
Total Assets	\$ 1,185,120,703	3,988,078	1,189,108,781

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

<u>COMPONENT UNITS</u>	
<u>Parking Authority</u>	<u>Coliseum Authority</u>
8,850,196	177,444
561,865	
446,853	23,234
609,826	
9,594,439	
106,000	
29,315,603	
808,286	
189,662	
<u>50,482,730</u>	<u>200,678</u>

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF NET ASSETS
JUNE 30, 2006

LIABILITIES	PRIMARY GOVERNMENT		
	Governmental Activities	Business- Type Activities	Total
Accounts Payable And Accrued Liabilities	\$ 130,731,591	147,663	130,879,254
Accrued Interest Payable	3,460,198		3,460,198
Internal Balances	(233,243)	221,048	(12,195)
Deferred Revenue	4,356,961		4,356,961
Other Liabilities	25,327,321		25,327,321
Non-Current Liabilities:			
Due Within One Year	72,111,594		72,111,594
Due In More Than One Year	508,241,803		508,241,803
Total Liabilities	<u>\$ 743,996,225</u>	<u>368,711</u>	<u>744,364,936</u>
NET ASSETS			
Invested In Capital Assets, Net of Related Debt	\$ 475,295,189	2,137,835	477,433,024
Restricted For:			
Special Revenues	16,327,864		16,327,864
Permanent Funds	2,862,116		2,862,116
Debt Service	15,326,495		15,326,495
Other			
Unrestricted	(68,687,186)	1,481,532	(67,205,654)
Total Net Assets	<u>\$ 441,124,478</u>	<u>3,619,367</u>	<u>444,743,845</u>

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

COMPONENT UNITS	
Parking Authority	Coliseum Authority
1,674,264	221,960
99,282	
12,195	
440,637	175,409
1,970,040	37,621
<u>20,996,897</u>	
<u>25,193,315</u>	<u>434,990</u>
8,062,440	
8,641,775	
<u>8,585,200</u>	<u>(234,312)</u>
<u>25,289,415</u>	<u>(234,312)</u>

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 37,857,972	33,247,714	16,767,610	71,712,343
Education	256,839,100	5,042,960	216,627,487	
Public Safety	60,927,432	7,384,567		
Public Works	24,219,150	204,659		
Public Services	35,216,619	8,014,419		
Employee Benefits and Insurance	73,886,275			
Culture and Recreation	8,465,545	173,861		
Other	24,432,970			
Interest On Long-Term Debt	19,686,081			
Total Governmental Activities	\$ 541,531,144	54,068,180	233,395,097	71,712,343
Business-Type Activities:				
WPCA	\$ 2,427,169	2,919,286		629,191
Other	1,541,293	1,575,210		
Total Business-Type Activities	\$ 3,968,462	4,494,496	-	629,191
Total Primary Government	\$ 545,499,606	58,562,676	233,395,097	72,341,534
Component Units:				
Parking Authority	\$ 14,781,754	16,589,226		
Coliseum Authority	67,986		306,847	
Total Component Units	\$ 14,849,740	16,589,226	306,847	-

General Revenues:
 Property Taxes
 Grants & Contributions Not Restricted To Specific Programs
 Loss on Sale of WPCA Assets
 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**

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Parking Authority	Coliseum Authority
83,869,695		83,869,695		
(35,168,653)		(35,168,653)		
(53,542,865)		(53,542,865)		
(24,014,491)		(24,014,491)		
(27,202,200)		(27,202,200)		
(73,886,275)		(73,886,275)		
(8,291,684)		(8,291,684)		
(24,432,970)		(24,432,970)		
(19,686,081)		(19,686,081)		
<u>(182,355,524)</u>	<u>-</u>	<u>(182,355,524)</u>	<u>-</u>	<u>-</u>
	1,121,308	1,121,308		
	33,917	33,917		
<u>-</u>	<u>1,155,225</u>	<u>1,155,225</u>	<u>-</u>	<u>-</u>
<u>(182,355,524)</u>	<u>1,155,225</u>	<u>(181,200,299)</u>	<u>-</u>	<u>-</u>
		-	1,807,472	
		-		238,861
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,807,472</u>	<u>238,861</u>
170,130,655		170,130,655		
51,943,898		51,943,898		
	(63,729,855)	(63,729,855)		
3,642,522	46,204	3,688,726	496,505	
27,242,000	(27,242,000)	-		
<u>252,959,075</u>	<u>(90,925,651)</u>	<u>162,033,424</u>	<u>496,505</u>	<u>-</u>
70,603,551	(89,770,426)	(19,166,875)	2,303,977	238,861
<u>370,520,927</u>	<u>93,389,793</u>	<u>463,910,720</u>	<u>22,985,438</u>	<u>(473,173)</u>
<u>441,124,478</u>	<u>3,619,367</u>	<u>444,743,845</u>	<u>25,289,415</u>	<u>(234,312)</u>

CITY OF NEW HAVEN, CONNECTICUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	General	Community Development	Education Grants
Cash and Cash Equivalents	\$ 47,328,706	10,302,227	6,670,796
Investments	1,965,380	2,922,511	
Receivables (Net of Allowance For Uncollectibles)	9,369,072	1,592,879	1,966,861
Receivables From Other Governments	69,152,129	1,915,582	2,964,771
Due From Other Funds	20,520,174	280,964	473,209
Inventories			218,236
Total Assets	\$ 148,335,461	17,014,163	12,293,873
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 22,339,019	1,960,176	2,418,995
Accrued Liabilities	8,701,933		
Retainage Payable		55,936	
Due To Other Funds	19,875,702	700,885	6,557,643
Deferred Revenue	67,277,472	2,494,908	579,768
Temporary Loans And Notes Payable			
Other Liabilities	17,117,658	1,058,168	1,281,612
Total Liabilities	\$ 135,311,784	6,270,073	10,838,018

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

EXHIBIT C
Page 1 of 2

Capital Project Funds	Debt Service	Other Governmental Funds	Total Governmental Funds
22,243,676		9,933,838	96,479,243
		4,040,338	8,928,229
1,725		443,546	13,374,083
1,397,223		71,768	75,501,473
76,984	15,326,495	198,120	36,875,946
			218,236
<u>23,719,608</u>	<u>15,326,495</u>	<u>14,687,610</u>	<u>231,377,210</u>
12,643,378		2,254,455	41,616,023
29,125		136,946	8,868,004
		140,921	196,857
65,195		2,446,231	29,645,656
20,560		1,035,058	71,407,766
72,191,000			72,191,000
769,919		1,683,964	21,911,321
<u>85,719,177</u>	<u>-</u>	<u>7,697,575</u>	<u>245,836,627</u>

CITY OF NEW HAVEN, CONNECTICUT

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Community Development</u>	<u>Education Grants</u>
Fund Balances:			
Reserved for:			
Encumbrances	\$	8,778,362	
Debt Service			
Unreserved, Reported in:			
General Fund	13,023,677		
Special Revenue Funds		1,965,728	1,455,855
Capital Projects Funds			
Permanent Funds			
Total Fund Balances	\$ 13,023,677	10,744,090	1,455,855
Total Liabilities and Fund Balances	\$ 148,335,461	17,014,163	12,293,873

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

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>
103,069,852	15,326,495	7,928,537	119,776,751
			15,326,495
			13,023,677
		(3,800,618)	(379,035)
(165,069,421)			(165,069,421)
		2,862,116	2,862,116
<u>(61,999,569)</u>	<u>15,326,495</u>	<u>6,990,035</u>	<u>(14,459,417)</u>
<u>23,719,608</u>	<u>15,326,495</u>	<u>14,687,610</u>	
			984,228,743
			(3,460,198)
			70,297,378
			(15,128,631)
			<u>(580,353,397)</u>
			\$ <u>441,124,478</u>

CITY OF NEW HAVEN, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Community Development</u>	<u>Education Grants</u>
Revenues:			
Property Taxes	\$ 171,146,908		
Licenses and Permits	11,883,627		
Intergovernmental	206,882,655	13,715,326	66,880,339
Charges for Services		2,565,496	991,931
Fines	4,673,454		
Investment Earnings	3,258,300	308,574	11
Payment in Lieu of Taxes	2,595,622		
Other	11,286,873	710,191	4,024,737
Total Revenues	\$ 411,727,439	17,299,587	71,897,018
Expenditures:			
Current:			
General Government	25,391,443		
Public Safety	59,561,325		
Public Works	16,380,352		
Public Services	6,927,069	14,389,935	
Culture and Recreation	7,931,044		
Employee Benefits and Insurance	75,337,706		
Education	174,302,677		72,049,906
Other Expenditures			
Debt Service:			
Principal	29,487,295	370,000	
Interest	16,364,247	360,252	
Capital Outlay:			
Other Capital Assets			34,298
Total Expenditures	\$ 411,683,158	15,120,187	72,084,204
Excess (Deficiency) Of Revenues Over (Under) Expenditures	\$ 44,281	2,179,400	(187,186)

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

Capital Project Funds	Debt Service	Other Governmental Funds	Total Governmental Funds
			171,146,908
			11,883,627
71,712,343		12,228,934	371,419,597
			3,557,427
			4,673,454
		75,638	3,642,523
			2,595,622
207,430		5,333,205	21,562,436
<u>71,919,773</u>	<u>-</u>	<u>17,637,777</u>	<u>590,481,594</u>
		4,046,116	29,437,559
			59,561,325
		542,617	16,922,969
		13,899,615	35,216,619
			7,931,044
			75,337,706
			246,352,583
24,397,386		35,584	24,432,970
40,000	8,258,514		38,155,809
	3,546,991		20,271,490
<u>121,888,680</u>	<u></u>	<u>46,500</u>	<u>121,969,478</u>
<u>146,326,066</u>	<u>11,805,505</u>	<u>18,570,432</u>	<u>675,589,552</u>
<u>(74,406,293)</u>	<u>(11,805,505)</u>	<u>(932,655)</u>	<u>(85,107,958)</u>

CITY OF NEW HAVEN, CONNECTICUT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Community Development</u>	<u>Education Grants</u>
Other Financing Sources (Uses):			
Capital Related Debt Issued	\$		
Transfer In			
Transfer Out			
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ -	-	-
Net Change in Fund Balances	\$ 44,281	2,179,400	(187,186)
Fund Balances - Beginning	<u>12,979,396</u>	<u>8,564,690</u>	<u>1,643,041</u>
Fund Balances - Ending	<u><u>\$ 13,023,677</u></u>	<u><u>10,744,090</u></u>	<u><u>1,455,855</u></u>

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

Capital Project Funds	Debt Service	Other Governmental Funds	Total Governmental Funds
51,798,041			51,798,041
110,000	27,132,000	2,236,961	29,478,961
<u>(1,325,000)</u>		<u>(911,961)</u>	<u>(2,236,961)</u>
50,583,041	27,132,000	1,325,000	79,040,041
(23,823,252)	15,326,495	392,345	(6,067,917)
<u>(38,176,317)</u>		<u>6,597,690</u>	<u>(8,391,500)</u>
<u>(61,999,569)</u>	<u>15,326,495</u>	<u>6,990,035</u>	<u>(14,459,417)</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, 2006**

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)	\$ (6,067,917)
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.	101,670,524
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,588,899)
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.	(18,855,819)
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.	369,445
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>(923,783)</u>
Change in net assets of governmental activities (Page 24)	<u>\$ 70,603,551</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 168,036,910	171,146,908	171,146,908	-
Education Grants	139,797,292	140,480,173	140,480,173	-
Other Governmental Grants	52,199,509	52,562,862	52,562,862	-
Licenses Permits and Other	8,856,500	11,883,627	11,883,627	-
Investment Income	900,000	3,258,300	3,258,300	-
Received From Fines	5,729,000	4,673,454	4,673,454	-
Payments in Lieu of Taxes (PILOT)	3,278,053	2,595,622	2,595,622	-
Other Taxes & Assessments	3,862,986	5,037,956	5,037,956	-
Miscellaneous	10,471,300	6,248,917	6,248,917	-
Total Revenues	\$ 393,131,550	397,887,819	397,887,819	-
Expenditures:				
Current:				
General Government	\$ 25,674,320	25,435,724	25,391,443	44,281
Public Safety	58,438,696	59,561,325	59,561,325	-
Public Works	15,551,487	16,380,352	16,380,352	-
Public Service	7,099,691	6,927,069	6,927,069	-
Cultural & Recreation	7,951,507	7,931,044	7,931,044	-
Employee Benefits	72,842,742	75,337,706	75,337,706	-
Education	159,721,565	160,463,057	160,463,057	-
Debt Service	45,851,542	45,851,542	45,851,542	-
Capital Outlay				-
Total Expenditures	\$ 393,131,550	397,887,819	397,843,538	44,281
Excess of Expenses Over Revenue	\$ -	-	44,281	44,281
Other Financing Sources and Uses	\$ -	-	-	-
Total Other Financing Sources and Uses	\$ -	-	-	-
Net Changes in Fund Balance	\$ -	-	44,281	44,281
Fund Balance - Beginning			12,979,396	
Fund Balance - Ending			\$ 13,023,677	

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, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Totals Current Year	Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$	1,438,441	1,438,441	2,001,160
Accounts Receivable (Net Allowance For Uncollectibles)		411,802	411,802	1,106,975
Due From Other Funds		4,637	4,637	2,760,343
Other Receivables			-	35,988
Total Current Assets	\$	1,854,880	1,854,880	5,904,466
Noncurrent Assets:				
Capital Assets:				
Land	\$		-	
Building and System		3,220,070	3,220,070	
Less Accumulated Depreciation		(1,082,235)	(1,082,235)	
Total Capital Assets (Net of Accumulated Depreciation)	\$	2,137,835	2,137,835	-
Total Noncurrent Assets	\$	2,137,835	2,137,835	-
Total Assets	\$	3,992,715	3,992,715	5,904,466

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, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Totals Current Year	Internal Service Funds
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	\$	147,663	147,663	321,579
Due To Other Funds		225,685	225,685	9,757,390
Accrued Estimated Healthcare Claims			-	5,090,030
Claims and Judgments Payable			-	2,448,098
Total Current Liabilities	\$	373,348	373,348	17,617,097
Noncurrent Liabilities:				
Claims and Judgments Payable	\$		-	3,416,000
Total Noncurrent Liabilities	\$	-	-	3,416,000
Total Liabilities	\$	373,348	373,348	21,033,097
Net Assets:				
Invested In Capital Assets, Net Of Related Debt	\$	2,137,835	2,137,835	
Unrestricted		1,481,532	1,481,532	(15,128,631)
Total Net Assets	\$	3,619,367	3,619,367	(15,128,631)

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, 2006**

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:				
Charges For Sales and Services:				
Sewer Charges	\$ 2,653,222		2,653,222	
Other Services	231,704	1,575,210	1,806,914	72,955,423
Miscellaneous	34,360		34,360	
Total Operating Revenues	\$ 2,919,286	1,575,210	4,494,496	72,955,423
Operating Expenses:				
Costs of Sales and Services	\$ 1,899,680	1,449,291	3,348,971	73,881,435
Bad Debts (Net of Recovery)	(286,211)		(286,211)	
Depreciation and Amortization	724,890	92,002	816,892	
Total Operating Expenses	\$ 2,338,359	1,541,293	3,879,652	73,881,435
Operating Income	\$ 580,927	33,917	614,844	(926,012)
Non-Operating Revenues (Expenses):				
Investment Earnings	\$ 42,924	3,280	46,204	2,229
Interest Expense	(88,810)		(88,810)	
Total Non-Operating Revenue (Expenses)	\$ (45,886)	3,280	(42,606)	2,229
Income (Loss) Before Contributions and Transfers	\$ 535,041	37,197	572,238	(923,783)
Capital Contributions - Tap Fees	629,191		629,191	
Transfers In				
Transfers Out	(27,132,000)	(110,000)	(27,242,000)	
Change In Net Assets Before Extraordinary Items	\$ (25,967,768)	(72,803)	(26,040,571)	(923,783)
Extraordinary Items:				
Loss on Sale of WPCA Assets	\$ (63,729,855)		(63,729,855)	
Total Extraordinary Items	\$ (63,729,855)	-	(63,729,855)	
Change In Net Assets	\$ (89,697,623)	(72,803)	(89,770,426)	(923,783)
Total Net Assets - Beginning	89,697,623	3,692,170	93,389,793	(14,204,848)
Total Net Assets - Ending	\$ -	3,619,367	3,619,367	(15,128,631)

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, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Total	Internal Service Funds
Cash Flows From Operating Activities:				
City's Contribution	\$		-	61,178,949
Cash Received From Users	1,846,491	1,613,118	3,459,609	8,723,360
Payments To Suppliers	(58,362)	(1,432,481)	(1,490,843)	
Payments To Employees	(153,315)		(153,315)	
Internal Activity-Payments From (To) Other Funds		111,048	111,048	2,148,016
Claims and Other Expenses Paid			-	(75,786,186)
Other Receipts			-	2,155,784
Net Cash Provided (Used) By Operating Activities	\$ <u>1,634,814</u>	<u>291,685</u>	<u>1,926,499</u>	<u>(1,580,077)</u>
Cash Flows From Capital And Related Financing Activities:				
Purchases And Construction of Capital Assets	\$ (1,085,527)		(1,085,527)	
Proceeds Received on Capital Grants	7,126		7,126	
Transfer to Purchasing Entity Upon Sale of Assets	(9,271,023)		(9,271,023)	
Principal Paid on Capital Debt	(274,581)		(274,581)	
Interest Paid on Capital Debt	(557,373)		(557,373)	
Net Cash Used By Capital And Related Financing Activities	\$ <u>(11,181,378)</u>	<u>-</u>	<u>(11,181,378)</u>	<u>-</u>
Cash Flows From Investing Activities:				
Interest And Dividends	\$ 42,924	3,280	46,204	
Cash Flows From Investing Activities	\$ <u>42,924</u>	<u>3,280</u>	<u>46,204</u>	<u>-</u>
Net Increase (Decrease) In Cash And Cash Equivalents	\$ (9,503,640)	294,965	(9,208,675)	(1,580,077)
Cash And Cash Equivalents - Beginning	<u>9,503,640</u>	<u>1,143,476</u>	<u>10,647,116</u>	
Cash And Cash Equivalents - Ending	\$ <u>-</u>	<u>1,438,441</u>	<u>1,438,441</u>	<u>(1,580,077)</u>

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, 2006

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Pollution Control Authority	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation Of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities:				
Operating Income or (Loss)	\$ 580,927	33,917	614,844	(926,012)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities:				
Depreciation and Amortization Expense	\$ 724,890	92,002	816,892	
Transfer In (Out)		(110,000)	(110,000)	
Loss on Disposal of Fixed Assets			-	
Provision For Uncollectible Accounts	(286,211)		(286,211)	
Change in Assets and Liabilities:				
(Increase) Decrease In Accounts Receivable, Net	(702,531)	37,908	(664,623)	(897,630)
(Increase) Decrease In Other Assets	(84,053)		(84,053)	
(Increase) Decrease In Due From Other Funds		(4,637)	(4,637)	(106,917)
Increase (Decrease) In Accounts Payable	972,782	16,810	989,592	(1,248,319)
Increase (Decrease) In Accrued Expenses	371,935		371,935	(1,616,862)
Increase (Decrease) In Accrued Estimated Healthcare Payments				960,430
Increase (Decrease) In Compensated Absences	57,075		57,075	
Increase (Decrease) In Due To Other Funds		225,685	225,685	2,254,933
Total Adjustments	\$ 1,053,887	257,768	1,311,655	(654,365)
Net Cash Provided (Used) By Operating Activities	\$ 1,634,814	291,685	1,926,499	(1,580,377)
Non-Cash Investing, Capital and Financing Activities:				
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	\$ 61,885		61,885	
Sale of Assets to Greater New Haven Water Pollution Control Authority, Net of \$2,667,295 Due From Other Funds	(24,464,705)		(24,464,705)	
Capital Contributions	622,065		622,065	
Purchases of Property And Equipment And Payments For Bond Issuance Costs	(306,620)		(306,620)	

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, 2006**

	Combined Employee Retirement Funds
ASSETS	
Cash And Short-Term Investments	\$ 21,314,272
Interest and Dividends Receivable	1,329,051
Accounts Receivable	3,243,589
Investments, At Fair Value:	
Government Agency	5,009,521
Government Bonds	25,093,929
Municipal Bonds	2,360,981
Government Mortgages	8,125,293
Indexed Linked Government Bonds	22,314,702
Other Fixed Income (MFB/NTGI Gvt.)	5,687,851
Common Stock	269,391,239
Preferred Stock	
Commercial Backed Mortgages	5,261,434
Venture Capital Partnerships	62,240,977
Corporate Bonds	1,046,275
Corporate Convertible Bonds	2,303,502
Asset Backed Securities	20,435,179
Other Fixed Income (MFB/NTGI Corp.)	2,523,238
Non-Government Backed Bonds	5,145,928
Total Investments	<u>\$ 436,940,049</u>
Total Assets	<u>\$ 462,826,961</u>
LIABILITIES	
Accounts Payable	\$ 4,521,862
Accrued Liabilities	145,823
Total Liabilities	<u>\$ 4,667,685</u>
NET ASSETS	
Held In Trust For Pension Benefits	<u>\$ 458,159,276</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, 2006**

	Combined Employee Retirement Funds
Additions	
Contributions:	
Employer Contributions	\$ 22,390,459
Plan Members	8,383,465
Plan Members Buybacks	109,018
Total Contributions	<u>\$ 30,882,942</u>
Investment Earnings:	
Net Increase (Decrease) In Fair Value Of Investments	\$ 21,789,852
Interest	8,762,003
Dividends	3,634,277
Total Investment Income (Loss)	<u>\$ 34,186,132</u>
Less: Investment Expenses:	
Investment Management Fees	1,977,697
Legal Fees	21,566
Interest Expense	
Net Investment Earnings	<u>\$ 32,186,869</u>
Total Additions	<u>\$ 63,069,811</u>
Deductions	
Benefits	<u>\$ 47,257,782</u>
Total Deductions	<u>\$ 47,257,782</u>
Net Increase (Decrease)	\$ 15,812,029
Net Assets - Beginning of Year	442,347,247
Net Assets - End of Year	<u>\$ 458,159,276</u>

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

CITY OF NEW HAVEN, CONNECTICUT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2006**

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, 2006**

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, 2006

Note 1 – Summary of Significant Accounting Policies (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.

As a general rule, the effect of inter-fund activity, or internal balances, has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the business-type funds and the various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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, 2006

Note 1 – Summary of Significant Accounting Policies (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, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement, Focus, Basis of Accounting and Financial Statement 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's 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, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Measurement, Focus, Basis of Accounting and Financial Statement 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.

Additionally, the government reports the following fund types:

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.

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.

CITY OF NEW HAVEN, CONNECTICUT

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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.

Accounting Estimates

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

CITY OF NEW HAVEN, CONNECTICUT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2006

Note 1 – Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents – The City considers cash on hand, deposits, and short-term investments with an original maturity of three months or less to be cash and cash equivalents.

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.

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.

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.

All trade and loan receivables are shown net of allowances for uncollectible amounts. Trade and loan accounts receivables allowances for doubtful accounts is estimated based on the inherent risk associated with the accounts.

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.

