

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 |

CITY OF NEW HAVEN, CONNECTICUT
ANNUAL FINANCIAL REPORT
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.

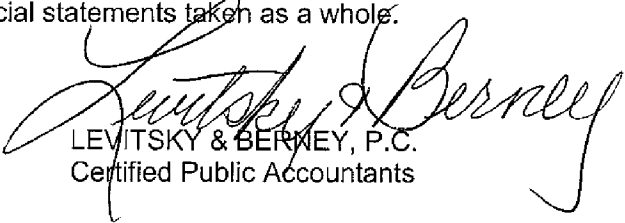
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the New Haven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

