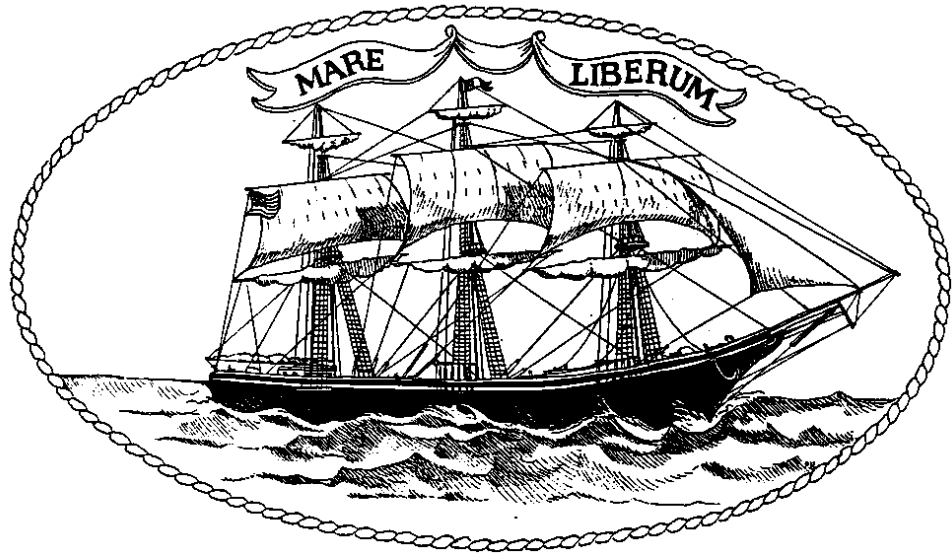


CITY OF
NEW LONDON,
CONNECTICUT



COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT

YEAR ENDED JUNE 30, 2007

City of New London

Comprehensive
Annual Financial Report
For the fiscal year ended June 30, 2007

Prepared by the City Department of Finance

13 Masonic Street
New London, Connecticut
860.447.5218
www.ci.new-london.ct.us

CITY OF NEW LONDON, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007
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INTRODUCTORY SECTION



®

CITY OF NEW LONDON

Department of Finance

13 Masonic Street • New London CT 06320 • Phone (860) 447-5218 • Fax (860) 447-5297

July 14, 2008

Honorable Mayor, Members of the
City Council and City Manager
City of New London, Connecticut

Connecticut State Law requires that every general-purpose local government publish by December 31st a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2007. Due to a number of internal issues, the audit was not completed by the statutorily required deadline of December 31, 2007. The City has taken several steps to overcome these internal issues so that audits will be completed on time in the future.

In addition, the City is also required to undergo an annual Federal Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*, as well as the provisions of the State of Connecticut Single Audit Act (Public Act 91-401 and as amended by Public Act 92-121).

Information related to these single audits, including the schedules of state and federal financial assistance, findings and recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are issued under separate cover and are not included in this report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Blum, Shapiro & Company, P.C., has issued an unqualified opinion on the City of New London's financial statements for the year ended June 30, 2007. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (the MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction therewith.

SERVICES PROVIDED AND ORGANIZATIONAL STRUCTURE

The City of New London provides a comprehensive range of municipal services including education, police and fire protection, emergency medical services and emergency management, public works, parks, recreation, sanitation, health and social services, and general administration services.

The City also owns and operates four major enterprise activities: a water system, a water pollution control system, the Water Street Parking Garage and Ocean Beach Park.

The City operates under a Charter adopted in 1927, which was most recently revised on November 2, 1993. The City operates under the Council-Manager form of government. The City Manager is appointed by the Council and serves as the City's Chief Executive Officer. The City Council consists of seven members elected at-large for 2-year terms. The Mayor and Deputy Mayor are elected from the members of the City Council. Elections are held in November during odd calendar years as provided by state statute.

In addition to all powers granted to towns and cities under the constitution and general statutes of the State of Connecticut, the City Council also has specific powers that are executed through the enactment and enforcement of ordinances, resolutions and by-laws which protect and promote the peace, safety, good government and welfare of the City and its inhabitants. The City Council holds public hearings on the annual budget, adopts an annual budget, sets the tax rate and approves bond ordinances.

GENERAL ECONOMIC INFORMATION

The City of New London is located in southeastern Connecticut. It has approximately 5.67 square miles of land area bounded on the north and west by the Town of Waterford, on the east by the Thames River and on the south by Long Island Sound. It is centrally located approximately 121 miles northeast of New York City and approximately 101 miles southwest of Boston, Massachusetts, and within an hour's drive of Hartford and New Haven, Connecticut, and Providence, Rhode Island.

New London provides easy access to highway, rail and waterborne connections and boasts one of the finest deep water harbors in Connecticut. The Admiral Harold E. Shear State Pier in New London is a noted cargo terminal where shipments of forest products and copper are received regularly. More recently cruise ships have made New London a port of call. Highway access to Interstate 95 is within minutes from any location in New London. The Central Vermont and Canadian National railway systems link New London to the eastern United States and Canada. Several bus companies, Amtrak commuter and express trains, and ferry services provide transportation throughout the Northeast, including direct ferry service to Long Island, Block Island and Fisher's Island.

The City of New London has an extremely rich historical and cultural legacy, dating back its settlement in 1646. Throughout the City there are many historical and architecturally significant structures, particularly in the downtown central business district which is a registered historical district. Most notable of these is the U.S. Custom House Maritime Museum, Shaw Perkins Mansion, the Hempstead Houses, the Eugene O'Neil Home – the Monte Cristo Cottage Museum, the County Court House, Whale Oil Row, the Public Library and the New London Railroad Station. New London is also the home of the United States Coast Guard Academy, Connecticut College, Mitchell College, the Lyman Allyn Art Museum and the Garde Arts Center providing superb educational, cultural and leisure opportunities.

The City, along with the New London Development Corporation (NLDC), is working hard to revitalize the central business district and bolster the tax base. The City continues to foster business retention and expansion through its enterprise zone program, low interest revolving loans and façade improvement programs.

Economic Development

Cruise Ship Development

During 2007, seven cruise ships carrying over 20,000 passengers and crew came into the Port of New London. Approximately 15,000 passengers came into the Welcome Center in Union Station, located in the heart of the Central Business District (CBD). City officials were on hand to welcome the passengers and crew. Downtown businesses experienced a sharp increase in sales during the time the ships were in port. The City intends to promote this business with the goal of increasing the number of Cruise ship visits every year.

At the present time, eight cruise ships are scheduled to stop during the 2008 season. Ships that visited this year were from the Holland American and Royal Caribbean Lines, and, in addition to these returning next year, the Princess Lines will visit.

Downtown Activity

Starting in the early 1990s, the City of New London committed to smart growth planning and development and made significant infrastructure improvements in the downtown area, the last major project being the \$19 million Waterfront Park. Several projects have moved from the planning stage to the implementation stage. Both the Maritime Heritage Park and Parade projects are in the final design stage with construction scheduled to begin in early spring 2008. As a result, developers continue to invest in the CBD. The City has entered into a Development Planning Agreement with Leyland Associates of Tuxedo, New York, to investigate the feasibility of a major mixed use downtown development.

Aided by City sponsored incentive programs such as low-interest loans (eight current loans with total balances of \$250,629), façade improvement grants (\$80,000 paid out) and tax relief plans (20 participants), over 135 new and rehabilitated apartments have been created in the former SNET Building, the Crocker House, the Caruso Music building and Shaw's Landing Condominiums. A recently completed \$4 million renovation to the longtime vacant United Electric Building on Washington Street added another 19 units and 13,000 square feet of commercial space. Continuing this trend in new housing, an additional 21 residential units are under construction at the Bacon Building. And a \$14 million project underway at the corner of Bank and Blinman Streets will add another 39 condominium units. In addition, significant rehabilitation projects have been going on at the Hendel Building, formerly Kientzy Jewelers, Lyric Hall, and, just recently, the former Apex Supply building on Bank Street completed renovations which resulted in two new restaurants.

The State Pier

To complement its recently renovated 1,000-foot State Pier, the State of Connecticut purchased the former Central Vermont Railroad Pier and completed a \$1.87 million improvement project to this 1,083-foot pier. A major portion of the pier will be utilized by a shellfish co-op. Shipping at the State Pier continues to be strong with lumber being the principal product, followed by plywood and copper. Cruise ship visits have also increased at the Pier, with a record setting seven ships making port calls in 2007 including the ms *Explorer of the Seas*, the largest ship to ever enter the New London Harbor at 138,000 tons and 1,020 feet in length carrying 3,114 passengers. The New London Foreign Trade Zone (FTZ) continues to be active with a warehouse site on Lewis Street, and a FTZ Subzone is operated by Pfizer, Inc., at their Groton facilities.

Waterfront Park

The Waterfront Park continues to be a major catalyst for renewed interest in downtown New London from residents, visitors, tourists and new business entrepreneurs. With the combined efforts of City officials and downtown organizations, New London's downtown has had more events and visitors than ever before. Events like *Sailfest* and *Boats, Books and Brushes* packed the Park and nearby downtown streets with visitors from all over New England.

Propelled by enthusiasm for the allure of the downtown waterfront, the new antique stores and art galleries that recently opened up shops on Bank Street continue to do well. Following a successful 2007 season, the tall ship *Mystic Whaler* will be back home ported at City Pier for the summer of 2008. The Park will be better connected to downtown through the Parade project and the Maritime Heritage Park, a heritage based educational and recreational attraction similar to Boston's Freedom Trail.

The Heritage Park links existing cultural and historic maritime resources in New London and Groton and feature guided and self-guided walking, auto and boat tours. The Maritime Heritage Park will be funded by the State of Connecticut and is expected to cost approximately \$1.1 million.

Ocean Beach Park

The City owns nearly a half-mile of pristine beach on Long Island Sound which, together with the Port 'N Starboard Restaurant, banquet facilities and a physical fitness center, provides a complex for family-oriented fun and entertainment, festivals and other events throughout the year. The management of the Park is handled by the Boston Culinary Group (BCC) under contract with the City. Currently, BCC is in the process of completing the replacement of the 95,000 square feet of boardwalk with new IPE decking, an extremely durable Brazilian hardwood. The City has contributed over \$150,000 towards the project which is being completed with the help of volunteers and donations. Final costs are expected to be just over \$1 million, far less than the normal cost of over \$2 million that would have been incurred without volunteers.

Public Parking

City parking facilities consist of a multi-level parking garage located on Water Street with a capacity of 930 spaces, augmented by surface lots at Tilley and Golden Streets providing a combined capacity of 250 spaces and the Pequot Avenue lot of 100 spaces serving marinas and restaurants. Several improvements to the parking garage were made during the year including new signage, painting and new accounting controls. The garage is operated by a private parking company under an agreement with the City.

School Construction

In FY 2002, the State of Connecticut approved funding for two new school construction projects and an upgrade to the science laboratories at the New London High School. The science laboratories were completed in November 2004 with the State paying 77.86% of the \$1.3 million renovation of the laboratories. The State is also funding 100% of eligible costs of approximately \$21 million for a Science and Technology Magnet High School, which will be an addition to the high school. The Magnet School opened in September 2007.

The State will also be reimbursing the City 77.86% of eligible costs for the construction of the new Jennings Elementary School, whose total estimated cost is \$35 million. The Jennings School is expected to open in September 2008.

The City's 21st Century Education Facilities Plan, to be funded 95% with State school building grants, calls for the Winthrop and Nathan Hale Elementary Schools to have additions and to be rehabilitated as new. Once the rehabilitation is completed, the 1884 Harbor Elementary School will be closed and sold. The School System will then consist of three elementary schools together with the middle and high schools with a rated capacity of 3,297 students. Enrollment for FY 2006-07 was projected at 2,965.

Projected Economic Development Activities

Fort Trumbull

The City, through the NLDC, continues with its plans for redevelopment of the Fort Trumbull area.

The State completed restoration of historic Fort Trumbull and the Fort Trumbull State Park, both of which are significant tourist attractions. The NLDC has completed 100% of the Phase II infrastructure work allowing the developer to move forward with the project. Over half of a 90,000 square foot building has

been leased to the US Coast Guard R&D Center and is undergoing a multi-million dollar renovation. Construction of 80 multifamily residential units is expected to start by the end of June 2008. A river walk was recently completed using funds from the Maritime Heritage Park Program and is open to the public.

The Parade

The \$10.2 million Parade project is scheduled to start construction in spring 2008 with a construction period of 18 months. The project will improve pedestrian safety and return the area to its former prominence as the central public space in downtown. It will include exhibits, sculpture and public art as well as serve as space for public events and festivals.

Departmental Accomplishments

City Manager

The City Manager has begun the process of normalizing relations with the City's labor unions, established good working relationships with the NLDC, the School administration, the Housing Authority Executive Director and the Executive Director of the Main Street program. Improved communications with the City Council has included quarterly financial reports, a half-day retreat to discuss financial issues and a six year budget forecast. A new user friendly Budget document was developed, which includes a Five Year Capital Improvements Program. The five year CIP identifies both current and future capital needs. A review of computer applications and hardware was undertaken during FY 2007 with the result that outstanding issues with computer applications were resolved in January 2008 when new hardware and software were purchased to upgrade basic operating systems. Departmental staff meetings are held twice a month in conjunction with City Council Meetings. Each Department Director prepares a quarterly summary of goals, objectives and accomplishments. The City Manager continues to participate in a number of local, regional and statewide activities and works closely with the Connecticut Cruise Ship Task Force helping coordinate the City's welcome to the 20,000 visitors to the Port of New London.

Fire Department

The Fire Department continues to apply for grants for operational equipment needs, fire safety and public education support. Recent grants have included a FEMA Fire Act Grant in the amount of \$86,724, Connecticut Safe Kids of \$2,000, Connecticut Fair Plan of \$500 and Firefighters Charitable Foundation of \$500. The implementation of a billing for services system to enhance revenue resulted in \$1,250 being received. New equipment under order includes an aerial ladder truck, Battalion Chief Vehicles and two replacement ambulances.

Police Department

The Police Department, during the 2007 fiscal year, continued its commitment to community policing via the anti-violence team to focus on street-level drug and gun violence. The Department continued to expand the use of street surveillance cameras with the placement of additional units planned for the downtown area as well as other areas throughout the City. Four cruisers were replaced in 2007, and five more will be replaced in 2008.

Public Utilities

The Water and Sewer Departments continue to improve their operations. The twenty-year water maintenance and repair plan was completed, and then needed improvements begun with water quality improvements throughout the City. The safe-yield water study identified needed improvements to the reservoir system to maintain and improve the system's safe-yield. The first project was to install a new pipe-line from Bogue and Beckwith Reservoirs to Lake Konomoc and to rebuild the Beckwith Dam and pump station. Steps are being taken to seal Lake Konomoc's dam to reduce seepage through the dam.

The relining and rehabilitation of sewer lines in the eastern section of the City along the river has been completed. The remainder of the lines are scheduled to be refurbished over the next two years. The final four pump stations to be rebuilt, stations 4, 5, 8 and 9, are scheduled for FY 2008. A rate study is

underway designed to review rates and to give guidance for the establishment of rates for the next ten years for both sewer and water operations.

Public Works

A new municipal solid waste disposal process is being implemented that will replace rear-loading packer trucks with side pick-up trucks that will pick up street-side containers for dumping. Each City resident was provided with new refuse containers. The new program was expected to free up several positions that would be reallocated to Building Maintenance and Park Maintenance operations. The City was invited to participate in a pilot storm water management program being funded by the State. The cleaning of the Bank Street drainage pipe was begun, as was the cleaning of other storm water drainage systems. In addition to the new refuse collection vehicles, new equipment purchased included a bucket truck and small plow truck. A new alarm system was installed in City Hall, masonry repairs made to Fire headquarters and several streets were scarified and re-paved.

Recreation, Youth Services and Senior Citizens

The City provides a wide range of summer and year-round programs for recreation, senior citizens and youth activities. The Senior Citizen Center provides programs, activities, arts and crafts, exercise classes, dance instruction and a Meals on Wheels Program. Recreational activities include basketball, baseball, swimming, summer playground, dance, tennis and T-ball. The programs utilize City as well as educational facilities for programs. Youth Service Programs include Recreation Alternative to Drugs, Teens off the Hook, Teen Employment, Park Play and Students Against Destructive Decisions.

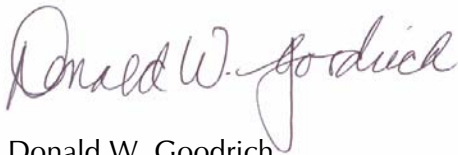
AWARDS

The Government Finance Officer's Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of New London for its comprehensive annual financial report for the year ended June 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report could not have been accomplished without the efforts and dedication of the entire staff of the Department of Finance. I would especially like to express my appreciation to Ann Podvarney, Senior Accountant, and Donna Rinehart, City Treasurer, who worked long and hard on the project. Appreciation is also expressed to personnel from several of the other departments, agencies, and authorities who assisted in its preparation. I would also like to express my appreciation and thanks to Blum, Shapiro & Company, P.C., who helped with their comments and advice.

Respectfully submitted,



Donald W. Goodrich
Interim Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of New London
Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

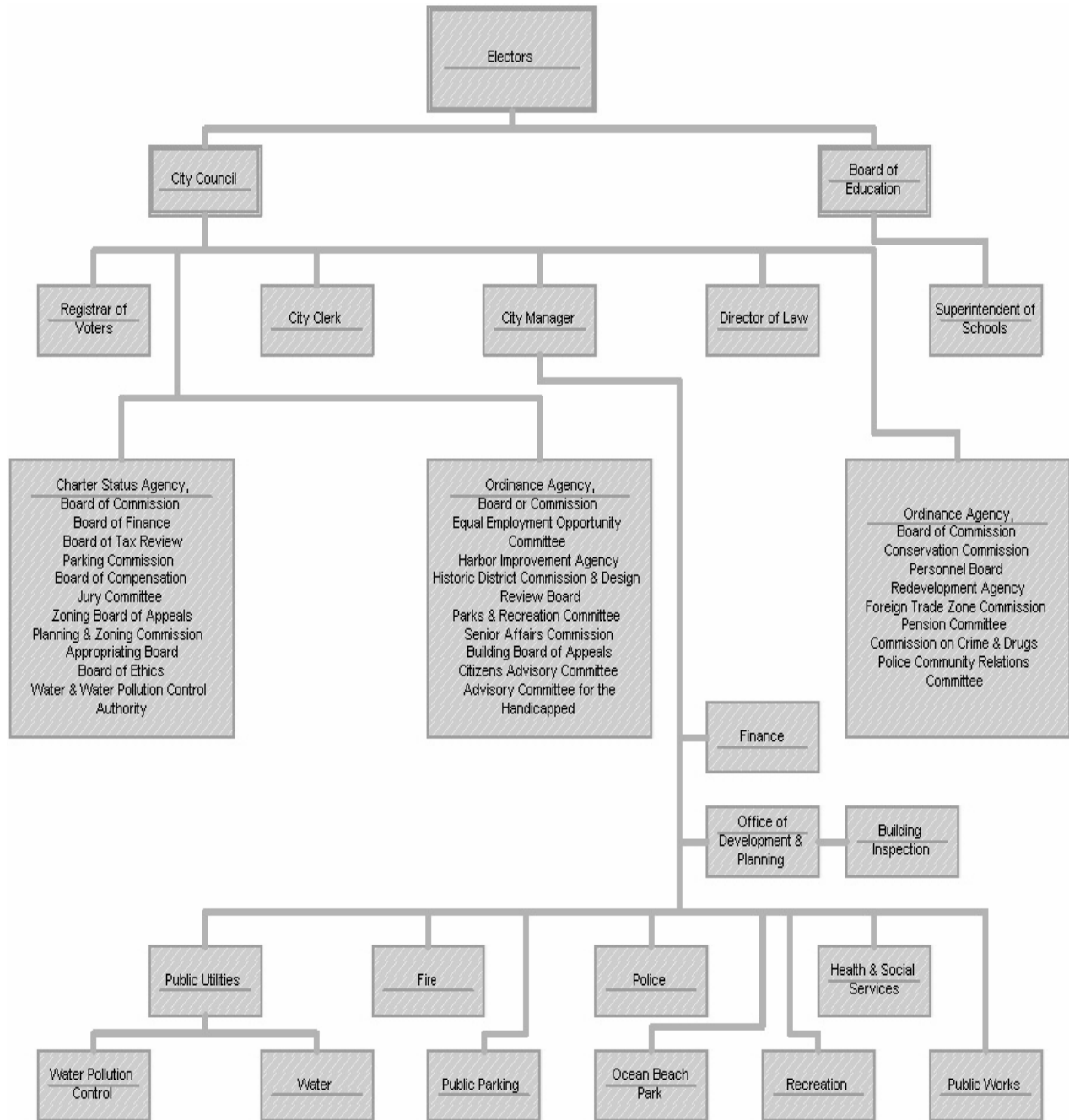
President

Jeffrey R. Emer

Executive Director

CITY OF NEW LONDON, CONNECTICUT

Organization Chart



CITY OF NEW LONDON, CONNECTICUT
LISTING OF KEY OFFICERS
FISCAL YEAR ENDED JUNE 30, 2007

Mayor	Margaret Mary Curtin
Deputy Mayor.....	Kevin J. Cavanagh
Councilors	William M. Cornish Charles W. Frink Jane L. Glover Robert M. Pero Elizabeth A. Sabilia
City Manager	Martin H. Berliner
Director of Public Works.....	Edward D. Steward
Interim Director of Finance	Donald W. Goodrich
Assessor	Barbara A. Perry
Senior Accountant.....	Ann M. Podvarney
Purchasing Agent	William R. Hathaway
Tax Collector	Maureen A. Farrell
Treasurer.....	Donna J. Rinehart
City Clerk.....	Michael J. Tranchida
Civil Preparedness Director.....	Reid B. Burdick
Development & Planning Director	Bruce Hyde
Fire Chief	Ronald J. Samul
Law Director	Thomas J. Londregan, Esq.
Police Chief	Bruce F. Rinehart
Recreation Director.....	Tommie Major
Public Utilities	W. Thomas Bowen
Superintendent of Schools.....	Dr. Christopher Clouet

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FINANCIAL SECTION



Independent Auditors' Report

Members of the City Council
New London, Connecticut

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London, Connecticut, as of and for the year ended June 30, 2007, which collectively comprise the City of New London, Connecticut's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London, Connecticut, as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 13 and the schedule of funding progress - Pension Trust Funds on page 49 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2008 on our consideration of the City of New London, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Blum, Shapiro & Company, P.C.

July 14, 2008

City of New London, Connecticut
Management's Discussion and Analysis
June 30, 2007

As management of the City of New London, Connecticut, we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of New London for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here along with the additional information we have furnished in our letter of transmittal.

Financial Highlights

- On a government-wide basis, the assets of the City of New London exceed its liabilities at June 30, 2007 by \$354,581,254. Net assets for Governmental Activities were \$191,183,028 and net assets for Business-Type Activities were \$163,398,226. Of the City's total net assets, \$48,697,661 is unrestricted and is available to meet the government's ongoing obligations to citizens and creditors.
- On a government-wide basis, total net assets increased by \$16,498,546. Net assets increased \$16,151,323 for Governmental Activities and increased \$347,223 for Business-Type Activities. Government-wide expenses were \$104,045,200, and revenues were \$120,543,746.
- At June 30, 2007, the City of New London's governmental funds reported combined ending fund balances of \$23,085,274, an increase of \$4,514,423 over the prior year. Of the total fund balance, \$22,266,322 is available for spending at the government's discretion and represents the combined unreserved fund balances of the general fund, special revenue funds and capital projects funds.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$9,167,725, or 12.45% of total general fund budgetary expenditures.
- The City issued \$12,155,000 in permanent financing in April 2007 with the last of the bonds maturing in 2027. The issue included the following: Jennings School, an additional \$3,900,000 in order to complete the project; Downtown Parade Improvements, \$855,000; purchase of an aerial fire truck, \$750,000; storm drainage improvements, \$250,000; Public Works Refuse Collection Vehicles, new refuse containers and computer mainframes, \$1,200,000; Latimer Brook Water Supply Improvements, \$5,100,000; and debt administration, \$100,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of New London's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, as well as the basic financial statements.

The City had also elected to delay retroactive reporting of general government infrastructure assets acquired after June 30, 1980 to the period ending June 30, 2007, as allowed under GASB 34. Infrastructure data are included in this report.

Government-Wide Financial Statements

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

The government-wide statements depict a more thorough accounting of the cost of government because of the presentation of both long and short-term information about the City's assets and liabilities.

The statement of net assets presents information on all of the City of New London's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decrease in net assets may serve as a useful indicator of the City's financial health. Other non-financial events such as the impact of changes in the City's tax base or infrastructure should also be considered when evaluating the City's financial health.

The statement of activities presents information showing how the government's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when the cash is actually received or paid. Therefore, revenues and expenses are reported in this statement for some items whose cash flow may occur in a future fiscal period. Taxes uncollected but earned or vacation leave unused but earned are examples of this.

Both of the government-wide financial statements distinguish functions of the City of New London that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of New London include general government, public works, public safety, health and welfare, culture and recreation, and education. The business-type activities of the City of New London include the Water Pollution Control Authority, Water Department, Ocean Beach Park and the Water Street Parking Garage.

The government-wide financial statements can be found on pages 14-15 of this report.

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. The City of New London, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City can be divided into the following three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate a comparison between governmental funds and governmental activities.

The City of New London maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, capital nonrecurring fund and school projects funds, all of which are considered to be major funds. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements on pages 50-57 of this report.

The City of New London adopts an annual budget for its general fund and select special revenue funds. A budgetary comparison statement has been provided to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds - The City of New London uses enterprise funds to report the functions presented as business-type activities in the government-wide financial statements. The City of New London uses enterprise funds to report the activities of the Water Pollution Control Authority, Water Department, Ocean Beach Park and Water Street Parking Garage. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Department and Water Pollution Control Authority, Ocean Beach Park and the Water Street Parking Garage. The Water Department and Water Pollution Control Authority are considered major funds, while Ocean Beach Park and Water Street Parking Garage are not.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

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's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24-25 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-48 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of New London's progress in funding its obligation to provide pension benefits to employees. This and other required supplementary information can be found on page 49 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may, over time, serve as a useful indicator of a government's financial position. At the close of the current fiscal year, assets exceeded liabilities by \$354,581,254.

The largest portion of the City of New London's net assets is reflected in the investment in capital assets. Capital assets include land, building, machinery and equipment, less any related debt used to acquire those assets that is still outstanding. Governmental activities capital assets include infrastructure (roads, sidewalks or bridges) for this year.

City of New London, Connecticut
Net Assets
June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets.....	\$ 41,028,112	\$ 38,137,703	\$ 21,759,304	\$ 14,558,890	\$ 62,787,416	\$ 52,696,593
Capital assets.....	191,794,880	175,150,980	155,898,003	158,041,542	347,692,883	333,192,522
Total assets.....	<u>232,822,992</u>	<u>213,288,683</u>	<u>177,657,307</u>	<u>172,600,432</u>	<u>410,480,299</u>	<u>385,889,115</u>
Current liabilities.....	8,394,513	9,508,407	986,756	257,479	9,381,269	9,765,886
Long-term liabilities.....	33,245,451	28,748,571	13,272,325	9,291,950	46,517,776	38,040,521
Total liabilities.....	<u>41,639,964</u>	<u>38,256,978</u>	<u>14,259,081</u>	<u>9,549,429</u>	<u>55,899,045</u>	<u>47,806,407</u>
Net Assets:						
Invested in capital assets, net of related debt.....	163,257,915	150,575,980	142,625,678	148,749,592	305,883,593	299,325,572
Unrestricted.....	<u>27,925,113</u>	<u>24,455,725</u>	<u>20,772,548</u>	<u>14,301,411</u>	<u>48,697,661</u>	<u>38,757,136</u>
Total Net Assets.....	<u>\$ 191,183,028</u>	<u>\$ 175,031,705</u>	<u>\$ 163,398,226</u>	<u>\$ 163,051,003</u>	<u>\$ 354,581,254</u>	<u>\$ 338,082,708</u>

At the end of the current fiscal year, the City of New London was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of New London, Connecticut
Changes in Net Assets
June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services.....	\$ 5,467,043	\$ 5,433,153	\$ 10,947,623	\$ 10,824,171	\$ 16,414,666	\$ 16,257,324
Operating grants and contributions.....	35,999,246	37,564,336			35,999,246	37,564,336
Capital grants and contributions.....	15,856,040	16,539,897	13,305		15,869,345	16,539,897
General revenues:						
Property taxes.....	37,389,839	36,410,252			37,389,839	36,410,252
Grants and contributions not restricted to specific programs.....	11,779,017	10,604,582			11,779,017	10,604,582
Unrestricted investment earnings....	878,128	615,212	605,696	389,765	1,483,824	1,004,977
Other general revenues, net.....	<u>1,607,809</u>				<u>1,607,809</u>	<u>-</u>
Total revenues.....	<u>108,977,122</u>	<u>107,167,432</u>	<u>11,566,624</u>	<u>11,213,936</u>	<u>120,543,746</u>	<u>118,381,368</u>

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program expenses:						
General government.....	\$ 6,645,392	\$ 7,594,239	\$	\$	\$ 6,645,392	\$ 7,594,239
Public works.....	11,512,325	10,413,757			11,512,325	10,413,757
Public safety.....	18,680,857	16,695,603			18,680,857	16,695,603
Health and welfare.....	199,837	267,841			199,837	267,841
Culture and recreation.....	2,802,203	2,757,676			2,802,203	2,757,676
Education.....	51,209,292	50,593,702			51,209,292	50,593,702
Interest on long-term debt.....	1,181,359	1,163,310			1,181,359	1,163,310
Water Pollution Control Authority....			4,378,957	3,862,183	4,378,957	3,862,183
Water Department.....			4,479,029	4,256,730	4,479,029	4,256,730
Ocean Beach Park.....			2,529,986	2,393,430	2,529,986	2,393,430
Water Street Garage.....			425,963		425,963	-
Total program expenses.....	<u>92,231,265</u>	<u>89,486,128</u>	<u>11,813,935</u>	<u>10,512,343</u>	<u>104,045,200</u>	<u>99,998,471</u>
Excess (Deficiency) Before Transfers....	16,745,857	17,681,304	(247,311)	701,593	16,498,546	18,382,897
Transfers.....	<u>(594,534)</u>	<u>(869,539)</u>	<u>594,534</u>	<u>869,539</u>	<u>-</u>	<u>-</u>
Increase in Net Assets.....	<u>\$ 16,151,323</u>	<u>\$ 16,811,765</u>	<u>\$ 347,223</u>	<u>\$ 1,571,132</u>	<u>\$ 16,498,546</u>	<u>\$ 18,382,897</u>

Total net assets of the City increased by \$16,498,546. In the Governmental Funds financial statements, revenues exceeded expenditures by \$4,514,423. Key elements of this change are as follows:

Governmental Activities - Governmental activities increased the City of New London's net assets by \$16,498,546. A discussion of FY 2007 activity follows:

- Total revenue for governmental activities increased \$1,809,690, or 2%. The majority is recorded under the categories of property taxes, state and federal revenues, and other.
- The City is in the process of building a new Jennings Elementary School and completing a Science & Technology Magnet High School. These construction projects are funded 77.86% and 100%, respectively, by the State of Connecticut, and represent the revenue received for school projects. The level of revenue from the Magnet School and the Jennings School will fall as these projects are completed. New additional revenue will come from the 21st Century School Construction Program which calls for the expenditure of up to \$61 million for the renovation as new of the Nathan Hale and Winthrop Elementary Schools as magnet schools.
- Revenue from all General Fund categories exceeded the budget by \$1,398,965. Some of the more significant changes, both positive and negative, included the following:
 - State PILOT Payments were \$588,980 more than the budget.
 - The City's share of slot machine receipts from casino operations was down by \$85,867.
 - Investment income exceeded the budget by \$360,450.
 - State education assistance exceeded the budget by \$207,856.
 - Property taxes were \$425,019 more than the budget as real estate collections and prior year taxes more than offset lower collections for personal property and motor vehicle taxes.
 - The telecommunications PILOT payment was \$133,825 less than the budgeted amount.
 - Licenses and permits were over the budget by \$27,000 led primarily by building permit fees.
 - An increase in interest and lien fees paid on delinquent property taxes of \$93,000 is the principal reason why fines and penalties increased by \$103,000.

- Charges for services were down by \$237,781. Increases of \$207,000 in conveyance taxes, \$163,000 in ambulance fees, \$73,000 in private duty police charges and \$44,000 in City Clerk recording charges were offset by the transfer of \$725,000 in anticipated Water Street Parking Garage fees to the newly created Parking Garage Fund.
- Increased investment earnings were \$360,450 or 2.4 times the estimated budget on the continued improvement in earnings from short-term investments. Investment interest rates grew from 3% at the beginning of the fiscal year to 5.25% by year-end.

For Governmental Activities, major expenditures are for education (56%), public safety (18%), general government (8%) and public works (12%). Total expenditures for governmental activities increased approximately less than 1% over the prior year. Key fluctuations in expenditures are as follows:

- During fiscal year 2007, unplanned increases in expenditures and additional appropriations were made for the following :

Education - Excess Special Ed Costs	\$	667,400
Education - Medicaid Costs		129,000
Junior Naval ROTC Program - Schools		50,339
New London High School Boiler Repair		66,000
New London HS Gymnasium Bleachers		49,000
New London HS Roof Repair		96,800
Nathan Hall Elementary School - Asbestos Abatement		12,260
Police Station Mold Abatement		92,200
Fire Department Command Vehicle		42,238
Ocean Beach Park Boardwalk		125,000
Downtown Activity Events		35,000
Computers and Other Equipment		57,651
Water Street Parking Garage - New Entrance		50,000
Miscellaneous Appropriations		35,868
Ocean Beach Park Deficit		<u>253,604</u>
	\$	<u><u>1,762,360</u></u>

The reasons for these changes are as follows:

- Funds were not budgeted by the Education Department for Excess Education Costs and Medicaid fees totaling \$796,400.
- The continuation of the Junior Naval ROTC Program was funded with an additional appropriation of \$50,339.
- Repairs were made to the New London High School, including the City's \$96,800 share of the \$500,270 cost of the partial roof replacement (balance to be paid for by the State of Connecticut from school construction grants); boiler replacement, \$66,000; and new gymnasium bleachers, \$49,000.
- Remediate Police Department mold conditions, \$92,200.
- Asbestos abatement remediation at the Nathan Hale Elementary School, \$12,260.
- Replacement of a Fire Department Battalion Command Vehicle, \$67,238.
- Provide additional funds for the replacement of the Boardwalk at Ocean Beach Park, \$125,000.

- Provide funds for the accumulated operating deficit of Ocean Beach Park Operations of \$253,604. Most of the deficit could be traced to maintenance and depreciation carried out by the Park Operators.
- Funds of \$50,000 were transferred to the Water Street Parking Garage Fund to provide for entrance repairs.
- An appropriation of \$35,000 was approved to enhance downtown activities designed to augment activities in the downtown area to enhance people-related events.
- An appropriation of \$3,000 was made for Charter Revision.
- New and replacement computers and related equipment were funded with an appropriation of \$57,651.
- Several minor appropriations were made for Police and Fire totaling \$7,868.

Business-Type Activities

Business-Type Activities increased the city's net assets by \$347,223. Prior to restating assets for infrastructure values, net assets increased from \$56,711,810 to \$163,051,003, an increase of \$106,339,193. Most of this increase can be related to the reporting of infrastructure assets.

- Net assets in the newly created Water Street Garage Fund were \$1,292,694 at year end. Operations resulted in a positive change in net assets of \$172,943.
- Ocean Beach Park operations had an operating deficit of \$481,476 before transfers of \$594,534. Although revenues have increased, the operation requires a subsidy to support park maintenance, reserve for future maintenance and depreciation program. The City provides for debt service obligations and some insurance costs. The replacement of large parts of the boardwalk began at the start of summer 2006 and will be completed by spring 2008. The total project is \$600,000 which has been funded by donations, City contributions and contributions of time and labor by Friends of the Park. At year end, total net assets were \$3,745,077.
- The Water Department experienced an operating deficit of \$86,576. As part of the on-going water improvement program, the City made additional appropriations of \$565,800 for water operation repairs. Total net assets at the end of the year were \$76,958,330.
- Water Pollution Control Operations resulted in an increase in net assets of \$147,798. Total net assets at the end of the year were \$81,402,125.

Financial Analysis of the Government's Funds

As stated earlier, the City of New London uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds- The focus on the City of New London's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of New London's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2007, the City of New London's governmental funds reported combined ending fund balances of \$23,085,274. This is an increase of \$4,514,423 in comparison with the prior year. Approximately 40% of the total fund balance is unreserved and available for spending at the City's discretion. Of the undesignated general fund total, \$2.8 million was appropriated to the 2007-08 budget for capital projects and improvements in keeping with Council's policy of using extra surplus funds for capital needs.

The fund balance of \$5,886,515 in the school projects fund is committed to the construction of the new Jennings Elementary School. The \$3,347,546 in the capital nonrecurring fund will be used for projects and purchases already approved by the City Council.

In the other governmental funds, the fund balance of \$4,438,692 has been committed to the community development fund, for rehabilitation loans, youth services and the completion of the Waterfront Park.

Part of the fund balance is reserved to indicate it has already been committed for spending as \$99,038 has been reserved for encumbrances while \$719,914 is a gift that is legally restricted for Senior Center programs.

The general fund is the chief operating fund of the City of New London. At the end of the current fiscal year, unreserved, undesignated fund balance in the general fund was \$9,167,725 while total fund balance was \$9,412,521. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.45% of total general fund budgetary expenditures of \$73,638,610, well in excess of Council's policy of having 8% in fund balance. This allowed the transfer of the \$2.8 million to the capital nonrecurring fund. After this transfer, undesignated fund balance was 8.64%.

Synopsis of General Fund Undesignated Fund Balance

	(Thousands) Fund Balance at June 30,	Increase (Decrease) from Prior Year
2007	\$9,168	\$2,407
2006	6,761	2,839
2005	3,387	(1,223)
2004	4,610	(1,174)
2003	5,784	(66)
2002	5,850	235
2001	5,615	(88)
2000	5,703	271
1999	5,432	503
1998	4,929	274
1997	4,655	(95)

The City of New London's total fund balance in the general fund increased by \$2,473,351 or 35.6% during the current fiscal year. Key factors in this increase are as follows:

- There were unexpended appropriations of \$2,588,127 remaining at the end of the year. Unexpended balances included the following:

○ City Council	\$ 14,125
○ Probate Court	24,150
○ City Manager	38,236
○ Elections	36,260
○ Finance	215,030
○ City Clerk	53,234
○ Police Department	295,674
○ Fire Department	150,609
○ Public Works	464,225
○ Development and Planning	199,008
○ Education	180,240
○ Debt Service	171,004
○ Fringe Benefits	83,429
○ Pensions and Heart & Hypertension	138,960

- Revenues exceeded the revised budget by \$1,398,965. Significant increases were:
 - Conveyance Taxes \$ 206,000
 - Recording Fees 44,000
 - Property Tax Collections 425,019
 - Property Tax Relief Grant 477,000
 - Delinquent Taxes 91,000
 - State PILOT Payments 256,000
 - Fire - Ambulance Service Fees 163,000
 - Police - Private Police 73,000
 - Public Works - Rentals 80,000
 - Public Works - Sale of Recyclables 19,700

- Significant reductions in revenues included:
 - PILOT Telephone Companies \$(133,800)
 - Public Works - Private Haulers (72,000)
 - Probate Court Support (19,600)

- In addition, \$882,753 was appropriated to the FY 2006-07 Budget from Fund Balance for City needs and capital improvements and \$796,400 for education matters.
- The City authorized \$1,298,379 in transfers to other funds in various activities.
- During the year, the City Council approved an additional \$1,762,360 in appropriations. Of this amount, \$83,207 was supported by additional revenue while \$1,679,153 came from fund balance. Additional appropriations were required to fund the Board of Education budget (\$846,739); contributions for capital projects, (\$794,753); for Downtown activities, (\$35,000); Water Street Garage entrance repairs, (\$50,000); Charter Revision Commission, (\$3,000); and several grants and contributions, (\$32,868).

Proprietary Funds - The City of New London's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Department were \$12,472,738, unrestricted net assets for the Water Pollution Control Authority were \$7,731,666, Ocean Beach Park had unrestricted net assets of (\$9,787) and Water Street Garage had unrestricted net assets of \$577,931. Other factors concerning these four funds have already been addressed in the discussion of the City of New London's business-type activities.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$751,537, of which \$83,207 was supported by revised revenue estimates. The remaining amounts were appropriated from fund balance. These differences have been discussed in the preceding paragraphs.

Capital Asset and Debt Administration

Capital Assets - The City of New London's investment in capital assets for its governmental and business-type activities as of June 30, 2007 is \$347,692,883 (net of accumulated depreciation). It includes land, buildings, improvements and machinery and equipment. Governmental funds now include infrastructure (roads and bridges), which had not been required by GASB 34 until the year ending June 30, 2007. The City restated the prior year's capital assets by \$80,592,515 for governmental activities and \$106,352,498 for business-type activities. After this restatement, the total increase in the City of New London's investment in capital assets for the current fiscal year was \$14,500,361, or 4.35%.

Major capital asset events during the current fiscal year include the following:

- The continued construction for the new Jennings School and Science & Technology Magnet High School.
- The contribution of \$794,753 for a number of capital projects discussed previously.

Additional information on the City of New London's capital assets can be found in note 4C on pages 35-36.

City of New London, Connecticut
Capital Assets, Net of Depreciation
June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land.....	\$ 6,103,736	\$ 6,140,086	\$ 2,059,792	\$ 2,059,792	\$ 8,163,528	\$ 8,199,878
Construction in progress.....	42,739,283	22,735,769	1,412,926	438,539	44,152,209	23,174,308
Land improvements.....	8,530,958	8,888,282	590,729	631,289	9,121,687	9,519,571
Buildings and improvements...	17,819,175	18,491,379	17,577,462	18,572,332	35,396,637	37,063,711
Improvements other than buildings.....	31,582,474	33,256,803	21,715,754	22,267,309	53,298,228	55,524,112
Machinery and equipment.....	5,381,462	5,046,146	7,263,110	7,719,783	12,644,572	12,765,929
Infrastructure.....	79,637,792	80,592,515	105,278,230	106,352,498	184,916,022	186,945,013
Total.....	<u>\$ 191,794,880</u>	<u>\$ 175,150,980</u>	<u>\$ 155,898,003</u>	<u>\$ 158,041,542</u>	<u>\$ 347,692,883</u>	<u>\$ 333,192,522</u>

Long-Term Debt - At the end of the current fiscal year, the City of New London had total bonded debt and loans outstanding of \$41,772,411. All debt is backed by the full faith and credit of the City government.

City of New London, Connecticut
Outstanding Debt
General Obligation Bonds and Loans
June 30, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 28,525,000	\$ 23,875,000	\$ 7,740,000	\$ 3,235,000	\$ 36,265,000	\$ 27,110,000
Clean water loans			5,507,411	6,041,867	5,507,411	6,041,867
Total	<u>\$ 28,525,000</u>	<u>\$ 23,875,000</u>	<u>\$ 13,247,411</u>	<u>\$ 9,276,867</u>	<u>\$ 41,772,411</u>	<u>\$ 33,151,867</u>

The City of New London's total debt increased by \$8,620,544 during fiscal year 2007. The City issued \$12,155,000 in long-term bonds in April 2007.

The ratio of governmental activities' bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens and investors. The data for the City at the end of fiscal year 2007 are as follows:

	Amount	Ratio of Debt to Assessed Value	Debt per Capita
Legal debt limit	\$ 263,089,568		
Bonded debt	29,555,000	2.32%	\$ 1,053
Legal debt margin	227,893,542		

Excluded from the above analysis is bonded debt of the Enterprise Funds - Waste Water Treatment and Water Bonds - totaling \$10.4 million, which will be paid from the receipts of the related activities in the Enterprise Funds.

The overall statutory debt limit for the City of New London is equal to seven times annual receipts from taxation or \$263,089,568. As of June 30, 2007, the City had \$35,062,412 of long-term debt outstanding subject to the debt limit, which is well below the statutory debt limit. Water debt is not subject to the debt limitation statute. The City of New London maintains an AA- rating from Fitch and an A+ from Standard & Poor's. Additional information on the City of New London's long-term debt can be found in note 4G on pages 38-41.

Economic Factors and Next Year's Budgets and Rates

The State is divided into ten labor market areas. New London's labor market area consists of New London, Norwich, Bozrah, Canterbury, East Lyme, Franklin, Griswold, Groton, Ledyard, Lisbon, Montville, North Stonington, Old Lyme, Old Saybrook, Plainfield, Preston, Salem, Sprague, Stonington and Waterford. As of June, 2007, the labor market area work force was 153,052 with employment of 146,542. The unemployment rate was 4.3%. The City of New London's workforce was 13,916 with employment of 12,122 and an unemployment rate of 5.7%. The statewide unemployment rate was 4.7%, and the United States unemployment rate was 4.4%.

The commercial occupancy rate of the City's downtown area is approximately 75%. City officials expect the rate will improve as there are a number of building renovation projects currently under way.

The City of New London will face important budgetary challenges in the next few years. Taxpayer petitions to lower the mill rate have forced the City Council to make budget reductions thus reducing spending levels for repairs, maintenance and equipment replacement. Some staffing reductions have occurred as well. Opportunities to generate additional revenue are limited. State revenue will remain flat as the State deals with its own financial difficulties. There is limited opportunity for economic development to increase the grand list and thereby ease the tax burden for homeowners and businesses. The City has approximately 5.67 square miles of land, most of which is fully developed. Of the \$1.85 billion value of all real and personal property in the city, 32.2% or \$596 million is tax exempt. This forces homeowners and local businesses to bear the brunt of tax increases. Efforts to provide some relief through the redevelopment of the Fort Trumbull area have been stalled by numerous legal and economic issues.

During the FY 2005-2006 budget process, the City Council voted to join the Ledge Light Health District to provide public health services. Ledge Light Health District also serves the neighboring municipalities of Groton, Waterford and Ledyard. In addition, responsibility for social services was turned over to area not-for-profit agencies. These changes resulted in savings of over \$376,000 in FY 2005-2006, savings that will continue into the future.

Since FY 2003, the Council has reduced the number of authorized positions from 350 to 301 in an effort to streamline operations and save money. As part of the FY 2006-2007 budget process, the City Council continued to explore alternative strategies that would provide an acceptable level of services for taxpayers at a reasonable cost including garbage collection and public works functions.

Requests for Information

The financial report is designed to provide a general overview of the City of New London's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to the Director of Finance, City of New London, 13 Masonic Street, New London, Connecticut 06320.

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BASIC FINANCIAL STATEMENTS

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents.....	\$ 17,209,055	\$ 19,903,564	\$ 37,112,619
Investments.....	1,299,156		1,299,156
Receivables, net of allowances for uncollectibles.....	19,198,605	1,968,364	21,166,969
Inventories.....	24,255	192,284	216,539
Internal balances.....	304,908	(304,908)	-
Due from fiduciary funds.....	697,891		697,891
Pension asset.....	2,294,012		2,294,012
Other assets.....	230		230
Capital assets, nondepreciable:			
Land.....	6,103,736	2,059,792	8,163,528
Construction in progress.....	42,739,283	1,412,926	44,152,209
Capital assets, net of accumulated depreciation:			
Land improvements.....	8,530,958	590,729	9,121,687
Buildings and improvements.....	17,819,175	17,577,462	35,396,637
Improvements other than buildings.....	31,582,474	21,715,754	53,298,228
Machinery and equipment.....	5,381,462	7,263,110	12,644,572
Infrastructure.....	79,637,792	105,278,230	184,916,022
Total assets.....	<u>232,822,992</u>	<u>177,657,307</u>	<u>410,480,299</u>
Liabilities:			
Accounts payable and accrued expenses.....	5,734,591	986,756	6,721,347
Accrued wages payable.....	556,864		556,864
Unearned revenue.....	1,584,080		1,584,080
Accrued interest payable.....	518,978		518,978
Noncurrent liabilities:			
Due within one year.....	3,260,133	1,124,454	4,384,587
Due in more than one year.....	29,985,318	12,147,871	42,133,189
Total liabilities.....	<u>41,639,964</u>	<u>14,259,081</u>	<u>55,899,045</u>
Net Assets:			
Investment in capital assets, net of related debt.....	163,257,915	142,625,678	305,883,593
Unrestricted.....	27,925,113	20,772,548	48,697,661
TOTAL NET ASSETS.....	<u>\$ 191,183,028</u>	<u>\$ 163,398,226</u>	<u>\$ 354,581,254</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2007

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/programs:							
Governmental activities:							
General government.....	\$ 6,645,392	\$ 2,565,842	\$ 1,341,027	\$	\$ (2,738,523)	\$	\$ (2,738,523)
Public works.....	11,512,325	1,038,245	273,085		(10,200,995)		(10,200,995)
Public safety.....	18,680,857	1,580,152	293,377	30,870	(16,776,458)		(16,776,458)
Health and welfare.....	199,837		43,840		(155,997)		(155,997)
Culture and recreation.....	2,802,203	32,411	110,344		(2,659,448)		(2,659,448)
Education.....	51,209,292	250,393	33,937,573	15,825,170	(1,196,156)		(1,196,156)
Interest expense.....	1,181,359				(1,181,359)		(1,181,359)
Total governmental activities.....	<u>92,231,265</u>	<u>5,467,043</u>	<u>35,999,246</u>	<u>15,856,040</u>	<u>(34,908,936)</u>		<u>(34,908,936)</u>
Business-type activities:							
Water Pollution Control Authority.....	4,378,957	4,255,635				(123,322)	(123,322)
Water Department.....	4,479,029	4,066,326				(412,703)	(412,703)
Ocean Beach Park.....	2,529,986	2,035,205		13,305		(481,476)	(481,476)
Water Street Garage.....	425,963	590,457				164,494	164,494
Total business-type activities.....	<u>11,813,935</u>	<u>10,947,623</u>	<u>-</u>	<u>13,305</u>	<u>-</u>	<u>(853,007)</u>	<u>(853,007)</u>
TOTAL.....	<u>\$ 104,045,200</u>	<u>\$ 16,414,666</u>	<u>\$ 35,999,246</u>	<u>\$ 15,869,345</u>	<u>(34,908,936)</u>	<u>(853,007)</u>	<u>(35,761,943)</u>
General revenues:							
Property taxes.....					37,389,839		37,389,839
Grants and contributions not restricted to specific programs.....					11,779,017		11,779,017
Unrestricted investment earnings.....					878,128	605,696	1,483,824
Miscellaneous revenues.....					1,607,809		1,607,809
Transfers.....					(594,534)	594,534	-
Total general revenues and transfers.....					<u>51,060,259</u>	<u>1,200,230</u>	<u>52,260,489</u>
Change in net assets.....					16,151,323	347,223	16,498,546
Net Assets - Beginning of Year, Restated.....					<u>175,031,705</u>	<u>163,051,003</u>	<u>338,082,708</u>
NET ASSETS - END OF YEAR.....					<u>\$ 191,183,028</u>	<u>\$ 163,398,226</u>	<u>\$ 354,581,254</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2007

Assets	General	Capital Nonrecurring Fund	School Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents.....	\$ 9,387,407	\$ 3,203,183	\$ 587,885	\$ 4,030,493	\$ 17,208,968
Investments.....		538,674		760,482	1,299,156
Receivables, net of allowance for uncollectible amounts.....	4,647,031	15,529	8,259,371	2,206,750	15,128,681
Due from other funds.....	1,944,267			21,557	1,965,824
Inventory.....				24,255	24,255
Other assets.....	230				230
TOTAL ASSETS.....	\$ 15,978,935	\$ 3,757,386	\$ 8,847,256	\$ 7,043,537	\$ 35,627,114
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued expenses.....	\$ 2,090,702	\$ 409,840	\$ 2,960,741	\$ 273,308	\$ 5,734,591
Accrued wages payable.....	556,864				556,864
Due to other funds.....	63			962,962	963,025
Deferred revenue.....	3,918,785			1,368,575	5,287,360
Total liabilities.....	6,566,414	409,840	2,960,741	2,604,845	12,541,840
Fund balances:					
Reserved for:					
Encumbrances.....	99,038				99,038
Senior Center.....				719,914	719,914
Unreserved, reported in:					
General fund:					
Designated for solid waste capital expenditures.....	145,758				145,758
Undesignated.....	9,167,725				9,167,725
Special revenue fund.....				3,718,778	3,718,778
Capital projects fund.....		3,347,546	5,886,515		9,234,061
Total fund balances.....	9,412,521	3,347,546	5,886,515	4,438,692	23,085,274
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 15,978,935	\$ 3,757,386	\$ 8,847,256	\$ 7,043,537	\$ 35,627,114

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Amounts reported for governmental activities in the statement of net assets (page 14) are different because of the following:

Fund balances - total governmental funds.....	\$	23,085,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets.....	\$	263,197,095
Less accumulated depreciation.....		<u>(71,402,215)</u>
Net capital assets.....		191,794,880
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Pension assets.....		2,294,012
Property tax receivables greater than 60 days.....		3,703,279
Interest receivable on property taxes.....		398,869
Receivable from the state for school construction projects.....		3,671,143
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Pension obligations.....		(2,990,464)
Bonds payable.....		(28,525,000)
Interest payable on bonds.....		(518,978)
Compensated absenses.....		(1,693,022)
Capital lease.....		(200,043)
Bond premium.....		(1,086,350)
Deferred charges.....		1,274,428
Claims and judgments.....		<u>(25,000)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES (page 14).....	\$	<u><u>191,183,028</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	General	Capital Nonrecurring Fund	School Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes.....	\$ 37,209,179				\$ 37,209,179
State and federal governments.....	36,743,503		15,619,964	11,596,864	63,960,331
Licenses and permits.....	633,537				633,537
Fines and penalties.....	524,178				524,178
Charges for services.....	3,868,477			440,851	4,309,328
Investment income.....	610,450	14,789	212,948	32,078	870,265
Other.....	3,540	441,676		1,170,455	1,615,671
Total revenues.....	<u>79,592,864</u>	<u>456,465</u>	<u>15,832,912</u>	<u>13,240,248</u>	<u>109,122,489</u>
Expenditures:					
Current:					
General government.....	4,461,006			1,845,545	6,306,551
Public safety.....	16,020,472			210,227	16,230,699
Public works.....	8,296,905			317,199	8,614,104
Health and welfare.....	187,263			5,000	192,263
Culture and recreation.....	1,065,672			509,044	1,574,716
Unallocated insurance and fringe benefits...	2,262,551				2,262,551
Education.....	40,042,646			10,221,496	50,264,142
Capital outlay.....		1,927,262	19,993,060	166,308	22,086,630
Debt service.....	3,536,876				3,536,876
Total expenditures.....	<u>75,873,391</u>	<u>1,927,262</u>	<u>19,993,060</u>	<u>13,274,819</u>	<u>111,068,532</u>
Excess (deficiency) of revenues over expenditures.....	<u>3,719,473</u>	<u>(1,470,797)</u>	<u>(4,160,148)</u>	<u>(34,571)</u>	<u>(1,946,043)</u>
Other Financing Sources (Uses):					
Issuance of bonds.....		3,155,000	3,900,000		7,055,000
Transfers in.....	52,257	600,823	158,060	600,583	1,411,723
Transfers out.....	(1,298,379)		(50,000)	(657,878)	(2,006,257)
Total other financing sources (uses).....	<u>(1,246,122)</u>	<u>3,755,823</u>	<u>4,008,060</u>	<u>(57,295)</u>	<u>6,460,466</u>
Net change in fund balances.....	2,473,351	2,285,026	(152,088)	(91,866)	4,514,423
Fund Balances, Beginning of Year	<u>6,939,170</u>	<u>1,062,520</u>	<u>6,038,603</u>	<u>4,530,558</u>	<u>18,570,851</u>
FUND BALANCES, END OF YEAR.....	<u>\$ 9,412,521</u>	<u>\$ 3,347,546</u>	<u>\$ 5,886,515</u>	<u>\$ 4,438,692</u>	<u>\$ 23,085,274</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, 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, 2007

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 17).....	\$ 4,514,423
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay.....	21,880,646
Depreciation expense.....	(5,141,398)
Loss on disposal of capital assets.....	(95,348)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:	
School building grant receipts.....	(326,028)
Increase in property tax receivable-accrual basis change.....	71,199
Increase in property tax interest and lien revenue.....	109,462
Change in pension assets and liabilities.....	(255,821)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:	
Bond principal payments.....	2,405,000
Bond issuance.....	(7,055,000)
Accrued interest.....	(53,727)
Capital lease payments.....	180,221
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Change in long-term compensated absences.....	(86,550)
Net amortization of premium and deferred bond issue costs.....	4,244
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES (PAGE 15).....	<u>\$ 16,151,323</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes.....	\$ 36,784,160	\$ 36,784,160	\$ 37,209,179	\$ 425,019
State and federal governments.....	33,523,080	33,593,276	34,442,126	848,850
Licenses and permits.....	606,455	606,455	633,537	27,082
Fines and penalties.....	420,680	420,680	524,178	103,498
Charges for services.....	4,098,265	4,106,258	3,868,477	(237,781)
Investment income.....	250,000	250,000	610,450	360,450
Other.....	126,675	131,693	3,540	(128,153)
Total revenues.....	<u>75,809,315</u>	<u>75,892,522</u>	<u>77,291,487</u>	<u>1,398,965</u>
Expenditures:				
Current:				
City Council.....	248,630	327,880	313,755	14,125
Probate Court.....	40,000	40,000	15,850	24,150
City Manager.....	766,890	795,890	757,654	38,236
Elections.....	165,140	165,140	128,880	36,260
Finance.....	2,319,185	2,149,185	1,934,155	215,030
City Clerk.....	361,175	369,168	315,934	53,234
Law.....	388,000	388,000	264,042	123,958
Office of Development and Planning.....	996,340	996,340	797,332	199,008
Police.....	9,132,150	9,441,773	9,146,099	295,674
Fire.....	7,001,145	7,013,077	6,862,468	150,609
Civil preparedness.....	19,260	19,260	11,905	7,355
Parking.....	325,110	375,110		375,110
Public works.....	8,650,130	8,761,130	8,296,905	464,225
Health and welfare.....	187,265	187,265	187,263	2
Recreation.....	513,040	513,040	495,522	17,518
Library.....	570,150	570,150	570,150	-
Unallocated insurance.....	1,585,915	1,575,915	1,492,486	83,429
Heart and hypertension and pension payments.....	909,025	909,025	770,065	138,960
Education.....	37,074,770	37,921,509	37,741,269	180,240
Debt service.....	4,221,880	3,707,880	3,536,876	171,004
Total expenditures.....	<u>75,475,200</u>	<u>76,226,737</u>	<u>73,638,610</u>	<u>2,588,127</u>
Excess (deficiency) of revenues over expenditures.....	<u>334,115</u>	<u>(334,215)</u>	<u>3,652,877</u>	<u>3,987,092</u>
Other Financing Sources (Uses):				
Transfers in.....			52,257	52,257
Transfers out.....	(334,115)	(1,344,938)	(1,298,379)	46,559
Total other financing uses.....	<u>(334,115)</u>	<u>(1,344,938)</u>	<u>(1,246,122)</u>	<u>98,816</u>
Net Change in Fund Balance.....	<u>\$ -</u>	<u>\$ (1,679,153)</u>	<u>2,406,755</u>	<u>\$ 4,085,908</u>
Fund Balance - Beginning of Year.....			<u>6,906,728</u>	
FUND BALANCE - END OF YEAR.....			<u>\$ 9,313,483</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				
	Major			Nonmajor	
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Garage	Totals
Assets:					
Current assets:					
Cash and cash equivalents.....	\$ 7,531,109	\$ 11,310,531	\$ 133,128	\$ 928,796	\$ 19,903,564
Receivables, net of allowances for collection losses.....	912,615	1,055,749			1,968,364
Due from other funds.....		63			63
Total current assets.....	8,443,724	12,366,343	133,128	928,796	21,871,991
Noncurrent assets:					
Inventory.....	15,193	177,091			192,284
Nondepreciable capital assets.....	1,082,385	2,336,279	54,054		3,472,718
Capital assets, net of accumulated depreciation.....	78,542,288	68,918,643	4,249,591	714,763	152,425,285
Total noncurrent assets.....	79,639,866	71,432,013	4,303,645	714,763	156,090,287
Total assets.....	88,083,590	83,798,356	4,436,773	1,643,559	177,962,278
Liabilities:					
Current liabilities:					
Accounts payable and accrued liabilities.....	727,251	70,696	142,915	45,894	986,756
Bonds payable - current.....	594,454	420,000	110,000		1,124,454
Due to other funds.....				304,971	304,971
Total current liabilities.....	1,321,705	490,696	252,915	350,865	2,416,181
Noncurrent liabilities:					
Bonds payable.....	5,357,957	6,290,000	475,000		12,122,957
Bond premiums.....	36,000	123,550			159,550
Deferred bond charges.....	(34,197)	(64,220)	(36,219)		(134,636)
Total noncurrent liabilities.....	5,359,760	6,349,330	438,781	-	12,147,871
Total liabilities.....	6,681,465	6,840,026	691,696	350,865	14,564,052
Net Assets:					
Invested in capital assets, net of related debt.....	73,670,459	64,485,592	3,754,864	714,763	142,625,678
Unrestricted.....	7,731,666	12,472,738	(9,787)	577,931	20,772,548
TOTAL NET ASSETS.....	\$ 81,402,125	\$ 76,958,330	\$ 3,745,077	\$ 1,292,694	\$ 163,398,226

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				Total
	Major			Nonmajor	
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Garage	
Operating Revenues:					
Charges for services.....	\$ 4,255,398	\$ 4,052,438	\$ 2,035,205	\$ 590,457	\$ 10,933,498
Operating Expenses:					
Cost of goods sold.....				6,557	6,557
Personnel services.....		139,482		2,533	142,015
Contractual services.....	2,321,955	2,740,445	2,285,906	340,862	7,689,168
Supplies and materials.....	26,056	12,442			38,498
Insurance and property taxes.....	98,300	214,377		9,000	321,677
Depreciation.....	1,725,668	1,192,443	188,041	67,011	3,173,163
Other.....	65,756	84,819	22,223		172,798
Total operating expenses.....	4,237,735	4,384,008	2,496,170	425,963	11,543,876
Operating income (loss).....	17,663	(331,570)	(460,965)	164,494	(610,378)
Nonoperating Revenue (Expenses):					
Federal and state grants.....			13,305		13,305
Interest income.....	271,120	326,127		8,449	605,696
Interest expense.....	(141,222)	(95,021)	(26,572)		(262,815)
Net bond amortization charges.....	237	13,888	(7,244)		6,881
Total nonoperating revenue (expense).....	130,135	244,994	(20,511)	8,449	363,067
Income (loss) before transfers.....	147,798	(86,576)	(481,476)	172,943	(247,311)
Transfers in.....			594,534		594,534
Change in net assets.....	147,798	(86,576)	113,058	172,943	347,223
Net Assets - Beginning of Year, Restated.....	81,254,327	77,044,906	3,632,019	1,119,751	163,051,003
NET ASSETS - END OF YEAR.....	\$ 81,402,125	\$ 76,958,330	\$ 3,745,077	\$ 1,292,694	\$ 163,398,226

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Enterprise Funds				
	Major			Nonmajor	
	Water Pollution Control Authority	Water Department	Ocean Beach Park	Water Street Garage	Total
Cash Flows from Operating Activities:					
Receipts from customers and users.....	\$ 4,088,709	\$ 3,914,545	\$ 2,035,205	\$ 590,457	\$ 10,628,916
Payments to suppliers.....	(1,768,823)	(2,996,440)	(2,237,530)	(310,525)	(7,313,318)
Payments to employees.....		(139,482)		(2,533)	(142,015)
Payments for interfund services used.....	(65,757)	(84,820)	(22,223)		(172,800)
Net cash provided by (used in) operating activities.....	2,254,129	693,803	(224,548)	277,399	3,000,783
Cash Flows from Capital and Related Financing Activities:					
Financing Activities:					
Issuance of debt.....		5,100,000			5,100,000
Principal payments on debt.....	(594,690)	(422,182)	(102,756)		(1,119,628)
Interest paid on debt.....	(140,985)	(81,133)	(33,816)		(255,934)
Purchase of property and equipment.....	(742,942)	(231,439)		(55,237)	(1,029,618)
Net cash provided by (used in) capital and related financing activities.....	(1,478,617)	4,365,246	(136,572)	(55,237)	2,694,820
Cash Flows from Noncapital and Related Financing Activities:					
Activities:					
Transfer in from other funds.....			594,534		594,534
Advances from other funds.....				698,185	698,185
Advances to other funds.....		(63)	(101,409)		(101,472)
Net cash provided by (used in) noncapital and related financing activities.....	-	(63)	493,125	698,185	1,191,247
Cash Flows From Investing Activities:					
Interest received on investments.....	271,120	326,127		8,449	605,696
Net cash provided by investing activities.....	271,120	326,127	-	8,449	605,696
Net increase in cash and cash equivalents.....	1,046,632	5,385,113	132,005	928,796	7,492,546
Cash and Cash Equivalents - Beginning of Year.....	6,484,477	5,925,418	1,123	-	12,411,018
CASH AND CASH EQUIVALENTS - END OF YEAR.....	\$ 7,531,109	\$ 11,310,531	\$ 133,128	\$ 928,796	\$ 19,903,564
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss).....	\$ 17,663	\$ (331,570)	\$ (460,965)	\$ 164,494	\$ (610,378)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense.....	1,725,668	1,192,443	188,041	67,011	3,173,163
(Increase) decrease in accounts receivable.....	(166,690)	(137,894)			(304,584)
Increase (decrease) in accounts payable.....	677,488	(29,176)	48,376	45,894	742,582
Total adjustments.....	2,236,466	1,025,373	236,417	112,905	3,611,161
Net cash provided by (used in) operating activities.....	\$ 2,254,129	\$ 693,803	\$ (224,548)	\$ 277,399	\$ 3,000,783

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2007

	Pension Trust Funds	Private Purpose Trust Fund	Agency Funds
Assets:			
Cash and cash equivalents.....	\$ 119,240	\$ 220,990	\$ 653,312
Investments, at fair value:			
U.S. Government securities.....	10,358,683		
Equities.....	29,193,322		
Corporate fixed income.....	1,727,788		
Money market.....	2,929,040		
Total investments.....	<u>44,208,833</u>		
Accounts receivable.....	137,279		8,452
Total assets.....	<u>44,465,352</u>	<u>220,990</u>	<u>\$ 661,764</u>
Liabilities:			
Accounts payable.....			155,626
Deposits held for others.....			506,138
Due to other funds.....	697,850	41	
Total liabilities.....	<u>697,850</u>	<u>41</u>	<u>\$ 661,764</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS AND OTHER PURPOSES.....	<u>\$ 43,767,502</u>	<u>\$ 220,949</u>	

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2007

	Pension Trust Fund	Private Purpose Trust Fund
Additions:		
Contributions:		
Employer.....	\$ 631,717	\$
Plan members.....	360,919	
Total contributions.....	<u>992,636</u>	-
Investment earnings:		
Interest.....	1,160,646	6,402
Appreciation.....	5,419,447	
Total investment earnings.....	<u>6,580,093</u>	6,402
Less investment expenses:		
Investment management fees.....	366,580	
Net investment income.....	<u>6,213,513</u>	6,402
Total additions.....	<u>7,206,149</u>	6,402
Deductions:		
Benefits.....	3,059,015	
Refund of contributions.....	41,906	
Total deductions.....	<u>3,100,921</u>	-
Change in net assets.....	4,105,228	6,402
Net Assets - Beginning of Year.....	<u>39,662,274</u>	214,547
NET ASSETS - END OF YEAR.....	<u>\$ 43,767,502</u>	<u>\$ 220,949</u>

The accompanying notes are an integral part of the financial statements

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The City of New London was incorporated in 1784 under the provisions of Special Act No. 330 as amended. The City operates under a Council - Manager form of government and provides a full range of services as authorized in its Charter. The City's major operations include education services, police and fire protection, public works, parks, recreation, sanitation, health and certain social services and general administration services.

The financial statements include all of the funds of the City that meet the criteria for inclusion as set forth in Statement of Governmental Accounting Standards No. 14 issued by the Governmental Accounting Standards Board.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

Related Organization

The City is responsible for appointing members of the board of the New London Housing Authority. The Town's accountability for this organization does not extend beyond making the appointments. The Housing Authority is not included in this report, as the City is not obligated to finance any deficit that the Housing Authority may incur, nor does the City subsidize the Housing Authority. The City obtains no financial benefit, nor can it impose its will upon the Housing Authority.

Jointly Governed Organizations

The City of New London and the Towns of East Lyme, Griswold, Groton, Ledyard, Montville, Norwich, Stonington and Waterford each appoint the board members of the Southeast Area Regional Transit District, which provides bus service to member towns. The City paid \$108,408 toward operations of the District for the year ended June 30, 2007.

The City and eleven other local municipalities each appoint the governing board of the Southeastern Connecticut Regional Resource Recovery Authority, with which the City contracts for waste management services. Each member is awarded voting units based on their population. The City paid \$1,478,573 in tipping fees for fiscal year 2007.

B. Basis of Presentation

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which may rely to a significant extent on fees and charges for support.

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. Certain indirect costs are allocated as part of the program expense reported for individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Agency funds use the accrual basis of accounting but have no measurement focus since they report only on assets and liabilities.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Nonrecurring Fund* accounts for the capital projects of the City not accounted for in another capital projects fund.

The *School Projects Fund* accounts for specially financed school capital projects under grants received from the Federal Government and the State of Connecticut.

The City reports the following major proprietary funds:

The *Water Pollution Control Authority* controls the operations of the City's water department and wastewater treatment plant, which are accounted for in the WPCA and Water Department funds. Both operations are independent in terms of their relationship to other City functions, and both operations are financed from direct charges to the users of the service. No portion of the funds' appropriations is supported by property taxes or other revenue sources of the City, nor are funds funneled from the water department or treatment plant to subsidize other City functions.

The *Water Department Fund* accounts for the City's water use operations.

The *Ocean Beach Park Fund* accounts for the operations of the City's beach and park. The operations are financed through fees charged to the users of the facility.

Additionally, the government reports the following fund types:

The *Private Purpose Trust Fund* is used to account for assets held by the City in a trustee capacity or as an agent on behalf of others. There is no requirement that any portion of these resources be preserved as capital.

The *Pension Trust Funds* account for the activity of the City's defined benefit pension plan, which accumulates resources payable for pension benefits to qualified employees.

The *Agency Funds* account for monies held by the City as custodian for student groups and city employees.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise funds include the cost of operations and maintenance, provisions for doubtful accounts and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Cash Equivalents

For purposes of reporting cash flows, all savings, checking, money market accounts and certificates of deposit with an original maturity of less than 90 days are considered to be cash equivalents.

D. Investments

Investments are stated at fair value.

E. Inventories and Prepaid Items

The inventory of the Cafeteria Fund is valued at cost using a last-in, first-out basis, except for the USDA inventory, which is valued at market value. The inventory of the Enterprise Funds is primarily valued at the lower of cost or market. Costs are determined using the consumption method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property taxes receivable are shown net of an estimate for uncollectible amounts. Property taxes receivable at June 30, 2007 are stated net of an allowance for uncollectible amounts of \$175,000.

G. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years. Purchased and constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The City has included infrastructure acquired during the fiscal year ended June 30, 1980 and subsequent.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings and improvements	40 - 50
Land improvements	20
Machinery and equipment.....	5 - 20
Infrastructure	50

H. Net Pension Assets/Liability

Governmental Funds:

The net pension asset or liability represents the cumulative difference between the annual pension cost and the City's contributions to the plans. This amount is calculated on an actuarial basis and is recorded as a noncurrent asset or liability in the government-wide financial statements, as appropriate.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable discount or premium, and bond issuance costs are reported as deferred charges.

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

J. Compensated Absences

Liabilities for vacation benefits are accrued at current salary rates. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements. Sick leave is not accrued as it does not vest and is contingent upon absences being caused by employees' future illnesses.

K. Fund Equity and Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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

Invested in Capital Assets, Net of Related Debt - This category represents all capital assets, net of accumulated depreciation and related debt.

Restricted Net Assets - This category represents amounts restricted to use by creditors, grantors, contributors, other governments or by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category represents net assets of the City not restricted for use.

L. Property Taxes

The City's property tax is levied each July 1 on the assessed value listed as of the prior October 1 for all real property located in the City. Assessed values are established at 70% of estimated market value. A revaluation of all real property is required to be completed no less than every five years. The last revaluation was completed for the list of October 1, 2004. Taxes collected in advance are reported as deferred revenue.

All property taxes are due and payable on July 1 of the year except for real estate and personal property taxes greater than \$100 which are due and payable in two installments, July 1 and January 1 of each year. Interest is charged at 18% on all taxes not paid within 30 days of the due date.

A certificate for continuation of lien for the tax due on property of any person is filed if taxes are not paid within one year of the due date.

It is the policy of the City to record deferred revenue in the fund financial statements for property taxes receivable at June 30 that have not been collected prior to September 1st. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30th that are applicable to the subsequent year's assessment are reflected as advance tax collections in both the fund financial statements and government-wide financial statements.

M. 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 disclosures 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.

2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City establishes budgets for its General Fund and the following Special Revenue Funds: Community Development, Senior Citizens Program and Town Aid in accordance with provisions of its Charter and the Connecticut General Statutes.

The Council follows these procedures in establishing the budgetary data reported in the financial statements:

- Prior to April 1, the City Manager submits to the City Council a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- The Council holds public deliberations during the month of April and submits the proposed budget and appropriations ordinance to the Board of Finance on or before May 1.
- The Board of Finance holds public deliberations for the budget and appropriations ordinance and submits its recommendations to the City Council on or before May 15.
- A public hearing by the Joint Council and Board of Finance is conducted to obtain taxpayer comments while the appropriations ordinance is under Board of Finance review.
- On or before June 1, the budget is legally enacted through passage of the appropriations ordinance.
- During the year, additional appropriation requests are submitted by the City Manager to the City Council. General Fund additional appropriations for the year ended June 30, 2007 amounted to \$1,762,360, of which \$1,679,153 was from fund balance and \$83,207 was from revised revenue estimates. Community Development additional appropriations for the year ended June 30, 2007 amounted to \$142,960, of which \$137,610 was from fund balance and \$5,350 was from revised revenue estimates. Senior Center additional appropriations for the year ended June 30, 2007 amounted to \$175,997, of which \$5,562 was from fund balance and \$170,435 was from revised revenue estimates. Formal budgetary integration is employed as a management control device during the year.
- The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level for the General Fund and the fund level for the Special Revenue Fund. The City Manager may transfer amounts between line items within a department.
- The Board of Education, which is not a separate legal entity, is authorized under state law to make any transfers required within their budget at their discretion. Appropriation of additional funds must have Board of Education and City Council approval.
- Generally, all unencumbered appropriations lapse at year-end and the encumbered appropriations are carried forward to the ensuing year. Appropriations for capital projects are continued until completion of applicable projects even when projects extend more than one fiscal year.

Basis of Budgeting

The City uses a basis of budgeting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued, and, accordingly, encumbrances outstanding at year end are reported in the general fund statement of revenues, expenditures and changes in fund balance - budget and actual as expenditures in the current year.

Encumbrances outstanding at year-end are reported as reservations of fund balance in the governmental funds balance sheet in accordance with GAAP, since they do not constitute expenditures or liabilities. In addition, the liquidation of prior year's encumbrances are reported as expenditures in the current year in the statement of revenues, expenditures and changes in fund balances - governmental funds as required by GAAP.

Budget - GAAP Reconciliation

A reconciliation of general fund statement of revenues, expenditures and changes in fund balance (budgetary basis) and the General Fund column in the statement of revenues, expenditures and changes in fund balance - governmental funds (GAAP basis) is as follows:

General Fund	Revenues	Expenditures	Fund Balance
Balance, budgetary basis, June 30, 2007	\$77,291,487	\$73,638,610	\$ 9,313,483
Encumbrances outstanding at June 30, 2006 liquidated during the year ended June 30, 2007		32,442	
Encumbrances outstanding at June 30, 2007		(99,038)	99,038
State contribution to teachers' retirement plan	2,301,377	2,301,377	
Balance, GAAP basis, June 30, 2007	<u>\$ 79,592,864</u>	<u>\$ 75,873,391</u>	<u>\$ 9,412,521</u>

3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits will not be returned. The City does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$10,648,322 of the City's bank balance of \$11,390,661 was exposed to custodial credit risk as follows:

	<u>Amount</u>
Uninsured and uncollateralized	\$ 9,533,489
Uninsured and collateral held by the pledging bank's Trust department, not in the City's name	<u>1,114,833</u>
Total amount subject to custodial credit risk	<u>\$ 10,648,322</u>

CITY OF NEW LONDON, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investments

As of June 30, 2007, the City had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Certificates of deposit	n/a	\$ 11,898,563	\$ 11,898,563	\$	\$
Corporate obligations	n/a	29,193,322	29,193,322		
Money Market	n/a	15,860,925	15,860,925		
Mutual Funds	n/a	76,967	76,967		
US Government Bonds	n/a	727,788			727,788
US Government Backed Securities	n/a	10,358,683			10,358,683
Reich & Tang	AAAm	352,518	352,518		
MBIA Class	AAA	10,535,770	10,535,770		
Total		<u>\$ 79,004,536</u>	<u>\$ 67,918,065</u>	<u>\$ -</u>	<u>\$ 11,086,471</u>

Investment Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy to address investment custodial credit risk.

Credit Risk - The City has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk - The City places no limit on the amount invested in any one issuer. More than 5% of the City's investments are invested in MBIA Class.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The City's investment policy, in conformity with applicable Connecticut General Statutes, authorizes investment in the State Treasurer's Short-Term Investment Fund (STIF) and Class Plus Investment. The value of the position in the pools is the same as the value of the pool shares. Regulatory oversight for the State Treasurer's Short-Term Investment Fund is provided quarterly by the Investment Advisory Council and the Treasurer's Cash Management Board. Regulatory oversight for Class Plus Investment is provided by an investment advisory council consisting of members appointed by the municipalities. Other authorized investments include pooled and joint investments meeting the requirements of the policy, excluding those pools investing in "derivative" securities, certificates of deposit, repurchase agreements and obligations of the United States and agencies of the federal government.

The Pension Trust Fund is also authorized to invest in corporate bonds, domestic common stocks, domestic equity real estate and international equities. The investments of this fund are held in trust by a trustee bank, which executes investment transactions under the direction of the pension plan's investment manager.

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

B. Receivables

Receivables at June 30, 2007 and applicable allowances for collection losses are as follows:

	General Fund	Capital Non-recurring	School Projects	Water Pollution Control Authority	Water Department	Other Governmental Funds	Totals
Current Receivables:							
Property taxes	\$ 3,685,764	\$	\$	\$	\$	\$ 972	\$ 3,686,736
Accounts receivable	1,231,342			70,782	106,119	1,061,614	2,469,857
Intergovernmental		15,529	8,259,371			1,144,164	9,419,064
Use charges				911,973	1,081,766		1,993,739
Total gross current receivables.....	4,917,106	15,529	8,259,371	982,755	1,187,885	2,206,750	17,569,396
Less: allowance for uncollectibles.....	270,075			70,140	132,136		472,351
Balance, Modified Accrual Basis, June 30, 2007.....	\$ 4,647,031	\$ 15,529	\$ 8,259,371	\$ 912,615	\$ 1,055,749	\$ 2,206,750	\$ 17,097,045

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 3,627,467	
Delinquent taxes receivable (General Government)	973	
Delinquent assessment receivable (Public Works)	74,840	
Miscellaneous accounts receivable (General Fund).....		\$ 3,924
Pre-payment of taxes and deposits made in advance (General Fund)		241,079
Disputed taxes (General Fund).....		46,314
Loans receivable (Community Development)		676,071
Loans receivable (Planning & Development Grants)		265,832
Unexpended balance of grant payments (all governmental funds)		350,860
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 3,703,280</u>	<u>\$ 1,584,080</u>

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

C. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,140,086	\$	\$ 36,350	\$ 6,103,736
Construction in progress	22,735,769	20,003,514		42,739,283
Total capital assets not being depreciated.....	28,875,855	20,003,514	36,350	48,843,019
Capital assets being depreciated:				
Land improvements	14,418,643	208,688		14,627,331
Buildings and improvements	39,250,427	282,087	943,976	38,588,538
Improvements other than buildings.....	39,598,551			39,598,551
Machinery and equipment.....	15,869,821	1,386,357		17,256,178
Infrastructure.....	104,283,478			104,283,478
Total capital assets being depreciated	213,420,920	1,877,132	943,976	214,354,076
Less accumulated depreciation for:				
Land improvements	(5,530,361)	(566,012)		(6,096,373)
Buildings and improvements	(20,759,048)	(895,293)	884,978	(20,769,363)
Improvements other than buildings.....	(6,341,748)	(1,674,329)		(8,016,077)
Machinery and equipment.....	(10,823,675)	(1,051,041)		(11,874,716)
Infrastructure.....	(23,690,963)	(954,723)		(24,645,686)
Total accumulated depreciation.....	(67,145,795)	(5,141,398)	884,978	(71,402,215)
Total capital assets being depreciated, net	146,275,125	(3,264,266)	58,998	142,951,861
Governmental Activities Capital Assets, Net	\$ 175,150,980	\$ 16,739,248	\$ 95,348	\$ 191,794,880
	Restated Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,059,792	\$	\$	\$ 2,059,792
Construction in progress	438,539	974,387		1,412,926
Total capital assets not being depreciated	2,498,331	974,387	-	3,472,718
Capital assets being depreciated:				
Land improvements	1,150,666			1,150,666
Buildings and improvements	45,107,772	55,237		45,163,009
Improvements other than buildings.....	36,754,513			36,754,513
Machinery and equipment.....	13,856,646			13,856,646
Infrastructure.....	134,283,457			134,283,457
Total capital assets being depreciated	231,153,054	55,237	-	231,208,291
Less accumulated depreciation for:				
Land improvements	(519,377)	(40,560)		(559,937)
Buildings and improvements	(26,535,440)	(1,050,107)		(27,585,547)
Improvements other than buildings.....	(14,487,204)	(551,555)		(15,038,759)
Machinery and equipment.....	(6,136,863)	(456,673)		(6,593,536)
Infrastructure.....	(27,930,959)	(1,074,268)		(29,005,227)
Total accumulated depreciation.....	(75,609,843)	(3,173,163)	-	(78,783,006)
Total capital assets being depreciated, net	155,543,211	(3,117,926)	-	152,425,285
Business-Type Activities Capital Assets, Net.....	\$158,041,542	\$(2,143,539)	\$ -	\$155,898,003

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Governmental activities:	
General government	\$ 18,032
Public works	2,361,873
Public safety.....	442,465
Culture and recreation	1,202,290
Education.....	<u>1,116,738</u>
Total Depreciation Expense - Governmental Activities.....	<u>\$5,141,398</u>
Business-type activities:	
Water Pollution Control Authority.....	\$1,725,668
Water Department.....	1,192,443
Ocean Beach Park.....	188,041
Water Street Garage	<u>67,011</u>
Total Depreciation Expense - Business-Type Activities.....	<u>\$3,173,163</u>

Construction Commitments

The City had active construction projects at June 30, 2007; the City is building an elementary school and a new magnet school. The elementary school is financed with a combination of general obligation bonds and State grants, and the magnet school is funded solely from a State grant. Starting this fiscal year, the City also began the Parade project, which is a reconstruction of the downtown area. This project is funded by a combination of State and Federal funding along with general obligation bonds. Also, the City's Water Department is working on the infiltration/inflow rehab program, which is funded by the City. At year-end, the City had outstanding commitments to contractors in the amount of \$13,901,857 and had spent \$20,120,248 during the year.

D. Interfund Receivables, Payables and Transfers

Interfund receivables and payables balances at June 30, 2007 are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds.....	\$ 941,405
	Nonmajor Enterprise Funds.....	304,971
	Nonexpendable Trust.....	41
	Pension Fund	<u>697,850</u>
	Total	<u>1,944,267</u>
Nonmajor Governmental Funds	Nonmajor Governmental Funds.....	21,557
Water Enterprise Fund	General Fund	<u>63</u>
	Total.....	<u>\$1,965,887</u>

Generally, interfund balances represent deficits in the pooled cash accounts.

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Interfund transfers at June 30, 2007 are as follows:

	Transfers In					Total
	General Fund	Capital Nonrecurring Fund	School Projects	Nonmajor Governmental Funds	Ocean Beach Park	
Transfers out:						
Nonmajor Governmental Funds.....	\$ 2,257	\$ 293,172	\$	\$ 362,449	\$	\$ 657,878
General Fund		307,651	158,060	238,134	594,534	1,298,379
School Projects.....	50,000					50,000
Total.....	\$ 52,257	\$ 600,823	\$ 158,060	\$ 600,583	\$ 594,534	\$ 2,006,257

Interfund transfers occurred during the year to subsidize operations in Ocean Beach Park, to provide matching funds for grants and to set aside funds for city projects in special revenue funds.

E. Leases

Operating Leases

The City leases photocopying equipment under noncancelable operating leases. In addition, the City leases 30 portable classrooms while a replacement school is being constructed. Total costs for such leases were \$517,716 for the year ended June 30, 2007. The future minimum lease payments are as follows:

Year Ending June 30	Amount
2008	\$ 106,240
2009	22,228
2010	7,234
Total minimum lease payments	\$ 135,702

Capital Leases

The City and the Board of Education are committed under various leases for photocopying and communication equipment. The leases, which are capitalized in the General Fund under the category of equipment, totaled \$1,026,944 at June 30, 2007. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$ 1,026,944
Less accumulated depreciation	477,352
Total	<u>\$ 549,592</u>

The following is a schedule of the future minimum lease payments under these capital leases and the present value of future minimum lease payments at June 30, 2007.

	Amount
2008	\$ 180,321
2009	23,808
2010	10,920
Total minimum lease payments.....	215,049
Less interest portion of minimum lease payments	15,006
Present value of future minimum lease payments	<u>\$ 200,043</u>

F. Short-Term Obligations - Bond Anticipation Notes

The City uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project. The City paid off \$700,000 of bond anticipation notes that matured in March 2007. They issued no new bond anticipation notes during the year.

G. Long-Term Debt

The following is a summary of changes in long-term obligations during the year:

Governmental Activities	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Due within one year
Bonds payable:					
General obligation bond	\$23,875,000	\$ 7,055,000	\$ 2,405,000	\$28,525,000	\$ 2,415,000
Less deferred amounts:					
Issue costs	(303,758)		(30,473)	(273,285)	
Loss on refunding.....	(1,105,440)		(104,297)	(1,001,143)	
Premium	1,225,364		139,014	1,086,350	
Total bonds payable.....	23,691,166	7,055,000	2,409,244	28,336,922	2,415,000
Compensated absences.....	1,606,472	1,153,405	1,066,855	1,693,022	677,209
Claims and judgments.....	25,000			25,000	
Capital lease obligation.....	380,264		180,221	200,043	167,924
Net pension obligation	3,045,669		55,205	2,990,464	
Total Long-Term Liabilities, Governmental Activities.....	<u>\$ 28,748,571</u>	<u>\$ 8,208,405</u>	<u>\$ 3,711,525</u>	<u>\$ 33,245,451</u>	<u>\$3,260,133</u>

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Business-Type Activities	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Due within one year
Bonds payable					
General obligation bonds.....	\$ 3,235,000	\$ 5,100,000	\$ 595,000	\$ 7,740,000	\$ 590,000
Less deferred amounts:					
Issue costs.....	(66,694)		(14,151)	(52,543)	
Loss on refunding.....	(90,411)		(8,318)	(82,093)	
Premium.....	172,187	16,707	29,344	159,550	
Total bonds payable.....	3,250,082	5,116,707	601,875	7,764,914	590,000
Clean water fund loans.....	6,041,868		534,457	5,507,411	534,454
Total Long-Term Liabilities, Business-Type Activities.....	\$ 9,291,950	\$ 5,116,707	\$ 1,136,332	\$ 13,272,325	\$ 1,124,454

Compensated absences, pension benefits, claims and judgments, and capital lease obligations are generally liquidated by the General Fund.

General Obligation Bonds

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

General obligation bonds are direct obligations of the City, for which the City's good faith and credit are pledged and payable from taxes levied on all taxable property located within the City. School building grants of \$3,671,143 will be used to pay debt issued for school construction; however, the City is liable for all outstanding bonds. General obligation bonds, exclusive of related deferrals, currently outstanding are as follows:

Governmental Activities	Date of Issue	Original Issue	Interest Rate	Date of Maturity	Annual Principal	Principal Outstanding June 30, 2007
General Obligation Bonds.....	4/1/07	\$ 7,055,000	3.5-5.5%	4/1/2027	\$ 275,000- 505,000	\$ 7,055,000
General Obligation Bonds.....	2/5/03	20,305,000	4-5%	2/1/2017	51,000- 1,290,000	16,145,000
General Obligation Bonds.....	2/5/03	5,250,000	2-4.5%	6/30/2023	275,000- 300,000	4,425,000
General Obligation Bonds.....	7/15/99	17,100,000	4.5-6.5%	2/15/2008	900,000	900,000
Total.....						<u>\$ 28,525,000</u>

Principal

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Business-Type Activities	Date of Issue	Original Issue	Interest Rate	Date of Maturity	Annual Principal	Principal Outstanding June 30, 2007
General Obligation Bonds	4/1/07	\$5,100,000	3.5-5.5%	4/1/2027	\$ 250,000-300,000	\$ 5,100,000
General Obligation Bonds	2/1/03	1,025,000	4.09%	2/1/12	110,000-120,000	585,000
General Obligation Bonds	12/1/88	2,400,000	6.9-7.3%	12/1/08	120,000	240,000
General Obligation Bonds	2/5/03	3,230,000	4-5%	2/1/15	50,000-220,000	<u>1,815,000</u>
						<u>7,740,000</u>
Clean Water Bonds	12/30/96	4,618,392	2%	12/30/16	115,460-230,920	1,962,817
Clean Water Bonds	1/31/00	1,306,151	2%	12/31/15	40,817-81,635	693,893
Clean Water Bonds	3/31/00	1,615,141	2%	2/28/21	60,568-80,758	948,895
Clean Water Bonds	12/31/01	700,861	2%	3/31/19	30,326-40,434	475,102
Clean Water Bonds	2/28/02	2,014,170	2%	8/31/21	16,875-100,709	<u>1,426,704</u>
						<u>5,507,411</u>
Total						<u><u>\$ 13,247,411</u></u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 2,415,000	\$ 1,308,670	\$ 590,000	\$ 337,285
2009	2,425,000	1,196,570	595,000	306,026
2010	2,495,000	1,080,133	725,000	278,943
2011	2,825,000	948,744	550,000	242,535
2012	2,485,000	808,431	545,000	124,455
2013-2017	11,130,000	2,423,719	1,810,000	777,000
2018-2022	3,000,000	738,125	1,500,000	465,000
2023-2027	1,750,000	186,500	1,425,000	168,000
TOTAL	<u>\$28,525,000</u>	<u>\$ 8,690,892</u>	<u>\$ 7,740,000</u>	<u>\$2,699,244</u>

Bonds Authorized Unissued - At June 30, 2007, the City had bonds of \$42,703,749 authorized and unissued for sewer improvements.

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The City is subject to the general statutes of the State of Connecticut, which limit the amount of debt outstanding. In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum debt amount permitted under this formula would be approximately \$263 million.

Advance and Current Refundings

On February 5, 2003, the City issued \$23,535,000 in general obligation bonds with an interest rate of 5% to refund \$23,555,000 in general obligation bonds.

The proceeds of the bonds were placed in an escrow account and used to purchase U.S. Treasury, Federal National Mortgage and Local Government Series securities in order to provide for redemption of the refunded bonds. The advance refunded bonds will be redeemed in increments. The refunded bonds are considered to be defeased, and the related liability has been removed from the statement of net assets. At June 30, 2007, the amount of defeased debt outstanding was \$13,816,200 for governmental activities and \$1,740,000 for business-type activities. The market value of the investments held in escrow was \$9,864,946 at June 30, 2007. The purposes of the refunding were to offset the impact of a reduction in State aid to municipalities and to take advantage of low interest rates.

Clean Water Fund Loans

The City of New London participates in the State of Connecticut’s Clean Water Fund Program (Connecticut General Statutes Section 22a-475, as amended), which provides financial assistance through a combination of grants and loans bearing an interest rate of 2%. The loan proceeds fund various wastewater treatment plant improvement projects. All participating municipalities receive a grant of 20% and loan of 80% of total eligible costs. The loan obligation is serviced in the Water Pollution Control Authority enterprise fund.

Project loan obligations payable to the State of Connecticut mature as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2008	\$ 534,454	\$ 105,259
2009	534,454	94,560
2010	534,454	83,871
2011	534,454	73,182
2012	534,454	62,493
2013-2017	2,203,438	158,771
2018-2022	631,703	21,722
Total	<u>\$ 5,507,411</u>	<u>\$ 599,858</u>

New Debt

On April 1, 2007, the City issued new bonds totaling \$12,155,000, \$7,055,000 of Governmental Type General Obligation Bonds and \$5,100,000 of Business Type General Obligation Bonds. These bonds incur interest at a rate of 3.5%-5.5% and mature on April 1, 2027.

4 EMPLOYEE RETIREMENT PLANS

I. Employee Retirement Systems and Pension Plans

The City of New London is the administrator of two single-employer Defined Benefit Public Employee Retirement Systems (PERS), The City of New London Noncontributory Pension Program and The City of New London Contributory Pension Program. The PERS are established and administered by the City to provide pension benefits for its non-teacher employees. The PERS contributory plan is considered to be part of the City of New London's financial reporting entity and is included in the City's financial statements as a pension trust fund. The PERS noncontributory plan is funded on a pay-as-you go basis from the General Fund of the City. These plans do not issue stand-alone financial reports, nor are they included in the report of a public employee's retirement system.

A. Plan Description

Noncontributory Pension Plan:

The plans' membership is open to City employees hired prior to May 1, 1971 with the exception of certified teachers and administrative personnel at the Board of Education. The plan was established through city ordinance. The plan is closed to employees hired subsequent to May 1, 1971.

Employees who retire from the City are entitled to annual retirement, disability and death benefits. Employees are 100% vested after 15 years of service. The retirement benefit is calculated at 33-1/3% of compensation for the first 15 years of service plus 1-2/3% of compensation for each of the next 10 full years of service. Compensation is defined as base pay plus longevity received in the final year of employment.

Contributory Pension Plan:

The plan's original membership included substantially all City employees hired after May 1, 1971 with the exception of certified teachers and administrative personnel at the Board of Education. The plan was established through city ordinance. Effective December 2000, the plan remains open only to members of the Public Works Union, certain Department Heads and General Unaffiliated individuals, and Board of Education Unaffiliated, Custodian and Secretarial members who have elected to continue plan membership.

During fiscal year 2001, the Municipal Employees Union and General Unaffiliated members elected to withdraw from the City's Contributory Pension Plan and enroll in a 401(a) plan. The plan is administered by the ICMA Retirement Corporation. All MEU and General Unaffiliated members hired subsequent to December 2000 will be covered under the 401(a) plan. The transfer became effective during fiscal year 2002. The City transferred \$3.3 million of Contributory Pension Plan assets to this plan.

Effective January 1, 2000, the City's Police Force enrolled in the Municipal Employees Retirement System (MERS). A portion of the assets of the Contributory plan was transferred on their behalf. All policemen hired after this date will be covered by MERS.

Employees who retire from the City Contributory Pension Plan are entitled to annual retirement, disability and death benefits. Employees are vested from 50% after 10 years of service ratably to 100% after 15 years of service. The retirement benefit is calculated at 3% of compensation for each year of service up to a maximum of 20 years. Compensation is defined as the average of the highest three years base pay plus longevity.

Plan participants as of July 1, 2006 consisted of:

	Noncontributory Pension Plan	Contributory Pension Plan
Retirees and beneficiaries currently receiving benefits	57	199
Vested terminated employees	-	16
Active employees.....	13	155
Total Participants	70	370

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The City's pension trust fund's financial statements are prepared on the accrual basis of accounting. Employee and plan member contributions are recognized as revenues in the period in which the employee services are performed. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Valuation of Investments - Investments are valued at fair value. Securities traded on a national exchange are valued at the June 30, 2007 reported sales price.

Administration Costs - The costs of administering the plans are financed through investment income.

C. Funding Policy

Noncontributory Plan:

Employee contributions are not required. The plan is expensed as benefits are due. The plan is not prefunded.

Contributory Plan:

Employees covered by the plan are required to contribute 6% of their base salary plus an amount based upon longevity. Amounts contributed are refundable, upon election, when the employee leaves the City's service.

The employer is required to contribute the remaining amounts necessary to finance coverage as determined through annual actuarial valuations.

D. Concentrations

Investments that represented greater than 5% of commingled net assets at June 30, 2007 are as follows:

United States Treasury Notes	\$ 6,186,557
ING Investment Management Co.	4,324,973
Hillwick Asset Management	11,147,048
Anchor Capital Advisors	5,966,453
Brandes Investment Partners	9,129,918
Earnest Partners LLC	2,930,318

E. Annual Pension Cost and Net Pension Obligations

The City of New London's annual pension cost and net pension obligation to the Pension Plans for the year ended June 30, 2007 were as follows:

	Noncontributory Pension Plan	Contributory Pension Plan
Annual required contribution (ARC).....	\$ 875,000	\$ 933,000
Interest on net pension obligation	228,425	(195,378)
Adjustment to annual required contribution	(309,834)	205,121
Annual pension cost.....	793,591	942,743
Contributions made	848,796	631,717
Increase in net pension obligation.....	(55,205)	311,026
Net Pension Obligation (Asset), beginning of Year	3,045,669	(2,605,038)
Net Pension Obligation (Asset), End of Year	\$ 2,990,464	\$ (2,294,012)

The annual required contribution for the current year was determined as part of the July 1, 2006 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5% investment rate of return and (b) 5% projected salary increases. The assumptions did not include inflation. The actuarial value of assets is determined at market value. The unfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis. The remaining amortization period as of July 1, 2006 was 30 years. The City did not perform an actuarial valuation on July 1, 2007. The City has elected to perform bi-annual valuations. The next valuation is scheduled for July 1, 2008.

F. Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
Noncontributory Pension Plan:				
6/30/05	\$ 1,104,219	\$ 785,004	71.1%	\$ 2,685,318
6/30/06	1,092,223	731,872	67.0	3,045,669
6/30/07	793,591	848,796	107.0	2,990,464
Contributory Pension Plan:				
6/30/05	1,359,415	770,506	56.7	(3,297,078)
6/30/06	1,397,129	705,089	50.5	(2,605,038)
6/30/07	942,743	631,717	67.0	(2,294,012)

II. Firefighters Defined Contribution Plan

A. Plan Description

In June 1997, two single-employer, defined contribution plans (Plan A and Plan B) were established by the City Council for firefighters. The firefighters and the City are both required to make contributions. The plan is administered by the ICMA Retirement Trust Corporation.

The plans' membership is open to all firefighters represented by the union for collective bargaining purposes. The chief and deputy chief are also eligible. The current year covered payroll is \$2,850,322 for Plan A and \$658,204 for Plan B. The City's current year payroll for all employees is \$41,779,510.

The participants' interest in their contributions account and rollover contributions account shall be fully vested in the participant at all times. The participants' interest in the employer contributions vests as follows:

Plan A - All participants are fully vested after 5 years of service.

Plan B - Fully vested at plan inception.

The City's and employees' contributions are determined by union contract, and are as follows:

	Plan A	Plan B
Required employee contribution as a % of covered payroll	7.0%	4.0%
Required city contribution as a % of covered payroll	9.5%	1.0%
Actual employee contribution	\$ 199,308	\$ 26,542
Actual employer contribution.....	\$ 270,777	\$ 6,581

B. Plan Participants (as of June 30, 2007)

	Plan A	Plan B
Fully Vested.....	55	11
Nonvested.....	1	-
Total	56	11

III. MEU and Unaffiliated Employees Defined Contribution Plan

A. Plan Description

During fiscal year 2001, the Municipal Employees Union negotiated with the City to withdraw from the City's defined benefit pension plan and to establish a defined contribution 401(a) plan. The City Council also elected to offer membership in the defined contribution plan to unaffiliated employees. All MEU and unaffiliated employees hired after December 1, 2000 are required to enroll in the plan. The City and plan members are both required to make contributions. The plan is administered by the ICMA Retirement Trust Corporation.

CITY OF NEW LONDON, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The participant's interest in employer contributions to their account and amounts rolled from the defined benefit plan are vested after 5 years of service. The City's and employee's contribution are determined by union contract for the MEU and through City Council authorization for unaffiliated employees. The current year covered payroll for the plan is \$1,772,927. Following is a schedule of contributions for the current fiscal year:

Required employee contribution as a % of covered payroll.....	6.0%
Required city contribution as a % of covered payroll	9.5%
Actual employee contribution	\$ 111,607
Actual employer contribution	\$ 168,437

B. Plan Participants (as of June 30, 2007)

Fully Vested.....	25
Nonvested	<u>7</u>
Total	<u>32</u>

IV. Police Pension Plan

A. Plan Description

As a result of negotiations between the police union and the City, effective January 1, 2000, police union members elected to enroll in the State of Connecticut Municipal Employees Retirement System (MERS). All policemen hired after this date will be covered by MERS.

MERS is a cost sharing multiple employer public employees retirement system (PERS) defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. MERS issues a publicly available financial report that may be obtained by writing to the State of Connecticut, Office of the State Comptroller, Municipal Employees Retirement Fund, 55 Elm Street, Hartford, CT 06106.

B. Contributions Required and Contributions Made

Each participating municipality is required by State statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general city employees and, within those two groups, with versus without Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit's date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending on the unit's date of participation and other factors.

Contributions were made as follows:

Fiscal Year	Annual Required Contribution	Percentage Contributed
6/30/05	\$ 260,364	100%
6/30/06	379,113	100
6/30/07	404,041	100

V. Teachers

Teachers participate in a contributory defined-benefit plan established under Chapter 167a of the Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Full-time certified teachers are vested in the system after ten years of service.

All certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings. The Board of Education does not contribute to the plan. Prior to July 1, 1989, teachers were vested in their contributions up to 5% of their earnings prior to five years of service. After five years of service teachers were fully vested in their own contributions. After ten years of service teachers are fully vested and entitled to a monthly pension benefit that is payable at the age of 60. The State of Connecticut contributes amounts based on the actuarial reserve basis described in C.G.S. Sections 10-183b(7). The State's contribution to the plan on behalf of the City of New London for the fiscal year ended June 30, 2007 was \$2,301,377 and is recognized in the governmental funds GAAP basis statement of revenues, expenditures and changes in fund balance. For the year ended June 30, 2007, teachers of the City of New London contributed \$1,328,420 to the plan, and covered payroll for the year was \$18,323,034. Effective July 1, 1989, 1% of the mandatory 7.25% contribution is placed into a fund from which retirees' health insurance premiums will be paid. This 1% contribution is no longer credited to the member's individual account and does not vest.

5 OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The City purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three fiscal years, and there have not been any significant reductions in insurance coverage from amounts held in prior years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example for salvage or subrogation, are another component of the claims liability estimate. Changes in the claims liability for the past two years are as follows:

	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2005-06....	\$25,000	\$ -	\$ -	\$25,000
2006-07....	25,000	-	-	25,000

Interlocal Risk Pool

The City is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section, 7-479a et. seq. of the Connecticut General Statutes.

The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 209 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in coverage period 2006-2007 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in 2006-2007 by the City was \$1,434,328. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$1,000,000 per occurrence. Claims over \$1,000,000 are reinsured. Payments to the Workers' Compensation Pool are made through the General Fund.

6 PRIOR PERIOD ADJUSTMENTS

Governmental Activities - Capital Assets

In accordance with GASB Statement No. 34, the City has retroactively capitalized infrastructure for assets acquired during fiscal years ending June 30, 1980 to June 30, 2002. The result is an increase in capital assets and net assets of \$79,662,645, the majority of which related to infrastructure.

Water Pollution Control Authority Fund

Infrastructure was inadvertently excluded in the Water Pollution Control Authority Fund resulting in an increase to capital assets and net assets of \$48,292,396.

Water Department Fund

Infrastructure was inadvertently excluded in the Water Department Fund resulting in an increase to capital assets and net assets of \$58,060,102.

Ocean Beach Park Fund

Activity of a nonrelated project was incorrectly included in the Ocean Beach Park Fund in prior years. The result of the restatement was a decrease in net assets of \$13,305.

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CITY OF NEW LONDON, CONNECTICUT

REQUIRED SUPPLEMENTARY INFORMATION - PENSION TRUST FUNDS

Analysis of Funding Progress

Plan Year	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
<i>Noncontributory Plan:</i>						
7/1/2001	\$ -	\$ 10,531,000	\$ 10,531,000	0.00%	\$ 794,000	1326.32%
7/1/2002	-	10,300,000	10,300,000	0.00%	775,000	1329.03%
7/1/2003	-	10,197,000	10,197,000	0.00%	838,000	1216.83%
7/1/2004	-	9,998,000	9,998,000	0.00%	760,000	1315.53%
7/1/2005	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2006	-	9,632,000	9,632,000	0.00%	705,000	1366.24%

Contributory Plan:

7/1/2001	\$ 42,926,000	\$ 41,186,000	\$ (1,740,000)	104.22%	\$ 6,605,000	(26.34)%
7/1/2002	34,044,000	39,113,000	5,069,000	87.04%	6,846,000	74.04%
7/1/2003	34,045,000	40,021,000	5,976,000	85.07%	7,393,000	80.83%
7/1/2004	36,447,000	40,424,000	3,977,000	90.16%	7,273,000	54.68%
7/1/2005	N/A	N/A	N/A	N/A	N/A	N/A
7/1/2006	39,662,000	42,358,000	2,696,000	93.64%	5,963,000	45.21%

Schedule of Employer Contributions

Year Ended	Noncontributory Plan		Contributory Plan	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
6/30/2002	\$ 1,155,000	69%	\$ 609,000	56%
6/30/2003	1,153,000	69%	1,346,000	58%
6/30/2004	1,177,000	67%	1,481,000	52%
6/30/2005	1,161,000	71%	1,267,000	59%
6/30/2006	1,164,000	63%	1,309,000	54%
6/30/2007	875,000	97%	933,000	68%

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

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**SUPPLEMENTAL, COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds:

- Cafeteria Fund: To account for the Child Nutrition Program including funds received from the Federal Government and the State of Connecticut for reimbursement of school cafeteria expenditures.
- Community Development: To account for specially financed community development programs under grants received from the Federal Government to be used for capital expenditures or for the acquisition of capital facilities, improvements and/or equipment.
- General Government: To account for miscellaneous funds received for specific expenditures relating to the operations of the City.
- Municipal Reserve: To account for funds received from the General Fund to finance special projects.
- Public Works Grants: To account for specially financed public works programs under grants received from the Federal Government and the State of Connecticut. One of the projects included in this fund is Town Aid, for which an annual budget is adopted.
- Public Safety Grants: To account for specially financed public safety programs under grants received from the Federal Government and the State of Connecticut.
- Health & Welfare Grants: To account for specially financed health and welfare programs under grants received from the Federal Government and the State of Connecticut.
- Disability Fund: To account for monies reserved to pay for employees' disability claims.
- Planning & Development Grants: To account for specially financed planning and development programs under grants received from the Federal Government and the State of Connecticut.
- Recreation Grants: To account for specially financed recreation programs under grants received from the Federal Government and the State of Connecticut.
- Senior Center: To account for an unrestricted contribution given to the City to be used for a senior center.
- Education Grants Fund: To account for federal and state grants and private contributions received specifically for education.

CITY OF NEW LONDON, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007

Special Revenue Funds

	CAFETERIA FUND	COMMUNITY DEVELOPMENT	GENERAL GOVERNMENT	MUNICIPAL RESERVE	PUBLIC WORKS GRANTS	PUBLIC SAFETY GRANTS	HEALTH & WELFARE GRANTS
<u>ASSETS</u>							
Cash and cash equivalents.....	\$ 339,030	\$ 1,382,830	\$ 670,551	\$ 99,131	\$ 59,753	\$ 96,943	\$ 6,733
Investments.....							92,012
Receivables, net:							
Taxes.....			972				
Loans.....		676,071					
Accounts.....		6,897			74,840		
Intergovernmental.....	252,286	159,677			99,592	13,575	
Due from other funds.....							
Inventory.....	24,255						
50 TOTAL ASSETS.....	\$ 615,571	\$ 2,225,475	\$ 671,523	\$ 99,131	\$ 234,185	\$ 110,518	\$ 98,745
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities:							
Accounts payable and accrued liabilities.....	\$	\$ 154,921	\$	\$ 7,753	\$ 57,165	\$ 3,283	\$ 8,000
Due to other funds.....	142,368	820					
Deferred revenue.....		676,071	972		74,840		
Total liabilities.....	142,368	831,812	972	7,753	132,005	3,283	8,000
Fund balance:							
Reserved.....							
Unreserved:							
Undesignated.....	473,203	1,393,663	670,551	91,378	102,179	107,236	90,745
Total fund balance.....	473,203	1,393,663	670,551	91,378	102,179	107,236	90,745
TOTAL LIABILITIES AND FUND BALANCE.....	\$ 615,571	\$ 2,225,475	\$ 671,523	\$ 99,131	\$ 234,184	\$ 110,519	\$ 98,745

(Continued on next page)

CITY OF NEW LONDON, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2007

Special Revenue Funds

	DISABILITY FUND	PLANNING & DEVELOPMENT GRANTS	RECREATION GRANTS	SENIOR CENTER	EDUCATION GRANTS	TOTAL
<u>ASSETS</u>						
Cash and cash equivalents.....	\$ 68,373	\$ 462,968	\$ 85,734	\$ 73,001	\$ 685,446	\$ 4,030,493
Investments.....				668,470		760,482
Receivables, net:						
Taxes.....						972
Loans.....		265,631				941,702
Accounts.....					38,175	119,912
Intergovernmental.....			2,312		616,722	1,144,164
Due from other funds.....			21,557			21,557
Inventory.....						24,255
15 TOTAL ASSETS.....	\$ 68,373	\$ 728,599	\$ 109,603	\$ 741,471	\$ 1,340,343	\$ 7,043,537
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities:						
Accounts payable and accrued liabilities.....	\$	\$	\$ 10,701	\$	\$ 31,485	\$ 273,308
Due to other funds.....				21,557	798,217	962,962
Deferred revenue.....		265,832			350,860	1,368,575
Total liabilities.....	-	265,832	10,701	21,557	1,180,562	2,604,845
Fund balance:						
Reserved				719,914		719,914
Unreserved:						
Undesignated.....	68,373	462,767	98,902		159,781	3,718,778
Total fund balance.....	68,373	462,767	98,902	719,914	159,781	4,438,692
TOTAL LIABILITIES AND FUND BALANCE.....	\$ 68,373	\$ 728,599	\$ 109,603	\$ 741,471	\$ 1,340,343	\$ 7,043,537

CITY OF NEW LONDON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds						
	CAFETERIA FUND	COMMUNITY DEVELOPMENT	GENERAL GOVERNMENT	MUNICIPAL RESERVE	PUBLIC WORKS GRANTS	PUBLIC SAFETY GRANTS	HEALTH & WELFARE GRANTS
Revenues:							
Intergovernmental.....	\$ 1,549,613	\$ 1,270,104	\$	\$ 19,825	\$ 192,327	\$ 215,054	\$
Charges for services.....	149,438	117,330	123,343				
Miscellaneous.....	20,735	119,548	285,351		40,578	69,500	8,402
Investment income.....	9,170						
Total revenues.....	1,728,956	1,506,982	408,694	19,825	232,905	284,554	8,402
Expenditures:							
General government.....		1,595,574	139,984				
Public works.....					317,199		
Public safety.....						210,227	
Health and welfare.....							5,000
Culture and recreation.....							
Education.....	1,657,032						
Capital outlay.....				166,308			
Total expenditures.....	1,657,032	1,595,574	139,984	166,308	317,199	210,227	5,000
Excess (deficiency) of revenues over expenditures.....	71,924	(88,592)	268,710	(146,483)	(84,294)	74,327	3,402
Other financing sources (uses):							
Transfers in.....		205,350		158,200	9,875	7,451	
Transfers out.....		(309,500)		(280,060)	(19,986)	(4,802)	
Net other financing sources (uses).....	-	(104,150)	-	(121,860)	(10,111)	2,649	-
Net change in fund balance.....	71,924	(192,742)	268,710	(268,343)	(94,405)	76,976	3,402
Fund balance, July 1.....	401,279	1,586,405	401,841	359,721	196,584	30,260	87,343
FUND BALANCE, JUNE 30.....	\$ 473,203	\$ 1,393,663	\$ 670,551	\$ 91,378	\$ 102,179	\$ 107,236	\$ 90,745

(Continued on next page)

CITY OF NEW LONDON, CONNECTICUT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Special Revenue Funds

	DISABILITY FUND	PLANNING & DEVELOPMENT GRANTS	RECREATION GRANTS	SENIOR CENTER	EDUCATION GRANTS	TOTAL
Revenues:						
Intergovernmental.....	\$	\$	\$ 110,344	\$	8,239,597	\$ 11,596,864
Charges for services.....		49,548	1,192			440,851
Miscellaneous.....	68,373	26,218	260,718		271,032	1,170,455
Investment income.....				22,908		32,078
Total revenues.....	68,373	75,766	372,254	22,908	8,510,629	13,240,248
Expenditures:						
General government.....		109,987				1,845,545
Public works.....						317,199
Public safety.....						210,227
Health and welfare.....						5,000
Culture and recreation.....			509,044			509,044
Education.....					8,564,464	10,221,496
Capital outlay.....						166,308
Total expenditures.....	-	109,987	509,044	-	8,564,464	13,274,819
Excess (deficiency) of revenues over expenditures.....	68,373	(34,221)	(136,790)	22,908	(53,835)	(34,571)
Other financing sources (uses):						
Transfers in.....			219,707			600,583
Transfers out.....		(5,350)	(3,000)	(35,180)		(657,878)
Net other financing sources (uses).....	-	(5,350)	216,707	(35,180)	-	(57,295)
Net change in fund balance.....	68,373	(39,571)	79,917	(12,272)	(53,835)	(91,866)
Fund balance, July 1.....	-	502,338	18,985	732,186	213,616	4,530,558
FUND BALANCE, JUNE 30.....	\$ 68,373	\$ 462,767	\$ 98,902	\$ 719,914	\$ 159,781	\$ 4,438,692

CITY OF NEW LONDON, CONNECTICUT

COMMUNITY DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental.....	\$ 915,348	\$ 915,348	\$ 862,880	\$ (52,468)
Miscellaneous.....			117,110	117,110
Total revenues.....	915,348	915,348	979,990	64,642
Expenditures:				
Redevelopment Administration.....	36,450	55,263	20,718	34,545
Office of Development and Planning.....	220,410	250,378	219,452	30,926
Women's Center.....	5,000	5,000	5,000	-
OIC.....	42,000	42,000	42,000	-
CT Teen Peace.....	11,000	11,000	11,000	-
Centro de la Comunidad.....	27,000	27,000	27,000	-
Big Brothers/Big Sisters.....	9,000	9,000	9,000	-
Alliance for Living.....	10,000	10,000	10,000	-
TVCCA.....	14,000	14,000	14,000	-
BP Learned House.....	15,000	15,000	15,000	-
Drop-in Learning Center.....	17,000	17,000	17,000	-
Senior Citizens Program.....	97,500			-
Neighborhood Infrastructure Improvement	34,000	49,418	49,418	-
New London Recreation.....	51,200	47,443	46,443	1,000
Child Adoption Resource.....	6,500	6,500	6,500	-
Ye Olde Town Mill.....	30,000	54,052	54,052	-
Public Library Renovation.....	50,000	50,000	50,000	-
Neighborhood Alliance.....	5,000	5,000	5,000	-
LVA-GNL.....	3,000	3,000	3,000	-
NL Police Department.....	3,500	3,500	3,500	-
Hempstead Colony Area.....		18,458	2,968	15,490
Merchant Loan Program.....		15,000		15,000
Downtown Historic Lighting.....		7,448	7,448	-
New London Housing Authority.....		18,298	18,298	-
Façade Improvement Program.....	41,838	39,016	39,016	-
Sound Community Services.....	18,000	18,000	18,000	-

(Continued on next page)

CITY OF NEW LONDON, CONNECTICUT

COMMUNITY DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Catholic Charities & Family Services of Norwich.....	\$ 2,000	\$ 2,000	\$ 2,000	\$ -
Community Meal Center.....	20,000	20,000	20,000	-
Neighborhood Enhancement.....	198,010	205,094	164,656	40,438
Housing Conservation.....	171,440	171,440	153,249	18,191
YMCA Day Camp.....	2,500	2,500	2,500	-
Kente Cultural Center.....	32,000	32,000	32,000	-
Habitat for Humanity.....	11,000			-
Eugene O'Neill Theater.....	6,000			-
Total expenditures.....	<u>1,190,348</u>	<u>1,223,808</u>	<u>1,068,218</u>	<u>155,590</u>
Deficiency of revenues over expenditures.....	<u>(275,000)</u>	<u>(308,460)</u>	<u>(88,228)</u>	<u>220,232</u>
Other Financing Sources (Uses):				
Appropriation of fund balance.....	275,000	212,610		(212,610)
Transfer in.....	200,000	205,350	205,350	-
Transfer out.....	-	(109,500)	(109,500)	-
Total other financing sources.....	<u>475,000</u>	<u>308,460</u>	<u>95,850</u>	<u>(212,610)</u>
Net change in fund balance.....	<u>\$ 200,000</u>	<u>\$ -</u>	<u>7,622</u>	<u>\$ 7,622</u>
Fund Balance - Beginning of Year.....			<u>92,692</u>	
FUND BALANCE - END OF YEAR.....			<u>\$ 100,314</u>	

CITY OF NEW LONDON, CONNECTICUT

SENIOR CENTER
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Miscellaneous.....	\$	\$ 170,435	\$ 35,179	\$ (135,256)
Expenditures:				
General government.....	215,685	388,682	208,084	180,598
Deficiency of revenues over expenditures.....	(215,685)	(218,247)	(172,905)	45,342
Other Financing Sources (Uses):				
Appropriation of fund balance.....		5,562		(5,562)
Transfer in.....	215,685	215,685	172,528	(43,157)
Transfer out.....		(3,000)	(3,000)	-
Total other financing sources.....	215,685	218,247	169,528	(48,719)
Net change in fund balance.....	\$ -	\$ -	(3,377)	\$ (3,377)
Fund Balance - Beginning of Year.....			-	
FUND BALANCE - END OF YEAR.....			\$ (3,377)	

CITY OF NEW LONDON, CONNECTICUT

TOWN AID
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental.....	\$ 182,425	\$ 182,425	\$ 192,327	\$ 9,902
Expenditures:				
General government.....	182,425	182,425	127,991	54,434
Excess of revenues over expenditures.....	-	-	64,336	64,336
Net change in fund balance.....	<u>\$ -</u>	<u>\$ -</u>	64,336	<u>\$ 64,336</u>
Fund Balance - Beginning of Year.....			<u>91,851</u>	
FUND BALANCE - END OF YEAR.....			<u>\$ 156,187</u>	

FIDUCIARY FUNDS

Agency Funds:

- Unemployment Compensation Escrow - To account for funds used to pay the State for claims by employees who worked under the Community Development Program.
- Student Activity - To account for funds used for after-school activities.
- Board of Education Activity - To account for Board of Education activities.
- Good Faith Deposits - To account for funds that represent deposits from private redevelopers for performance of obligations to be performed.
- U.S. Savings Bonds - To account for payroll deductions to purchase U.S. Savings Bonds for employees.
- Miscellaneous Deposits - To account for deposits held in escrow.

CITY OF NEW LONDON, CONNECTICUT

AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2007

	BALANCE JULY 1, 2006	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2007
<u>ASSETS</u>				
CASH AND CASH EQUIVALENTS:				
Unemployment compensation escrow.....	\$ 269,031	\$ 266,247	\$ 254,393	\$ 280,885
Student activity.....	40,151	151,267	152,991	38,427
Board of Education activity.....	101,869	420,564	431,389	91,044
Good faith deposits.....	52,802	1,302		54,104
U.S. savings bonds.....	97	5,790	5,800	87
Miscellaneous deposits.....	145,378	150,181	106,794	188,765
TOTAL CASH AND CASH EQUIVALENTS.....	609,328	995,351	951,367	653,312
ACCOUNTS RECEIVABLE:				
Miscellaneous deposits.....	7,616	8,452	7,616	8,452
TOTAL ASSETS.....	\$ 616,944	\$ 1,003,803	\$ 958,983	\$ 661,764
<u>LIABILITIES</u>				
DEPOSITS HELD FOR OTHERS:				
Unemployment compensation escrow.....	\$ 269,031	\$ 266,247	\$ 254,393	\$ 280,885
Student activity.....	40,151	151,267	152,991	38,427
Board of Education activity.....	101,869	420,564	431,389	91,044
Good faith deposits.....	52,802	1,302	-	54,104
U.S. savings bonds.....	97	5,790	5,800	87
Miscellaneous deposits.....	49,492	13,852	21,753	41,591
TOTAL DEPOSITS HELD FOR OTHERS.....	513,442	859,022	866,326	506,138
ACCOUNTS PAYABLE:				
Miscellaneous deposits.....	103,502	139,324	87,200	155,626
DUE TO STATE:				
Miscellaneous deposits.....	-	5,457	5,457	-
TOTAL LIABILITIES.....	\$ 616,944	\$ 1,003,803	\$ 958,983	\$ 661,764

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OTHER SCHEDULES

CITY OF NEW LONDON, CONNECTICUT

SCHEDULE OF TAX COLLECTIONS
FOR THE YEAR ENDED JUNE 30, 2007

GRAND LIST YEAR	UNCOLLECTED TAXES JULY 1, 2006	CURRENT YEAR LEVY	LAWFUL CORRECTIONS		ADJUSTED AMOUNT COLLECTIBLE	TAXES COLLECTED	UNCOLLECTED TAXES JUNE 30, 2007
			ADDITIONS	DEDUCTIONS			
1990.....	\$ 110,648	\$	\$	\$ 109,590	\$ 1,058	\$ 179	\$ 879
1991.....	90,287				90,287	193	90,094
1992.....	71,885				71,885	279	71,606
1993.....	89,196			30	89,166	520	88,646
1994.....	104,152				104,152	995	103,157
1995.....	139,139		34	229	138,944	1,213	137,731
1996.....	162,866			189	162,677	1,995	160,682
1997.....	174,995				174,995	3,017	171,978
1998.....	156,309			437	155,872	2,443	153,429
1999.....	324,042			3,702	320,340	2,152	318,188
2000.....	286,747			27,172	259,575	4,180	255,395
2001.....	262,070			35,013	227,057	8,149	218,908
2002.....	392,531		128	38,433	354,226	40,839	313,387
2003.....	428,628			87,130	341,498	24,994	316,504
2004.....	889,826		4,482	132,023	762,285	355,706	406,579
TOTAL PRIOR YEARS.....	3,683,321	-	4,644	433,948	3,254,017	446,854	2,807,163
2005.....	-	37,909,219	132,608	400,757	37,641,070	36,762,469	878,601
TOTAL.....	\$ 3,683,321	\$ 37,909,219	\$ 137,252	\$ 834,705	\$ 40,895,087	37,209,323	\$ 3,685,764
						INTEREST ON DELINQUENT TAXES.....	366,517
						LIEN FEES.....	384
						ADVANCE COLLECTIONS.....	241,079
							<u>\$ 37,817,303</u>

CITY OF NEW LONDON, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
FOR THE YEAR ENDED JUNE 30, 2007

Total tax collections (including interest and lien fees) for current fiscal year.....	\$ 37,576,224
Reimbursement for revenue loss on: Tax relief for elderly freeze.....	<u>8,000</u>
BASE FOR DEBT LIMITATION COMPUTATION.....	<u>\$ 37,584,224</u>

DEBT LIMITATION:	GENERAL PURPOSES	SCHOOLS	SEWERS	URBAN RENEWAL
2 1/4 times base.....	\$ 84,564,504	\$	\$	\$
4 1/2 times base.....		169,129,008		
3 3/4 times base.....			140,940,840	
3 1/4 times base.....				<u>122,148,728</u>
TOTAL DEBT LIMITATION.....	<u>84,564,504</u>	<u>169,129,008</u>	<u>140,940,840</u>	<u>122,148,728</u>
INDEBTEDNESS:				
Bonds payable.....	15,955,000	13,155,000	5,952,412	
Debt authorized and unissued.....		<u>21,358,749</u>	<u>21,345,000</u>	
TOTAL INDEBTEDNESS	<u>15,955,000</u>	<u>34,513,749</u>	<u>27,297,412</u>	<u>-</u>
LESS:				
State school building grant receivable.....		3,671,143		
State school construction grants.....		<u>22,012,972</u>		
TOTAL SCHOOL GRANTS	<u>-</u>	<u>25,684,115</u>	<u>-</u>	<u>-</u>
NET INDEBTEDNESS	<u>15,955,000</u>	<u>8,829,634</u>	<u>27,297,412</u>	<u>-</u>
DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT.....	<u>\$ 68,609,504</u>	<u>\$ 160,299,374</u>	<u>\$ 113,643,428</u>	<u>\$ 122,148,728</u>

The total of the above indebtedness amounts to \$35,196,026. In no event shall total indebtedness exceed \$263,089,566 (seven times the base for debt limitation computation).
Data exclude self-supporting water bonds which are excluded by Connecticut General Statutes.

STATISTICAL SECTION

This part of the City of New London, Connecticut's comprehensive annual report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

Contents	Page
Financial Trends	61-64
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	65-67
These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	
Debt Capacity	68-69
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Demographic and Economic Information	70-71
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Information	72-74
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	

CITY OF NEW LONDON, CONNECTICUT

NET ASSETS BY COMPONENT

SINCE INCEPTION OF GASB 34
(Accrual Basis of Accounting)

	FISCAL YEAR				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities:					
Invested in capital assets, net of related debt	\$ 20,568,939	\$ 22,326,594	\$ 59,275,199	\$ 70,913,335	\$ 163,257,915
Unrestricted	<u>31,331,887</u>	<u>24,923,575</u>	<u>19,282,096</u>	<u>24,455,725</u>	<u>27,925,113</u>
Total Governmental Activities Net Assets	<u>\$ 51,900,826</u>	<u>\$ 47,250,169</u>	<u>\$ 78,557,295</u>	<u>\$ 95,369,060</u>	<u>\$ 191,183,028</u>
Business-Type Activities:					
Invested in capital assets, net of related debt	\$ 40,907,387	\$ 42,293,639	\$ 42,539,955	\$ 42,397,094	\$ 142,625,678
Unrestricted	<u>15,540,730</u>	<u>12,826,255</u>	<u>12,600,723</u>	<u>14,314,716</u>	<u>20,772,548</u>
Total Business-Type Activities Net Assets	<u>\$ 56,448,117</u>	<u>\$ 55,119,894</u>	<u>\$ 55,140,678</u>	<u>\$ 56,711,810</u>	<u>\$ 163,398,226</u>
Primary Government:					
Invested in capital assets, net of related debt	\$ 61,476,326	\$ 64,620,233	\$ 101,815,154	\$ 113,310,429	\$ 305,883,593
Unrestricted	<u>46,872,617</u>	<u>37,749,830</u>	<u>31,882,819</u>	<u>38,770,441</u>	<u>48,697,661</u>
Total Primary Government Net Assets	<u>\$ 108,348,943</u>	<u>\$ 102,370,063</u>	<u>\$ 133,697,973</u>	<u>\$ 152,080,870</u>	<u>\$ 354,581,254</u>

NOTE: The City began to report accrual information when it implemented GASB Statement No. 34 during fiscal year June 30, 2003.

CITY OF NEW LONDON, CONNECTICUT

CHANGES IN NET ASSETS

SINCE INCEPTION OF GASB 34
(Accrual Basis of Accounting)

	FISCAL YEAR				
	2003	2004	2005	2006	2007
Expenses:					
Governmental activities:					
General government	\$ 10,473,606	\$ 11,048,625	\$ 10,683,027	\$ 7,594,239	\$ 6,645,392
Public works	8,462,988	8,604,560	9,930,757	10,413,757	11,512,325
Public safety	14,605,619	14,524,806	15,507,454	16,695,603	18,680,857
Health and welfare	2,003,351	1,814,031	1,575,855	267,841	199,837
Culture and recreation	3,504,073	2,893,894	2,754,249	2,757,676	2,802,203
Education	46,977,288	47,497,948	47,806,135	50,593,702	51,209,292
Interest expense	965,684	1,092,206	953,624	1,163,310	1,181,359
Total governmental activities expenses	<u>86,992,609</u>	<u>87,476,070</u>	<u>89,211,101</u>	<u>89,486,128</u>	<u>92,231,265</u>
Business-type activities:					
Water	4,359,521	3,896,028	4,709,881	3,862,183	4,378,957
Sewer	4,085,366	6,629,151	3,812,625	4,256,730	4,479,029
Ocean Beach Park	2,070,795	2,308,372	2,470,671	2,393,430	2,529,986
Water Street Garage					425,963
Total business-type activities expenses	<u>10,515,682</u>	<u>12,833,551</u>	<u>10,993,177</u>	<u>10,512,343</u>	<u>11,813,935</u>
Total Primary Government Expenses	<u>\$ 97,508,291</u>	<u>\$ 100,309,621</u>	<u>\$ 100,204,278</u>	<u>\$ 99,998,471</u>	<u>\$ 104,045,200</u>
Program Revenues:					
Governmental activities:					
Charges for services	\$ 4,228,648	\$ 5,259,363	\$ 6,031,887	\$ 5,433,153	\$ 5,467,043
Operating grants and contributions	35,539,026	35,587,412	34,512,913	37,564,336	35,999,246
Capital grants and contributions	1,936,090	1,742,278	37,184,162	16,539,897	15,856,040
Total governmental activities program revenues	<u>41,703,764</u>	<u>42,589,053</u>	<u>77,728,962</u>	<u>59,537,386</u>	<u>57,322,329</u>
Business-type activities:					
Water	4,876,410	4,674,968	4,285,178	4,104,266	4,066,326
Sewer	4,327,477	4,423,456	3,982,438	4,264,969	4,255,635
Ocean Beach Park	2,260,847	1,974,280	2,157,560	2,061,724	2,048,510
Parking Garage				393,212	590,457
Total business-type activities program revenues	<u>11,464,734</u>	<u>11,072,704</u>	<u>10,425,176</u>	<u>10,824,171</u>	<u>10,960,928</u>
Total Primary Government Program Revenues	<u>\$ 53,168,498</u>	<u>\$ 53,661,757</u>	<u>\$ 88,154,138</u>	<u>\$ 70,361,557</u>	<u>\$ 68,283,257</u>
Net revenues (expenses):					
Governmental activities	\$ (45,288,845)	\$ (44,887,017)	\$ (11,482,139)	\$ (29,948,742)	\$ (34,908,936)
Business-type activities	<u>949,052</u>	<u>(1,760,847)</u>	<u>(568,001)</u>	<u>311,828</u>	<u>(853,007)</u>
Total Primary Government Net Expense	<u>\$ (44,339,793)</u>	<u>\$ (46,647,864)</u>	<u>\$ (12,050,140)</u>	<u>\$ (29,636,914)</u>	<u>\$ (35,761,943)</u>
General Revenues and Other					
Changes in Net Assets:					
Governmental activities:					
Property taxes	\$ 28,538,705	\$ 29,508,234	\$ 32,393,346	\$ 36,410,252	\$ 37,389,839
Grants and contributions not restricted to specific programs	13,040,617	10,811,229	10,296,686	10,604,582	11,779,017
Unrestricted investment earnings	707,228	152,587	292,314	615,212	878,128
Other general revenues - net	26,927	100,000			1,607,809
Transfers	(321,269)	(335,690)	(335,690)	(869,539)	(594,534)
Total governmental activities	<u>41,992,208</u>	<u>40,236,360</u>	<u>42,646,656</u>	<u>46,760,507</u>	<u>51,060,259</u>
Business-type activities:					
Unrestricted investment earnings	157,575	96,934	253,095	389,765	605,696
Transfers	321,269	335,690	335,690	869,539	594,534
Total business-type activities	<u>478,844</u>	<u>432,624</u>	<u>588,785</u>	<u>1,259,304</u>	<u>1,200,230</u>
Total Primary Government	<u>\$ 42,471,052</u>	<u>\$ 40,668,984</u>	<u>\$ 43,235,441</u>	<u>\$ 48,019,811</u>	<u>\$ 52,260,489</u>
Change in Net Assets:					
Governmental activities	\$ (3,296,637)	\$ (4,650,657)	\$ 31,164,517	\$ 16,811,765	\$ 16,151,323
Business-type activities	<u>1,427,896</u>	<u>(1,328,223)</u>	<u>20,784</u>	<u>1,571,132</u>	<u>347,223</u>
Total Primary Government	<u>\$ (1,868,741)</u>	<u>\$ (5,978,880)</u>	<u>\$ 31,185,301</u>	<u>\$ 18,382,897</u>	<u>\$ 16,498,546</u>

NOTE: The City began to report accrual information when it implemented GASB Statement No. 34 during fiscal year June 30, 2003.

CITY OF NEW LONDON, CONNECTICUT

FUND BALANCE OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund:										
Reserved	\$ 328,014	\$ 879,366	\$ 937,281	\$ 133,363	\$ 330,645	\$ 265,110	\$ 203,485	\$ 187,732	\$ 32,442	\$ 99,038
Unreserved	<u>4,929,288</u>	<u>5,432,297</u>	<u>5,703,443</u>	<u>5,615,484</u>	<u>5,849,652</u>	<u>5,783,692</u>	<u>4,610,303</u>	<u>4,066,529</u>	<u>6,906,728</u>	<u>9,313,483</u>
Total General Fund	<u>\$ 5,257,302</u>	<u>\$ 6,311,663</u>	<u>\$ 6,640,724</u>	<u>\$ 5,748,847</u>	<u>\$ 6,180,297</u>	<u>\$ 6,048,802</u>	<u>\$ 4,813,788</u>	<u>\$ 4,254,261</u>	<u>\$ 6,939,170</u>	<u>\$ 9,412,521</u>
All other governmental funds:										
Reserved	\$ 517,575	\$ 861,817	\$ 286,671	\$	\$	\$ 774,552	\$ 728,422	\$ 724,574	\$ 732,186	\$ 719,914
Unreserved, reported in:										
Special Revenue Funds	3,549,643	4,766,410	6,518,182	6,036,941	5,930,596	5,221,617	4,458,767	4,213,099	3,798,372	3,718,778
Capital projects funds	<u>1,348,432</u>	<u>1,004,042</u>	<u>7,045,120</u>	<u>3,522,358</u>	<u>2,370,250</u>	<u>5,399,988</u>	<u>5,821,336</u>	<u>5,012,663</u>	<u>7,101,123</u>	<u>9,234,061</u>
Total All Other Governmental Funds	<u>\$ 5,415,650</u>	<u>\$ 6,632,269</u>	<u>\$ 13,849,973</u>	<u>\$ 9,559,299</u>	<u>\$ 8,300,846</u>	<u>\$ 11,396,157</u>	<u>\$ 11,008,525</u>	<u>\$ 9,950,336</u>	<u>\$ 11,631,681</u>	<u>\$ 13,672,753</u>

CITY OF NEW LONDON, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS

LAST TEN YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Taxes and assessments	\$ 24,700,504	\$ 25,772,158	\$ 26,210,487	\$ 26,582,652	\$ 29,566,611	\$ 28,140,497	\$ 29,014,515	\$ 31,842,250	\$ 35,760,417	\$ 37,209,179
State and federal governments	38,432,647	40,874,494	46,139,343	50,752,670	49,300,664	50,325,039	47,916,516	53,612,942	63,613,780	63,960,331
Licenses and permits	241,185	691,201	1,289,465	354,121	469,608	481,672	455,634	463,624	462,700	633,537
Fines and penalties	536,003	797,213	712,602	438,484	502,490	416,658	369,610	428,847	517,263	524,178
Charges for services	2,140,459	3,156,437	3,174,378	3,899,920	3,075,561	3,490,151	4,645,978	5,345,683	4,396,647	4,309,328
Investment income						358,873	162,467	309,319	619,415	870,265
Other	2,180,222	1,601,694	2,535,192	2,595,425	4,634,131	1,662,962	975,734	574,145	1,475,448	1,615,671
Total revenues	<u>68,231,020</u>	<u>72,893,197</u>	<u>80,061,467</u>	<u>84,623,272</u>	<u>87,549,065</u>	<u>84,875,852</u>	<u>83,540,454</u>	<u>92,576,810</u>	<u>106,845,670</u>	<u>109,122,489</u>
Expenditures:										
Current:										
General government	5,248,943	6,341,131	7,270,447	6,609,381	7,247,600	7,201,666	6,711,051	6,230,525	6,841,830	6,306,551
Public works	6,296,740	6,004,536	6,304,393	6,955,948	7,279,834	8,341,253	8,478,457	8,874,641	8,454,986	16,230,699
Public safety	12,737,877	13,438,082	14,138,179	14,879,205	14,714,198	14,045,972	14,576,296	15,018,125	15,592,045	8,614,104
Health and welfare	2,422,320	1,551,275	1,630,051	1,700,694	1,846,616	2,003,549	1,795,906	1,603,581	273,005	192,263
Culture and recreation	1,345,384	1,356,586	1,366,274	1,413,838	1,577,207	2,175,777	1,619,138	1,435,023	1,389,514	1,574,716
Unallocated insurance and fringe benefits	1,375,952	1,278,572	1,313,692	1,159,623	1,645,944	2,204,390	3,064,788	3,370,434	2,125,527	2,262,551
Board of Education	32,011,870	34,887,220	38,756,037	41,988,011	45,270,378	46,149,459	45,882,658	47,428,455	48,285,187	50,264,142
Capital improvements	2,250,756	2,373,865	15,370,615	9,694,781	1,623,487	3,254,955	2,565,256	9,889,315	15,742,243	22,086,630
Debt service	3,557,199	2,966,226	3,410,715	4,394,901	4,276,548	2,785,997	2,791,168	3,727,276	3,632,076	3,536,876
Total expenditures	<u>67,247,041</u>	<u>70,197,493</u>	<u>89,560,403</u>	<u>88,796,382</u>	<u>85,481,812</u>	<u>88,163,018</u>	<u>87,484,718</u>	<u>97,577,375</u>	<u>102,336,413</u>	<u>111,068,532</u>
Excess (Deficiency) of Revenues over Expenditures	<u>983,979</u>	<u>2,695,704</u>	<u>(9,498,936)</u>	<u>(4,173,110)</u>	<u>2,067,253</u>	<u>(3,287,166)</u>	<u>(3,944,264)</u>	<u>(5,000,565)</u>	<u>4,509,257</u>	<u>(1,946,043)</u>
Other Financing Sources (Uses):										
Proceeds from capital lease	64,188	71,144	9,107	7,485	54,275	16,599	63,201	930,172		
Proceeds from sales of bonds		1,301,482	17,100,000			5,536,016				7,055,000
Operating transfers in	2,796,853	3,382,711	5,501,845	2,389,111	1,921,686	1,962,639	827,999	605,855	468,851	1,411,723
Operating transfers out	(3,327,148)	(3,959,653)	(5,839,236)	(2,411,533)	(2,352,152)	(2,283,908)	(1,163,689)	(941,545)	(611,851)	(2,006,257)
Total other financing sources (uses)	<u>(466,107)</u>	<u>795,684</u>	<u>16,771,716</u>	<u>(14,937)</u>	<u>(376,191)</u>	<u>5,231,346</u>	<u>(272,489)</u>	<u>594,482</u>	<u>(143,000)</u>	<u>6,460,466</u>
Net Change in Fund Balances	517,872	3,491,388	7,272,780	(4,188,047)	1,691,062	1,944,180	(4,216,753)	(4,406,083)	4,366,257	4,514,423
Fund Balance at Beginning of Year	<u>11,977,759</u>	<u>12,475,631</u>	<u>15,967,019</u>	<u>23,239,799</u>	<u>19,051,752</u>	<u>20,740,644</u>	<u>22,684,823</u>	<u>18,610,680</u>	<u>14,204,594</u>	<u>18,570,851</u>
Fund Balance at End of Year	<u>\$ 12,495,631</u>	<u>\$ 15,967,019</u>	<u>\$ 23,239,799</u>	<u>\$ 19,051,752</u>	<u>\$ 20,742,814</u>	<u>\$ 22,684,824</u>	<u>\$ 18,468,070</u>	<u>\$ 14,204,597</u>	<u>\$ 18,570,851</u>	<u>\$ 23,085,274</u>
Debit Service as a Percentage to Noncapital Expenditures	5.29	4.23	3.81	4.95	5.00	3.16	3.19	3.82	3.55	3.18

CITY OF NEW LONDON, CONNECTICUT
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Total Taxable Assessed Value	Tax Exempt Property	% Exempt to Taxable Values	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles					
1998	\$ 315,441,210	\$ 488,885,320	\$ 124,909,810	\$ 940,638,155	\$ 474,440,750	50.4 %	\$ 857,400,527	109.7 %
1999	339,028,010	500,946,530	123,501,846	933,810,936	481,992,440	51.6	980,763,108	95.2
2000	357,472,538	396,375,210	123,816,504	939,817,058	448,338,590	47.7	1,043,832,530	90.0
2001	274,010,600	391,312,180	135,642,826	809,098,300	474,541,449	58.7	1,163,418,910	69.5
2002	329,821,940	391,302,910	148,744,578	876,028,579	470,898,270	53.8	1,406,656,839	62.3
2003	375,336,100	394,266,080	158,565,605	843,321,532	488,250,960	57.9	1,618,702,517	52.1
2004	405,586,380	283,201,381	164,640,641	853,428,402	483,704,900	56.7	1,836,729,934	46.5
2005	691,154,915	370,647,645	154,026,371	1,215,828,931	579,165,481	47.6	1,822,817,954	66.7
2006	695,294,262	371,194,689	161,161,057	1,227,650,008	587,724,171	47.9	2,304,168,203	53.3
2007	710,376,392	369,247,817	173,299,692	1,252,923,901	596,485,719	47.6	2,777,889,281	45.1

Sources: City Assessor's Office; Office of Policy and Management, State of Connecticut

Note: By state law, property is assessed at 70% of actual value with periodic revaluation of real property.

The estimated actual taxable values are the equalized grand list data which are prepared by the State of Connecticut, Office of Policy and Management.

CITY OF NEW LONDON, CONNECTICUT

PRINCIPAL TAXPAYERS

CURRENT YEAR AND TEN YEARS AGO

	2007			1997		
	Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List	Taxable Assessed Value	Rank	Percentage of Gross Taxable Assessed Grand List
Pfizer Inc-Pharmaceuticals	\$ 30,998,980	1	2.47 %	\$		%
NP/I&G NL,LLC-New London Mall	18,813,970	2	1.50	7,475,440	4	0.82
Connecticut Light & Power-Electric Utility	13,972,181	3	1.12	7,968,410	3	0.87
Ansonia Acquisitions-Apartments	16,260,991	4	1.30			
Ocean Beach Apartments	11,862,130	5	0.95			
New London Shopping Center	11,316,808	6	0.90	6,386,240	7	0.70
The Day-Daily Newspaper	9,767,844	7	0.78	9,193,194	1	1.01
Thames Shipyard/Cross Sound Ferry	9,303,709	8	0.74			
Thames River Associates-Vesta Apartments	7,140,000	9	0.57	9,165,710	2	1.00
Heritage NL, LLC (Holiday Inn)	6,960,150	10	0.56			
New England Savings Bank				6,826,260	5	0.75
Whalers Point Ltd Partnership				6,392,380	6	0.70
Sullivan, Martin				6,292,740	8	0.69
Southern New England Telephone Co.	2,766,050	24		6,059,480	9	0.66
Shaw's Cove Associates, LLC	3,043,110	21		5,542,570	10	0.61
	<u>\$ 142,205,923</u>		<u>10.89 %</u>	<u>\$ 71,302,424</u>		<u>7.80 %</u>

The top ten taxpayers property values for 2007 were \$136,396,763 which is 10.9% of total assessed values.

By comparison, the top ten in 1987 had values of \$71,302,424 which represented 7.7% of the 1997 list of \$926,560,243.

The net taxable list for October 1, 2007 was \$1,252,923,901.

Source: Office of the City Assessor, City of New London

CITY OF NEW LONDON, CONNECTICUT

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

(In Thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 24,477,073	\$ 23,086,000	94.32 %	\$ 1,230,392	\$ 24,316,392	99.34 %
1999	25,645,905	24,526,000	95.63	947,927	25,473,927	99.33
2000	25,799,303	24,903,000	96.53	742,874	25,645,874	99.41
2001	26,909,716	26,091,000	96.96	500,528	26,591,528	98.82
2002	29,614,999	28,839,000	97.38	520,064	29,359,064	99.14
2003	28,415,123	27,779,227	97.76	416,988	28,196,215	99.23
2004	29,129,136	28,328,127	97.25	487,622	28,815,749	98.92
2005	32,250,456	31,522,548	97.74	411,403	31,933,951	99.02
2006	36,067,421	35,305,137	97.89	355,705	35,660,842	98.87
2007	37,641,071	36,762,469	97.67		36,762,469	97.67

Source: City Tax Collector's office and Finance office

CITY OF NEW LONDON, CONNECTICUT

RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET GENERAL BONDED DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt		Percentage of Actual Taxable Value of Property (1)	G.O. Debt Per Capita	Other Governmental Activities Debt	Business-type Activities		Total Primary Government	Percentage of Personal Income (2)	Total Debt Per Capita
	General Obligation Bonds				Capital Leases	General Obligation Bonds	Loans			
1998	\$ 18,857,514		110 %	\$ 735	\$ 105,468	\$ 8,077,942	\$ 4,041,094	\$ 31,082,018	9.6%	\$ 1,211
1999	16,912,490		95	659	142,855	7,440,366	3,810,173	28,305,884	8.7%	1,103
2000	32,024,237		95	1,247	116,240	6,797,727	6,358,782	45,296,986	13.9%	1,765
2001	29,305,834		70	1,142	94,981	6,159,634	7,979,641	43,540,090	9.2%	1,696
2002	26,540,207		70	1,014	114,655	5,515,545	8,263,605	40,434,012	8.5%	1,545
2003	30,108,774		70	1,145	93,499	5,076,113	7,645,227	42,923,613	9.1%	1,633
2004	28,685,000		70	1,089	110,042	4,450,000	7,110,774	40,355,816	8.5%	1,532
2005	26,280,000		70	1,001	536,488	3,840,000	6,576,321	37,232,809	7.9%	1,419
2006	23,875,000		70	912	380,264	3,235,000	6,041,868	33,532,132	7.1%	1,281
2007	28,525,000		70	1,098	200,043	7,740,000	5,507,411	41,972,454	8.9%	1,616

(1) See Page 65 for taxable property value data.

(2) See Page 70 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF NEW LONDON, CONNECTICUT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	FISCAL YEAR									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$ 175,818,895	\$ 184,940,875	\$ 187,645,353	\$ 192,768,436	\$ 209,800,444	\$ 200,797,072	\$ 203,203,049	\$ 225,324,904	\$ 252,944,195	\$ 263,089,568
Total net debt applicable to limit	<u>18,857,514</u>	<u>52,744,637</u>	<u>54,241,062</u>	<u>50,491,255</u>	<u>61,664,357</u>	<u>64,185,228</u>	<u>61,590,774</u>	<u>58,041,320</u>	<u>33,151,866</u>	<u>35,062,412</u>
Legal Debt Margin	<u>\$ 156,961,381</u>	<u>\$ 132,196,238</u>	<u>\$ 133,404,291</u>	<u>\$ 142,277,181</u>	<u>\$ 148,136,087</u>	<u>\$ 136,611,844</u>	<u>\$ 141,612,275</u>	<u>\$ 167,283,584</u>	<u>\$ 219,792,329</u>	<u>\$ 228,027,156</u>
Total net debt applicable to the limit as a percentage of debt limit	10.73%	28.52%	28.91%	26.19%	29.39%	31.97%	30.31%	25.76%	13.11%	13.33%

Note: The State of Connecticut General Statutes require that in no event shall the total debt of the City exceed seven (7) times the annual receipts from taxation. The calculation of the 2007 debt limit can be found on page 60 of this report.

CITY OF NEW LONDON, CONNECTICUT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Schooling</u>	<u>School Enrollment (1)</u>	<u>Unemployment Rate (2)</u>
1998	25,038	\$ 324,768	\$ 12,971	28	12	3,231	5.5 %
1999	25,038	324,768	12,971	28	12	3,402	4.4
2000	25,903	335,988	12,971	28	12	3,216	2.5
2001	25,671	473,296	18,437	31	12	3,152	3.4
2002	25,653	470,236	18,437	31	12	3,276	4.5
2003	26,582	470,236	18,437	31	12	3,248	5.3
2004	26,201	470,236	18,437	31	12	3,251	5.2
2005	26,375	470,236	18,437	31	12	3,131	6.2
2006	26,174	473,296	18,437	31	12	3,054	5.7
2007	27,654	n/a	n/a	32	12	2,965	5.4

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Sources: Population, personal income, median age and education level provided by U.S. Department of Commerce, Bureau of Census and Department of Health Services, State of Connecticut.

(1) City of New London, Board of Education

(2) State of Connecticut, Department of Labor

CITY OF NEW LONDON, CONNECTICUT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO

	2007			1997		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Lawrence & Memorial Hospital	2,200	1	0.19 %	2,200	1	0.18 %
Pfizer Inc	2,101	2	0.18			
Connecticut College	830	3	0.07	727	5	0.06
City of New London	707	4	0.06	780	4	0.06
U.S. Coast Guard	700	5	0.06	1,380	2	0.11
A T & T	623	6	0.05	384	6	0.03
Day Publishing Company	400	7	0.03	357	7	0.03
Manpower	300	8	0.03	220	10	0.02
Cross Sound Ferry	240	9	0.02			
Mitchell College	230	10	0.02			
Naval Underwater Warfare Center				1,205	3	0.10
Navy Exchange				305	8	0.02
Analysis & Technology Tech Svcs				240	9	0.02
	<u>8,331</u>		<u>0.73 %</u>	<u>7,798</u>		<u>0.63 %</u>

Source: Office of Development and Planning.

CITY OF NEW LONDON, CONNECTICUT

FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

JUNE 30, 2007

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<u>Finance & Administration</u>										
City Manager	11.0	11.0	10.0	13.0	14.0	15.0	15.0	14.0	12.0	11.0
Elections	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	15.0	16.5	19.0	21.0	21.0	23.0	23.0	23.0	22.0	22.0
City Clerk	4.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
<u>Public Safety</u>	177.0	177.0	177.0	181.0	177.0	185.0	185.0	184.0	184.0	183.0
Police	97.0	97.0	97.0	101.0	98.0	106.0	106.0	106.0	106.0	105.0
Fire	80.0	80.0	80.0	80.0	79.0	79.0	79.0	78.0	78.0	78.0
<u>Public Works</u>	60.0	61.0	67.0	70.0	70.0	73.0	65.0	65.0	61.0	62.0
<u>Recreation</u>	3.0	3.0	3.0	4.0	4.0	5.0	4.0	4.0	3.0	3.0
<u>Senior Center</u>	3.0	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
<u>Human Services</u>	0.0	0.0	16.0	20.0	19.0	20.0	19.0	18.0	18.0	24.0
<u>Planning & Development</u>	10.5	10.5	10.2	11.2	10.2	13.3	13.3	13.3	10.3	10.0
<u>Comm Dev Block Grants</u>	8.5	8.5	8.8	8.6	8.6	8.5	8.5	8.5	3.0	3.0
<u>Water/Sewer/O Beach Pk</u>	3.0	2.5	2.5	2.2	3.0	1.8	3.0	4.5	4.0	3.0
Total City Employees	298.0	301.0	325.5	342.9	338.8	356.5	347.8	346.3	329.3	333.0
<u>Board of Education</u>	418.2	421.8	458.1	466.9	462.7	460.5	446.7	447.2	454.0	430.0
Certified	288.2	286.8	326.2	329.4	328.2	323.0	315.2	315.5	310.0	288.0
Noncertified	130.0	135.0	131.9	137.5	134.5	137.5	131.5	131.8	144.0	142.0
Total All Employees	716.2	722.8	783.5	809.8	801.5	817.0	794.5	793.5	783.3	763.0

Source: City of New London Budgets

Notes: A full-time employee is scheduled to work 1,820 or 2,080 hours per year (including vacation and sick leave), depending on job classification. Full time equivalent employment is calculated by dividing hours by 1820 or 2080. Major changes were: 2006 the City joined the regional health district; 1998 Water & Sewer operations were placed under contract.

CITY OF NEW LONDON, CONNECTICUT

OPERATING INDICATORS BY FUNCTION/PROGRAM

JUNE 30, 2007

	FISCAL YEAR									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<u>General Government</u>										
Marriage licenses issued	390	412	366	368	339	330	316	304	307	337
Birth and death certificates recorded	14,980	15,280	14,677	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Land records recorded	7,325	6,760	7,987	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>Boards and Agencies</u>										
Registered voters	9,558	9,402	10,539	9,061	9,101	9,154	8,404	7,320	6,730	6,383
Elections and referenda	2	2	1	2	1	1	1	2	1	1
<u>Planning and Development</u>										
Building permits issued	1,237	1,187	1,446	1,385	1,339	386	921	217	1,270	550
Building inspections conducted	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Value of building permits	31,139,070	24,278,890	34,738,000	26,728,964	36,065,036	16,384,465	11,324,608	65,011,300	35,648,010	9,119,398
<u>Public Safety</u>										
Arrests	2,466	2,874	2,406	2,271	2,294	2,358	2,435	2,644	2,981	2,995
Parking violations	5,330	3,941	4,196	4,535	5,388	4,875	n/a	n/a	n/a	n/a
Traffic violations	5,449	5,274	6,921	6,038	7,301	5,825	6,214	6,094	5,352	6,553
Citations issued	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Emergency responses	4,636	5,279	5,074	4,936	5,118	6,750	7,007	n/a	n/a	n/a
Fires extinguished	160	172	163	172	178	215	173	n/a	n/a	n/a
Fire inspections	5,511	5,231	5,022	5,507	5,620	55,978	5,568	n/a	n/a	n/a
Fire calls for service	263	186	350	253	166	132	167	n/a	n/a	n/a
<u>Public Works</u>										
Street resurfacing	1.35	0	0	7,400	n/a	n/a	n/a	n/a	n/a	n/a
Potholes repaired	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Miles of roads maintained	64	64	64	64	64	64	64	64	64	64
Acres of grounds maintained	211	211	211	211	211	211	211	211	211	211
Refuse collected (tons per day)	44	44	44	44	44	44	44	44	44	44
Recyclables collected (tons per day)	6	6	6	6	6	6	6	6	6	6
<u>Parks and Recreation</u>										
Athletic field permits issued	75	83	31	91	106	79	118	161	n/a	n/a
Community center admissions	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Summer season programs	475	471	302	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Indoor season programs	731	770	693	579	220	n/a	n/a	n/a	n/a	n/a
<u>Public Libraries</u>										
Volumes in collection	81,635	78,873	79,840	79,290	80,413 #	81,431	78,512	72,845	78,560 #	84,231
Items circulated	168,676	162,844	167,880	164,588	157,813 #	150,247	145,872	142,393	157,683 #	140,291
<u>Human Services</u>										
Meals on wheels provided	40,300	39,043	41,511	40,549	43,521	36,500	39,694	n/a	n/a	n/a
Senior mini-bus trips	49	25	48	43	55	39	55	n/a	n/a	n/a
Households provided energy assistance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Households provided food bank assistance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>Education</u>										
Elementary schools	6	6	7	7	7	7	7	7	7	7
Middle schools	1	1	1	1	1	1	1	1	1	1
High schools	1	1	1	1	1	1	1	1	1	1
Number of Students	2,965	3,054	3,131	3,251	3,248	3,276	3,152	3,216	3,402	3,231
<u>Water</u>										
New connections	55	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Water main breaks	137	104	104	104	104	104	104	104	104	104
Average daily consumption (thousands of gallons)	5,506,000	5,320,000	5,320,000	5,320,000	5,320,000	5,320,000	5,320,000	5,320,000	5,320,000	5,320,000
Peak daily consumption (thousands of gallons)	7,320,000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>Sewer</u>										
Average daily sewage treatment (thousands of gallons)	8,655,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
Force main sanitary sewers (miles)	6	6	6	6	6	6	6	6	6	6
Gravity sanitary sewers (miles)	70	70	70	70	70	70	70	70	70	70
Sewer treatment capacity (thousands of gallons)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000

Source(s): Various City Departments

n/a - information no available

CITY OF NEW LONDON, CONNECTICUT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

JUNE 30, 2007

FISCAL YEAR

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
<u>General Government</u>										
<u>Public Safety</u>										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	3	3	3	3	3	3	3	3	3	3
Zoning offices	1	1	1	1	1	1	1	1	1	1
Police vehicles	78	78	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire vehicles	29	29	29	28	25	25	25	25	24	24
<u>Public Works</u>										
Miles of town roads	64	64	64	64	64	64	64	64	64	64
Storm sewers (miles)	4	4	4	4	4	4	4	4	4	4
Linear feet of sidewalks	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Streetlights	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Traffic signals	30	30	30	30	30	30	30	30	30	30
Public works vehicles	75	75	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<u>Parks and Recreation</u>										
Acreage	192	192	192	192	192	192	192	192	192	192
Parks and greens	42	42	42	42	42	42	42	42	42	42
Athletic fields	13	13	13	13	13	13	13	13	13	13
Swimming pools	1	1	1	1	1	1	1	1	1	1
<u>Public Libraries</u>										
Libraries	1	1	1	1	1	1	1	1	1	1
<u>Human Services</u>										
Community Center	1	1	1	1	1	1	1	1	1	1
Senior mini-buses	2	2	2	2	2	1	1	1	1	1
<u>Education</u>										
Schools	8	8	9	9	9	9	9	9	9	9
<u>Water</u>										
Water mains (miles)	104	104	104	104	104	104	104	104	104	104
Fire hydrants	666	666	666	666	666	666	666	666	666	666
Storage capacity (thousands of gallons)	11,600,000	11,600,000	11,600,000	11,600,000	11,600,000	11,600,000	11,600,000	11,600,000	11,600,000	11,600,000
<u>Sewer</u>										
Force main sanitary sewers (miles)	6	6	6	6	6	6	6	6	6	6
Gravity sanitary sewers (miles)	70	70	70	70	70	70	70	70	70	70
Treatment capacity (gallons)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000

Source(s): Various City Departments

n/a - information not available