

CITY OF MERIDEN, CONNECTICUT

Comprehensive
ANNUAL FINANCIAL REPORT

For

For The Fiscal Year Ended

June 30, 2006

Prepared by

City of Meriden Department of Finance

**Robert M. Curry
Finance Director**

CITY OF MERIDEN, CONNECTICUT

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FINANCE DEPARTMENT
ROOM 212 CITY HALL
142 EAST MAIN STREET
MERIDEN, CONNECTICUT 06450-8022

To the Honorable Mayor, Members of the City Council,
and Citizens of the City of Meriden

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has 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.

Levitsky & Berney, P.C., Certified Public Accountants, have issued an unqualified ("clean") opinion of the City of Meriden's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A compliment this letter of transmittal and should be read in conjunction with it.

Yours truly,

CITY OF MERIDEN

Robert Curry
Robert Curry
Finance Director

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PROFILE OF THE GOVERNMENT

Description of the Municipality

Meriden was settled in 1661, incorporated as a town in 1806, and as a city in 1867. The Town and City were consolidated in 1922. The City, which covers an area of 24.0 square miles, had a population of 59,163 in 2004, an increase of 919 people since 2000. Meriden is located midway between the cities of Hartford and New Haven in New Haven County at the crossroads of I-91, I-691, State Rt. 15 (Wilbur Cross Parkway) and U.S. 5. I-691 links I-91 and I-84.

The City includes a unique mix of historic buildings and neighborhoods, affordable housing to working families, more affluent suburban style developments, modern business facilities, a major mall, the largest municipal park in Connecticut (Hubbard Park) and prominent natural scenic ridgetop areas. There is local transit service, Amtrak and interstate buses provide passenger transportation connecting the City to major metropolitan centers. Freight service is provided by Conrail and a number of trucking companies. The Meriden-Markham Municipal Airport provides both freight and limited passenger service.

Manufacturing firms produce a diversified product line which includes electronic components, biopharmaceuticals, printing presses, aircraft and spacecraft components, industrial filters and antipollution equipment, corrugated boxes, industrial equipment, lighting fixtures, metal alloys, auto parts, and video/data transmission equipment.

Form of Government

The City of Meriden has operated under a Council/Manager form of government since December 3, 1979.

Under the City Charter, the legislative branch consists of 12 elected members forming the City Council who have exclusive legislative and fiscal powers. The Council may, by resolution, regulate the internal operation of boards, commissions and offices, which it fills by appointment. The City Council appoints the City Manager and the Mayor is popularly elected to office for a term of two years.

The City Manager is directly responsible to the Council for the supervision and administration of all departments and offices of the City except those elected by the people or appointed by state or federal authority.

A Director of Finance is appointed by the City Manager, subject to the approval of the City Council and serves at the pleasure of the City Council. The Director is the fiscal officer of the City and is responsible for the operation and supervision of the Department of Finance.

Principal City Officials

<i>City Officials</i>	<i>Name</i>	<i>Manner of Selection/Term</i>	<i>Years of Service</i>	<i>Employed Last</i>
Mayor	Mark D. Benigni	Popularly elected	5	School Vice Principal
City Manager	Lawrence J. Kendzior	Appointed - indefinite	2	Corporation Counsel
Finance Director/Treasurer	Robert M. Curry	Appointed - indefinite	4	Director of Accounting
Superintendent of Schools	Mary Cortright	Appointed - indefinite	4	School Principal

Mark Benigni, Mayor: Mayor Benigni graduated from Western Connecticut State University and received a Bachelor's of Science degree in Business Administration. Mayor Benigni earned both a Masters in Education and a Doctorate in Education from the University of Hartford, in Connecticut. Prior to election as mayor, Mr. Benigni served on the City Council for four years. He is currently in the first

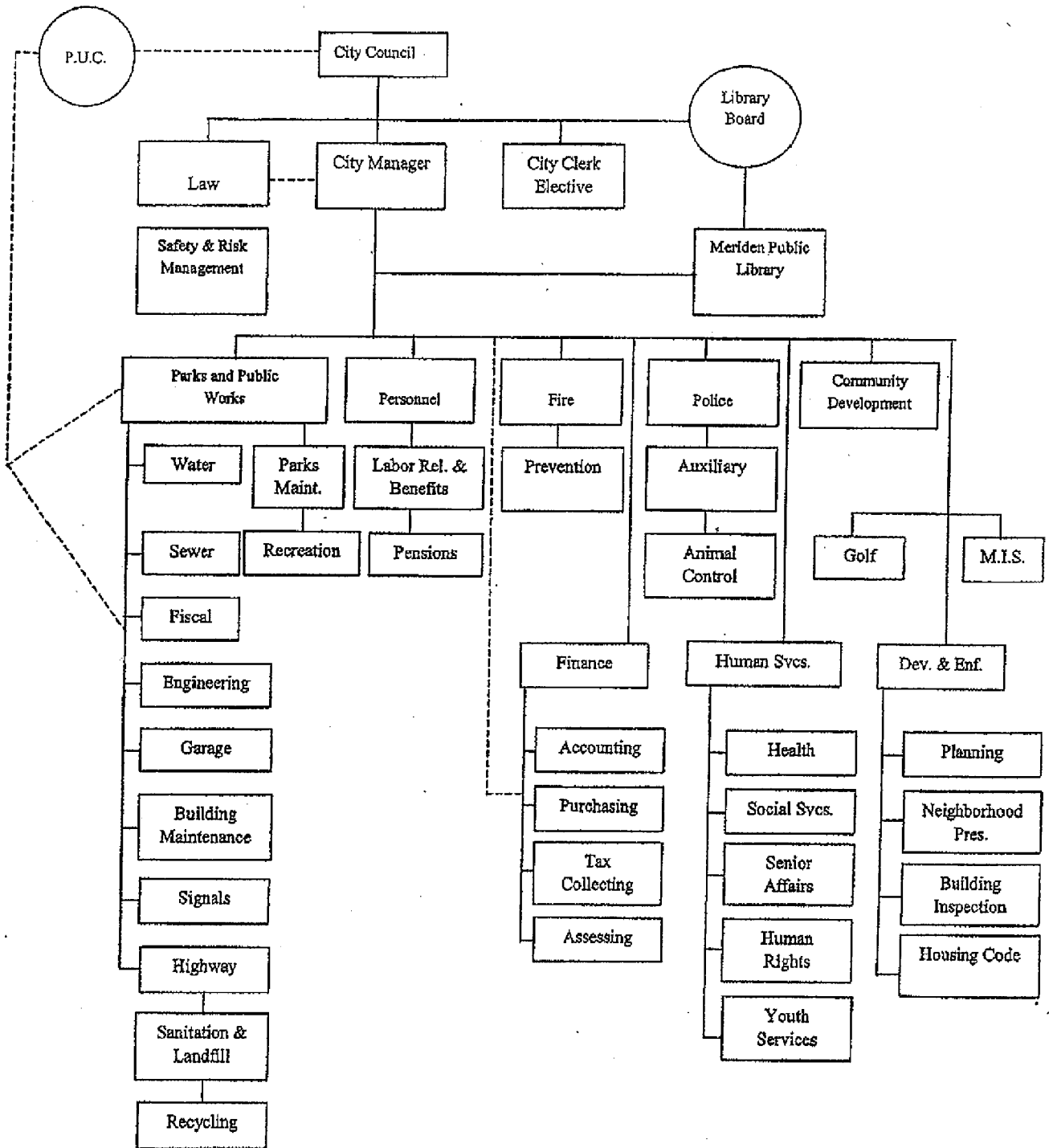
year of his third term. In addition, to serving as mayor, Mr. Benigni is currently the assistant principal at Berlin High School. His prior work experience includes focus in special education.

Lawrence J. Kendzior, City Manager: Mr. Kendzior was appointed as City Manager in June 2005, after serving as Acting City Manager for five months. He also served as the Corporation Counsel since 1985 and as City Attorney since 1993. He graduated from New York University, cum laude, and was elected to Phi Beta Kappa. He received his Juris Doctorate (J.D.) from Boston University. Mr. Kendzior formerly was a partner in the law firm of Tonkonow and Kendzior in Meriden, Connecticut.

Robert Curry, Finance Director, Treasurer: Mr. Curry, Director of Finance and Treasurer, earned a Bachelor's of Science degree in Accounting from Central Connecticut State University. He received a Master's in Business Administration from the University of New Haven. Before his appointment to Finance Director Mr. Curry was Director of Accounting for the City of Meriden for twenty two years. He also worked for the State of Connecticut in an accounting capacity at the Department of Education in the Grant Processing Unit and at the Department of Housing in the Management Division. Mr. Curry held these positions with the State for four years. Mr. Curry is a Certified Public Finance Officer.

Mary Cortright, Superintendent of Schools: Mary N. Cortright, Superintendent of Schools, graduated from University of Connecticut with a Bachelor's of Art in English. She earned a Master of Science in Education and a Sixth Year Certificate in Administration and Supervision from Southern Connecticut State University. She is currently a doctoral candidate at the University of Connecticut. Mrs. Cortright has worked as a teacher nearly thirteen years, an Assistant Principal of a middle school for three years, and a Principal of an elementary school for eight years. She has been Superintendent of Schools for three years.

ORGANIZATIONAL CHART



ECONOMIC CONDITIONS AND DEVELOPMENT

Economic Development

Meriden has an information technology zone offering real property tax assessment deferrals to property owners who improve their buildings to house IT companies. IT companies locating in the buildings also receive personal property tax abatements.

Meriden also has a state-designated Enterprise Zone, which provides significant tax incentives to manufacturers and warehousing and distribution companies locating into the zone. Fifty percent of these tax abatements are reimbursed by the state.

Meriden Manufacturing Assistance Program (MMAP). Meriden offers subordinate financing to manufacturers planning to expand their operations in the city or who wish to locate to Meriden. The loans are for real estate acquisition or improvements and are only offered in conjunction with private financing. Five manufacturers have taken advantage of this program to date. The program supports the expansion and retention of the city's manufacturing base.

The U.S. Environmental Protection Agency gave the City a grant of \$200,000 in late 2004 to fund environmental assessments on contaminated properties throughout the city. This agency also provided the City with two grants of \$147,000 and \$200,000 for environmental assessments and remediation of the City's HUB site downtown. This grant will assist the City in creating more available land for commercial development.

Meriden is in its seventh year of a marketing campaign focusing on business retention and business development. This past year the budget funded trade show exhibiting, marketing promotions, advertising, updates to MeridenBiz.com (the city's economic development web site), press releases/story writing for state-wide distribution, and emails highlighting local development to the commercial real estate community.

The City's Economic Development Office continues to contract with CoStar Inc. to provide real-time, on-line access to commercial property databases listing all commercial, industrial properties available for lease or sale in the Meriden/New Haven region. The database enables staff to provide real-time lease and "for sale" information to companies wishing to locate to or expand in the city. The database also provides real estate analysis (vacancy rates, lease histories and property trends/photos, and floor plans by building) for distribution to prospects, market research companies and site selection consultants.

The City's Comprehensive Economic Development Strategy Plan (CEDS) was approved by the US Economic Development Administration (EDA) in 2000. EDA has approved all annual reports submitted since that time. Thirty-five community leaders and company representatives sit on a steering committee, which guides the planning effort and implementation activities. This Plan allows the city to apply for funding from EDA for economic development projects. The City is currently approaching EDA for funding for the downtown HUB site project.

Commercial Industrial Development

Thompson Brands Meriden's 125 year-old chocolate manufacturer, closed its Fairfield, California facility and consolidated those operations at its South Vine Street site in Meriden. The consolidation saved 100 jobs and added 70 jobs in Meriden. The consolidation was supported by financing provided by Webster Financial, the State of Connecticut, the Connecticut Development Authority and the City's Manufacturing Assistance Loan program. The City's loan supported \$500,000 of building renovations.

Webster Insurance is currently moving one of its policy services operations into a building at 530 Preston Ave. and bringing with it up to 200 jobs. Webster Insurance is a subsidiary of Webster Financial Corp., the parent of Webster Bank, headquartered in Waterbury, Connecticut.

Aplicare, Inc., has moved its headquarters from Branford into 200,000 square feet at 550 Research Parkway. This manufacturer of topical antimicrobial drug products will also move its Virginia manufacturing operations to Meriden in 2007. The consolidation represents 180 jobs and a \$2.6 million dollar investment in renovations.

J & J Tri-State Delivery Service, Inc. of Totowa, New Jersey located its first Connecticut logistics center at 550 Research Parkway. J&J has leased 125,000 square feet and will hire 35 new employees. The company's subsidiary, Infinity Warehouse and Distribution will also have an operations base in Meriden.

The owner of Advanced Turbine Services on High Street recently expanded into North Colony Street. The company provides turbine engine repair and overhaul services to both the United States Navy and a variety of commercial clients.

SRL Realty has acquired the former City-owned properties on North Broad Street for Central Auto Auction/Statewide Recovery. The auto auction is located next door and will build a new \$1 million facility on the City's property.

Closets, Etc has signed a five-year lease to expand to 11,500 square feet at 200 Research Parkway bringing five employees to Meriden. The company previously occupied 4000 square feet in Cheshire, Connecticut.

Parker Bros. Makers, Inc. recently opened on High Street in Meriden. Founded in 1999, owner Ernie Lazor has revived the Parker Bros. Shotgun and is continuing the legacy started by the original Parker Bros. company that manufactured quality firearms in Meriden between 1863 and 1934. The company plans to custom-fit its international customers at its Meriden offices.

The following list contains additional highlights in relation to the City's commercial & industrial development over the past year:

- Dr. Hergot added 3,200 sq. ft. to his medical building at 166 South Broad Street;
- Mr. Amaya renovated 10,000 sq. ft. commercial space into a restaurant at 2103 North Broad Street;
- A & D Cabinetry built and occupied a 12,000 sq. ft. building at 1592 North Broad Street;
- Barker built and opened a new self-storage facility (60,300 sq. ft. at 5 Prestige Drive;
- Southwick & Meister added 10,000 sq. ft. to the existing factory on North Colony Road;
- New England Freight added 8,000 sq. ft. to the trucking facility on Research Parkway;
- Waste Trucking Inc. added 25,000 sq. ft. to the trucking facility on Gracey Avenue;
- Auto Recycling is constructing a new 12,000 sq. ft. facility at 756 Berlin Turnpike
- Enterprise Auto is constructing a new 7,500 sq. ft. rental agency at 412 South Broad;
- Glisham Assoc. began construction of a new 12,000 sq. ft. self-storage building on Centennial Avenue.

Downtown Activity and Planned Redevelopment

The City has hired the engineering firm, Milone and MacBroom (M&M) and, environmental engineers, Metcalf & Eddy, to design the conversion of the 15-acre HUB parcel into a downtown park. Harbor Brook, currently culverted under the site, will be day-lighted and two commercial development pads are anticipated. During project design, M&M will facilitate community meetings to finalize the design concept. M&M will complete final designs, help the City procure and manage firms to construct improvements and obtain necessary permits. TRC Environmental Corp. is managing the demolition of the vacant 150,000 square foot building on the site. Demolition work will be bid in July with demolition planned for late summer/early fall of 2006. The City received a \$2 million state grant for demolition. The City has title to the site. Redevelopment of this site will have a strong positive impact on downtown revitalization efforts.

The U.S. Environmental Protection Agency's Brownfields Program recently awarded a \$200,000 clean-up grant to the City to help remediate the 15-acre HUB site downtown. This grant will leverage \$2.5 million in state and USEPA grants already committed to the project. The City Council has approved \$300,000 for engineering services.

A wireless network provides free Internet access to downtown business owners, residents and visitors. Service, started in November 2005, will begin at the corner of Colony and West Main streets and run 1000 feet west down West Main Street and 1000 feet north down Colony Street. City officials believe that free wireless access will further stimulate business activity and reinvestment downtown. Meriden is one of only two Connecticut cities offering free WIFI in its downtown.

Middlesex Community College renewed its lease at 55 W. Main Street and will be expanding the first floor of that building –offering additional classroom and lab space to students. The college now has over 500 full and part-time students. The college's presence has re-energized downtown activity.

The City completed a comprehensive parking study of the downtown. Fuss & O'Neill made a series of short and long term recommendations which are currently being implemented. These parking improvements will meet the additional demand created by downtown reinvestment and development.

The clean up of vacant Factory H on Cooper Street has begun. Major environmental hazards located on the seven-acre site have been removed to add more developable land and open space to our downtown. A USEPA grant is funding additional assessments at the site and neighborhood planning meetings have been held to help determine future uses for the site.

The former City-owned properties at 11 and 13-17 Colony Street have been sold to and rehabilitated by a developer who is marketing the property to attract office, retail and restaurant tenants.

Gulino Associates renovated and leased 5,000 sq. ft. retail office building at 31-37 West Main Street in addition to converting a 6,400 sq. ft. office building into 8 residential apartments;

Auto Zone is building a new 7,000 sq. ft. retail facility at the westerly entrance to the CBD (140 West Main Street).

Retail Development

The following represent highlights to the City's recent retail development:

Lowe's Companies Inc. and WP Realty Inc. recently met with City officials to discuss plans to build a Lowes at the Meriden Parkade on East Main Street. The former Ames building will be demolished to create a 125,000 sq. ft home improvement center. The project is expected to be on the Planning Commission's agenda in July 2006.

A Borders bookstore/café and a Starbucks will soon open on property owned by Westfield Shoppingtown Meriden. The mall is negotiating with Borders for the remaining 20,000 square feet of space vacated by Lord & Taylor over a year ago. The new Borders will have entrances in the mall and exterior of the mall. Westfield is also talking with several restaurants hoping to fill space in the Best Buy/ Dick's Sporting Goods wing. Westfield also owns a four-acre pad site north of the mall driveway which is currently used for parking. Mall managers are in discussions with Starbucks and Talbots as possible tenants for that site.

Circuit City renovated and occupied a 53,400 sq. ft. building at 495 Chamberlain Highway.

Best Buy and Dick's Sporting Goods occupied a 42,000 sq. ft. addition to Westfield Shopping Center.

