

**CITY OF MERIDEN, CONNECTICUT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**



**FISCAL YEAR ENDED JUNE 30, 2001**  
**DEPARTMENT OF FINANCE**  
**MERIDEN, CONNECTICUT**

**CITY OF MERIDEN, CONNECTICUT**

**Comprehensive  
Annual Financial Report**

**For**

**The Fiscal Year Ended  
June 30, 2001**

**Prepared by:**

**City of Meriden Finance Department**

**Edward F. Murphy  
Director of Finance**

**Robert M. Curry  
Director of Accounting**

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January 7, 2002

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

The Comprehensive Annual Financial Report (the "CAFR") of the City of Meriden, Connecticut (the "City") for the fiscal year ended June 30, 2001, is submitted herewith. The purpose of this report is to provide citizens, investors, grantor agencies and other interested parties with reliable financial information about the City. Responsibility for the accuracy, completeness, and fairness of the data presented, including all disclosures, rests with the City. I believe the report is accurate in all material aspects; that the report is presented in a manner designed to present fairly the financial position and results of operations of the City, with the exception that the City has not accrued a liability for earned but unpaid employee compensation in the General Fund; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in three sections: the introductory section, the financial section and the statistical section. The introductory section includes this transmittal letter, the City's organizational chart and a listing of City officials. The financial section includes the independent auditor's report, the general purpose financial statements, notes to financial statements, the combining and individual fund and account group financial statements and other supplementary schedules. The statistical section, which is unaudited, includes pertinent financial and general information indicating trends for comparative basis fiscal periods.

Pursuant to accounting principles generally accepted in the United States of America, the financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", have been considered and there are no agencies or entities that should be, but are not, combined with the financial statements of the City.

The City is required to have an annual audit performed 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 and in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." The federal single audit for the year ended June

30, 2001, will be issued under separate cover. All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations and auditor's reports on compliance and on the internal control over financial reporting based on an audit of the general purpose financial statements, will be included therein.

The City is also required to have an annual audit performed in accordance with auditing standards generally accepted in the United States of America and in conformity with the provisions of the State Single Audit Act pursuant to Connecticut General Statute Sec. 4-230 to 4-236. The state single audit for the year ended June 30, 2001, will be issued under a separate cover. All information related to the state single audit, including the schedule of awards/expenditures of state financial assistance, findings and recommendations and auditor's reports on internal control and compliance with applicable laws and regulations, will be included therein.

## **ORGANIZATION**

### ***Description of the City and Organization***

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. It covers an area of 24.0 square miles and is located midway between the Cities of Hartford and New Haven.

Meriden is located in New Haven County at the crossroads of I-91, I-691, State Route 15 (Wilbur Cross Parkway) and U.S. Route 5. I-691 links I-91 and I-84. Passenger transportation is furnished by Amtrak and interstate buses. Freight services are provided by Conrail and a number of trucking companies. The Meriden-Markham Municipal Airport provides both freight and limited passenger service.

Meriden has had a Council/Manager form of government since December 3, 1979, when a new charter became effective. The new charter was adopted by a 2-1 majority of the voters at a referendum held on November 8, 1977. Prior to this, Meriden had a Mayor/Council form of government.

Under the current charter, the legislative branch consists of 12 elected members forming the City Council which has 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 a 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 of Finance is the fiscal officer of the City and is responsible for the operation and supervision of the Department of Finance.

This report includes all funds and account groups of the City of Meriden. The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning and zoning, water, sewer and general administrative services.

### ***Economic Condition and Outlook***

In recent years, Meriden has focused its efforts on diversifying its economy to one which includes service and technology in addition to the industrial base. This shift is emphasized by the 75,000 square foot office industrial complex of Com-Tech Corporation and the continued expansion of Research Park. RFS Cablewave has opened a new 350,000 square foot plant and world headquarters on Research Parkway. This is in addition to 70,000 square feet in downtown. RFS makes wire, antennas and connectors for the telecommunication industry. As a result of the adopted Master Plan, the City created a Regional Development District on Murdock Avenue. The headquarters and manufacturing facilities of Flexo-Converters of Toronto, Ontario, Canada, a 144,000 square foot facility, is located in the City. The Marriott Corporation has completed construction on a 140-room Residence Inn Hotel/Conference Center on Bee Street. Two additional hotels, the Hilton and the Sheraton, received approval to build on the same site which will add another 250 hotel rooms to Meriden's hotel stock. Further, Candlewood Suites has completed a 65,000 square foot extended stay hotel on East Main Street. Connecticut Life and Casualty moved to a renovated 28,000 square foot facility on Broad Street that consolidated the company's headquarters and other operations. Recent approval of a 544-megawatt electric generation facility is a giant leap toward the City's economic diversification.

Meriden's industrial desirability is reflected in its ability to retain major companies. Canberra Industries moved to a 60,000 square foot building on Research Parkway, thereby solidifying its commitment to Meriden. Barakos Landino Design Group, a major construction/engineering firm, relocated to a 40,000 square foot building on Research Parkway. Also on Research Parkway, the Guest Corporation moved into a 23,000 square foot facility from cramped quarters it shared with another company. Miller/Johnson has completed a major addition at its Pratt Street factory and Roman Oil has completed a major addition on Research Parkway. Two other long-time Meriden industries, Ragozzino Foods and Lyons Tool and Die, completed construction of major additions. Miller Company is undertaking an 87,000 square foot expansion to its existing facility, thereby asserting their commitment to the City.

Office development has been enhanced by the occupancy of the Roman Office Building (25,000 square feet), and the Cox Communications building on East Main Street.

Recent office/commercial development includes a 32,000 square foot office building on Broad Street and an 8,500 square foot addition to Hunter's Ambulance on West Main Street. Activity has been substantial on the retail front as well, as evidenced by the completion of the Chamberlain Highway Mall (60,000 square feet), the addition to Barker Mall (20,000 square feet) on East Main Street, and the completion and occupancy of Townline Plaza (295,000 square feet).

Two CVS pharmacies have been completed and a Rite-Aid pharmacy is under construction. Another pharmacy, Hancock's Pharmacy, included an expansion of 1,800 square feet. Additionally, a 12,000 square foot Volkswagen dealership on South Broad Street and a 14,400 square foot Volvo dealership on Pomeroy Avenue were completed. Meriden Square has been consistently expanding. The most recent was an additional 150,000 square foot expansion for

Lord & Taylor and other stores. Other major retailers locating in Meriden include the “Old Navy,” “Linen ‘N Things,” “GAP” and “Bed, Bath and Beyond” in Townline Plaza. Recently built was a 125,000 square foot Target Department Store on Chamberlain Highway.

In the industrial parks, growth has been even more substantial:

The developers of 850-acre Med-Way Park, FIP Corporation of Farmington, built a 45,000 square foot office building, the fifth such building, totaling over 300,000 square feet of high technology office development. In the same park, the office sector has been reinforced by the completion and occupancy of the 33,000 square foot office building and plant at 999 Research Parkway. This new facility, occupied by ADS Video Systems (ADS) has been complemented by the completion of a new 40,000 square foot office/manufacturing facility. ADS is a fast growing manufacturer of fiber optic transmission equipment.

The City's housing stock saw considerable refurbishment and additions. A local government preservation and rehabilitation program, which has provided \$8 million worth of home improvement grants for downtown area homeowners over the last 10 years, is slated to receive another half million dollars this fiscal year.

Alongside such traditional infrastructure improvements as the cleaning and relining of the major water mains, and the Meriden-Wallingford Hospital's \$5 million addition, AT&T has installed fiber optic cables that will provide for faster and clearer computer communications. Also approved is a fiber-optic cable line traveling north along the AMTRAK line for Williams Communications.

Small industrial firms like Spartan Tool and Di-El Tool are boosting productivity, flexibility and their competitive position with programmable, computerized die-making equipment. Lyons Tool & Die, a specialty maker of progressive dies for the manufacturing industries, will complete a 5,000 square foot addition to their existing facility on Research Parkway.

Desirable residential land for new homesites is available and new housing construction has kept pace with the demand. Recently constructed subdivisions include six lots on Goodspeed Avenue and eight lots on Paddock Avenue. The City has an active Planning Commission which has completed and revised the City's Master Plan. The Zoning Commission is active and zoning laws are revised annually. It is expected that these regulations will be completely updated and computerized in 2002. This year the City completed a comprehensive study of the vapor refuel corridor of Chamberlain Highway and Kensington Avenue. The implementation phase of the Master Plan and zoning revisions to increase to commercial viability of this area has already begun.

Meriden has recognized the need for renewal and revitalization of its community and has completed an ambitious and far-reaching urban renewal program covering 73.8 acres. The program includes renewal of a section of the Central Business District (“the CBD”), replacement of deteriorated housing and implementation of a modern traffic circulation system. The City of Meriden has adopted a plan for downtown revitalization. The City's effort to revitalize the CBD is in high gear as evidenced by the completion of four municipal parking lots which added some 680 parking spaces in the CBD. Also, the Redevelopment Agency has completed streetscape and infrastructure construction in the CBD. The YMCA has opened a new 44,000 square foot exercise/health facility as an anchor to the revitalized CBD. Two major streetscape improvement

projects are underway for Main Street, South Meriden and Lewis Avenue. In fact, the South Meriden Streetscape Project will be completed in July and has already been the catalyst for the commercial development. A new cleaners, flower shop and exercise club have opened on the formally abandoned strip.

In addition, the City has been selected by the State of Connecticut, Department of Economic Development for an Enterprise Zone designation. The Enterprise Zone is comprised of four inner-city census tracts and adjacent areas which contain the former 380,000 square foot Union-Parker facility and others. With this designation, manufacturing, commercial and residential properties within the Enterprise Zone are eligible for a variety of development incentives including tax abatements/deferrals, below market rate loans, reductions in State corporate business taxes and grants for job creation. The State conducts an aggressive marketing program in Enterprise Zones to assist municipalities in revitalizing older inner-city areas. The Enterprise Zone's success has been enhanced by an expansion of 122 acres. This expansion increases the potential for industrial and commercial development.

The City has received a Federal Grant to conduct a comprehensive economic development strategy which would qualify the City for certain grant programs to improve employment. The City actively pursues retaining existing business and industry and attracting new businesses. The City was instrumental in the expansion of Canberra Industries, and the relocation of ADS and Bob's, Inc. to Meriden. Whitehead Engineering Products, a local start-up company with some 315 employees, was purchased and expanded by Walbro of Michigan and has contracts to make fuel components for Ford, Jaguar and other auto companies worldwide. This expansion involves a public/private partnership with an investment of \$35 million. The project has resulted in the clean-up of an old manufacturing site and the construction of a new 200,000 square foot facility. The projected job total is 900 by 2006.

### ***Financial Information***

The Finance Department is responsible for providing the financial services for the City including: property tax assessment, tax collection, financial accounting and reporting, payroll and accounts payable, disbursement functions, debt management, purchasing and special financial analysis.

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

### ***Accounting System***

The City's accounting system is organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. The types of funds utilized by the City are as follows: general, special revenue, capital projects, internal service, enterprise and trust and agency. The general fund operations are maintained on a

modified accrual basis, with revenue being recognized as it becomes both measurable and available and expenditures being generally recognized when the services or goods are received and liabilities are incurred, except that the City does not record a liability for employee compensation earned at year end but paid subsequent to year end. Accounting records for the City's enterprise, pension and nonexpendable trust funds are maintained on the accrual basis of accounting.

***Budgetary Control***

The City budget is administered on the modified accrual basis of accounting except for encumbrances. Encumbrances reserve appropriations which have been obligated through purchase orders or contractual documents. Encumbrances are reported as reservations of fund balance at year-end.

The City Manager and the City Council evaluate the budget proposals of the various City organizations to determine the funding level of the operating and public service programs. After giving due consideration to the input received from the citizens, the City Council adopts the budget.

**GENERAL GOVERNMENT FUNCTIONS AND GENERAL FUND FUND BALANCE**

The following schedule presents a summary of general fund revenues (GAAP Basis) for the years ended June 30, 2001 and 2000:

Revenues	2001 Amount (000)	2000 Amount (000)	Amount of Increase (Decrease) (000)
Property taxes	\$ 77,363	\$ 67,005	\$ 10,358
Intergovernmental	58,055	54,205	3,850
Charges for services	3,755	3,576	179
Investment income	918	522	396
Other	1,154	1,295	(141)
Operating transfers	-	167	(167)
Capital lease proceeds	224	369	(145)
	\$ 141,469	\$ 127,139	\$ 14,330

The increase in property taxes was a result of an increase in the mill rate. The increase in intergovernmental revenue was due to the State reimbursing the City for various bonded school construction projects. Investment income increased from the prior year, due to more cash on hand to invest during fiscal 2001.

## General Fund Expenditures

The following schedule presents a summary of general fund expenditures, on a budgetary basis, for the years ended June 30, 2001 and 2000:

Expenditures and Encumbrances	2001 Amount (000)	2000 Amount (000)	Amount of Increase (Decrease) (000)
General government	\$ 32,616	\$ 26,760	\$ 5,856
Education	61,183	58,850	2,333
Public Safety	14,741	13,962	779
Public Works	5,352	4,852	500
Human Services	2,510	2,486	24
Debt Service	17,316	14,891	2,425
Total	<u>\$ 133,718</u>	<u>\$ 121,801</u>	<u>\$ 11,917</u>

The increase in general government was primarily due to the increase in the amount contributed to the fire and police pension plans in 2001.

The increase in education expenditures was due to increases in both certified and classified salaries. The increase in debt service was due to increased principal and interest payments on bonded debt.

The General Fund fund balance increased by \$3,321,761.

### Debt Administration

The ratio of general bonded debt to assessed value and bonded debt per capita are useful indicators of the City's debt position. The data for the City at the end of the 2001 fiscal year is presented below:

	Amount	Ratio of Bonded Debt To Assessed Value	Bonded Debt Per Capita
General Obligation Bonded Debt	\$73,150,000	3.82%	\$1,256

### Cash Management

Cash investments are made during the year in certificates of deposit, repurchase agreements and treasury bills. The Pension Trust Funds, which are managed by several investment advisors, also have investments in general investment contracts, short-term money market accounts, corporate debt and common and preferred stock. Total cash and investments approximated \$246,000,000 at June 30, 2001.

### Proprietary Operations

Water and Sewer services are provided by the Meriden Department of Public Utilities. This year the net income (loss) for the Sewer and Water Departments was \$(488,427) and \$1,056,022, respectively.

The City operates the George Hunter Memorial Golf Course. This fund was established to account for the municipal golf course operations. In fiscal 2001, net income was \$13,862.

### Pension Administrator

The City of Meriden is an administrator of three single employer public employee retirement systems ("PERS"). In addition, Board of Education teachers are fully covered by the non-contributory State Teachers' Retirement System.

### Risk Management

The City is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; employee health; and natural disasters. The City generally obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation and employee health and medical claims. Under the City's current policy, the Meriden health insurance fund covers all employee claims up to \$200,000 per claim with a stop-loss policy covering amounts exceeding the limit. The City also purchases aggregate stop-loss coverage for claims in excess of 120% of expected claim level, which approximates \$11,900,000. The City purchases commercial insurance for claims in excess of coverage provided by the workers' compensation fund with an individual claim maximum of \$500,000 and a \$5,000,000 aggregate maximum per year. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years.

### Independent Audit

State statutes require an annual audit be conducted by independent certified public accountants. In compliance with this requirement, the City Council selected McGladrey & Pullen, LLP to perform the audit for fiscal year 2001. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the federal and state single audit acts are included in a separate document.

### Acknowledgements

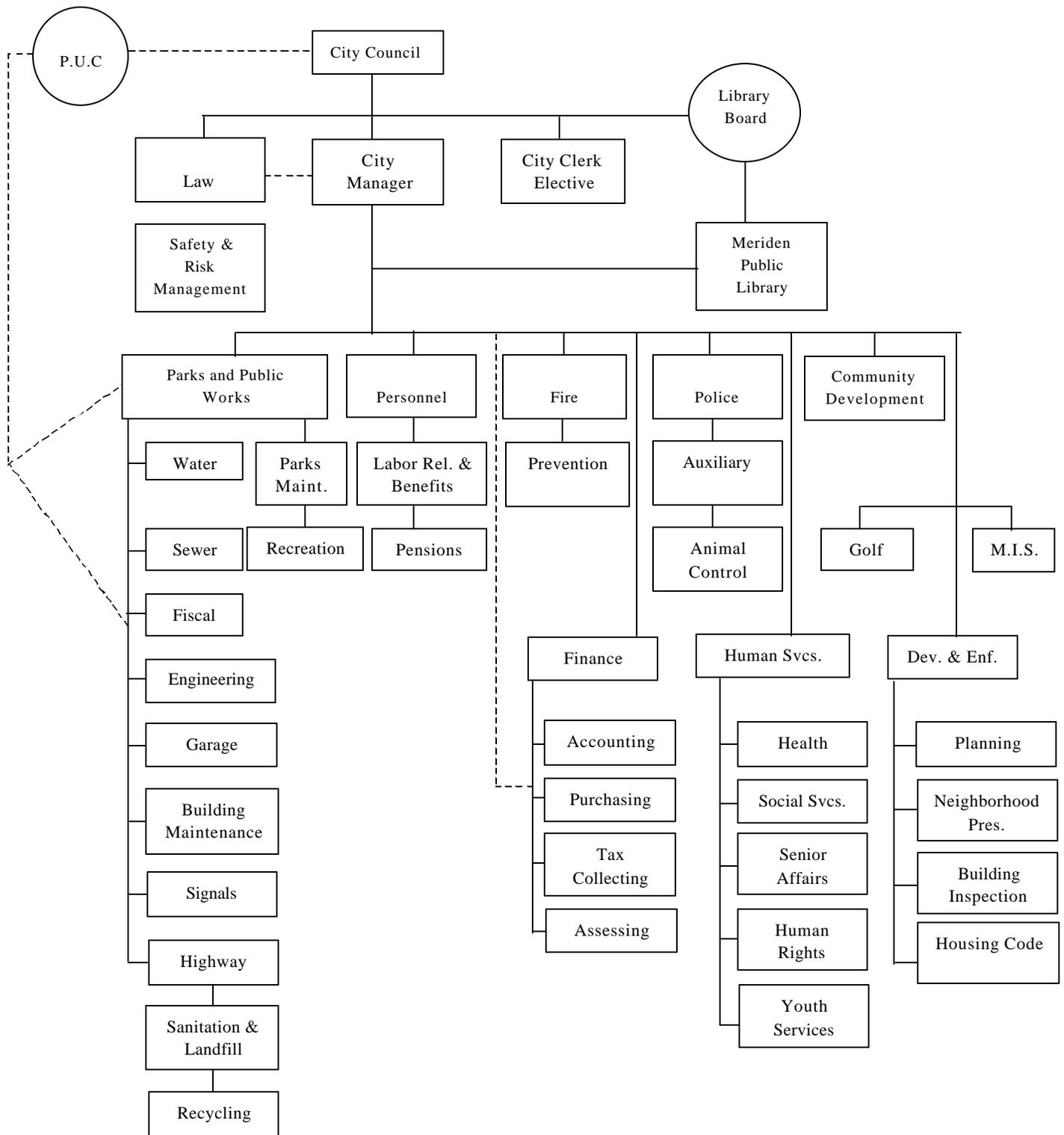
The preparation of this report could not have been accomplished without the hard work and dedication of the Finance Department staff; and members of other departments who assisted in its compilation. Their invaluable assistance made the preparation of this report an easier task.

And finally, special acknowledgment and appreciation goes to those who have contributed to the progressive and financially sound operations of the City; that tribute, of course belongs to the City Officials, City Staff, and the Community.

Sincerely,

Edward F. Murphy  
Director of Finance

# ORGANIZATIONAL CHART



## PRINCIPAL CITY OFFICIALS

<b>Office</b>	<b>Name</b>	<b>Manner of Selection and Term</b>	<b>Length of Service</b>
City Manager	Roger L. Kemp	Appointed - indefinite	8 years
Finance Director/ Treasurer	Edward F. Murphy	Appointed - indefinite	34.5 years
Superintendent of Schools	Dr. Elizabeth M. Ruocco	Appointed - indefinite	10.5 years
Mayor	Mark Benigni	Popularly elected	Newly elected

**Financial Section**

**INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

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

We have audited the accompanying general purpose financial statements of the City of Meriden, Connecticut as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the third paragraph, 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial statements, the City does not maintain detailed cost records for its property and equipment; accordingly, we were unable to satisfy ourselves as to the fairness of the carrying value of the City's property and equipment of \$279,882,552 reported in the General Fixed Asset Account Group as of June 30, 2001.

As discussed in Note 1 to the financial statements, the City does not follow accounting principles generally accepted in the United States of America with respect to the recognition of certain employee compensation earned but unpaid at the end of the year. If this obligation for unpaid employee compensation had been recognized in accordance with accounting principles generally accepted in the United States of America, the General Fund fund balance would have been reduced by approximately \$7,792,000, resulting in a fund deficit of approximately \$4,444,000 as of June 30, 2001, and General Fund expenditures would have been increased by approximately \$551,000.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine adequate records regarding the carrying value of the City's property and equipment, and except for the effects of not recognizing certain employee earned compensation, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Meriden, Connecticut as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and similar trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards," we have also issued a report dated January 7, 2002, on our consideration of the City of Meriden, Connecticut's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be read in conjunction with this report when considering the results of our audit.

The combining and individual fund and account group statements and schedules, listed as supplemental schedules in the table of contents, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Meriden, Connecticut. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects on the general purpose financial statements of the matters discussed in the third, fourth and fifth paragraphs, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The other data included in this comprehensive annual financial report, designated as "statistical section" in the table of contents, has not been audited by us and, accordingly, we express no opinion on it.

*McGladrey & Pullen, LLP*

New Haven, Connecticut  
January 7, 2002

## **General Purpose Financial Statements**

<b>CITY OF MERIDEN, CONNECTICUT</b>			
<b>COMBINED BALANCE SHEET</b>			
<b>ALL FUND TYPES AND ACCOUNT GROUPS</b>			
<b>June 30, 2001</b>			
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,307,656	\$ 3,110,159	\$ 3,669,339
Investments	3,195,000	-	-
Receivables:			
Property taxes - net of allowance for uncollectible property taxes of \$6,500,000	7,205,483	-	-
Use charges-net of allowance for uncollectible use charges of \$463,000	-	-	-
Accounts receivable	212,989	-	-
Loans receivable, net	-	2,559,651	712,078
Intergovernmental	924,994	346,303	-
Estimated unbilled usage	-	-	-
Due from other funds	-	40,000	1,503,929
Inventories and other assets	767,100	95,391	-
Property and equipment, net	-	-	-
Amounts to be provided for retirement of general long-term debt	-	-	-
Amount to be provided by Hospital	-	-	-
<b>Total assets</b>	<b>\$ 18,613,222</b>	<b>\$ 6,151,504</b>	<b>\$ 5,885,346</b>
<b>LIABILITIES AND MUNICIPAL EQUITY (DEFICIT) AND OTHER CREDITS</b>			
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	\$ 3,788,021	\$ 574,198	\$ 1,990,534
Retainage payable	-	-	732,448
Claims payable	-	-	-
Cash overdraft	2,847,096	-	-
Due to other funds	1,479,703	40,000	-
Deferred revenue	7,149,956	1,369,873	-
Bond anticipation notes payable	-	-	19,000,000
Bonds payable	-	-	-
Compensated absences	-	-	-
Net pension obligation	-	-	-
Capital leases payable	-	-	-
Amount held as agent and refunds due	-	-	-
<b>Total liabilities</b>	<b>15,264,776</b>	<b>1,984,071</b>	<b>21,722,982</b>
<b>MUNICIPAL EQUITY (DEFICIT)</b>			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Retained earnings (deficit)	-	-	-
Fund balances (deficit):			
Reserved for employees' retirement system	-	-	-
Reserved for inventories	-	80,737	-
Reserved for loans receivable	-	2,559,651	712,078
Reserved for donors' intention	-	-	-
Reserved for encumbrances	21,046	-	9,281,684
Reserved for post employment benefits	-	-	-
Reserved for advances	761,166	-	-
Unreserved:			
Designated for flood control	670,000	-	-
Unreserved, undesignated	1,896,234	1,527,045	(25,831,398)
<b>Total municipal equity (deficit) and other credits</b>	<b>3,348,446</b>	<b>4,167,433</b>	<b>(15,837,636)</b>
<b>Total liabilities and municipal equity (deficit) and other credits</b>	<b>\$ 18,613,222</b>	<b>\$ 6,151,504</b>	<b>\$ 5,885,346</b>

See Notes to Financial Statements.

<b>EXHIBIT A</b>					
Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Long-Term Debt	General Fixed Assets	
\$ 8,860,680	\$ 187,258	\$ 41,050,815	\$ -	\$ -	\$ 63,185,907
-	2,637,468	177,024,886	-	-	182,857,354
-	-	-	-	-	7,205,483
3,504,479	-	-	-	-	3,504,479
117,697	200,946	6,446	-	-	538,078
-	-	-	-	-	3,271,729
-	-	-	-	-	1,271,297
3,205,572	-	-	-	-	3,205,572
-	-	-	-	-	1,543,929
14,691	-	-	-	-	877,182
72,827,888	-	-	-	279,882,552	352,710,440
-	-	-	131,296,590	-	131,296,590
-	-	-	825,000	-	825,000
<b>\$ 88,531,007</b>	<b>\$ 3,025,672</b>	<b>\$ 218,082,147</b>	<b>\$ 132,121,590</b>	<b>\$ 279,882,552</b>	<b>\$ 752,293,040</b>
-	-	-	-	-	-
-	-	-	-	-	-
\$ 2,344,983	\$ 22,615	\$ -	\$ 5,300,000	\$ -	\$ 14,020,351
-	-	-	-	-	732,448
-	3,381,786	-	16,121,000	-	19,502,786
-	-	-	-	-	2,847,096
24,226	-	-	-	-	1,543,929
-	-	-	-	-	8,519,829
-	-	-	-	-	19,000,000
8,350,897	-	-	66,720,768	-	75,071,665
-	-	-	17,920,000	-	17,920,000
-	-	-	25,650,634	-	25,650,634
-	-	-	409,188	-	409,188
-	-	993,259	-	-	993,259
10,720,106	3,404,401	993,259	132,121,590	-	186,211,185
-	-	-	-	279,882,552	279,882,552
45,293,925	-	-	-	-	45,293,925
32,516,976	(378,729)	-	-	-	32,138,247
-	-	211,938,881	-	-	211,938,881
-	-	-	-	-	80,737
-	-	-	-	-	3,271,729
-	-	205,591	-	-	205,591
-	-	-	-	-	9,302,730
-	-	2,472,787	-	-	2,472,787
-	-	-	-	-	761,166
-	-	-	-	-	670,000
-	-	2,471,629	-	-	(19,936,490)
77,810,901	(378,729)	217,088,888	-	279,882,552	566,081,855
<b>\$ 88,531,007</b>	<b>\$ 3,025,672</b>	<b>\$ 218,082,147</b>	<b>\$ 132,121,590</b>	<b>\$ 279,882,552</b>	<b>\$ 752,293,040</b>

<b>CITY OF MERIDEN, CONNECTICUT</b>			
<b>COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)</b>			
<b>ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS</b>			
<b>For the Year Ended June 30, 2001</b>			
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>REVENUES</b>			
Property taxes	\$ 77,363,055	\$ -	\$ -
Intergovernmental	58,055,306	13,600,892	3,015,971
Charges for services	3,755,479	1,927,414	-
Investment income	918,438	8,814	-
Other revenue	1,153,592	253,910	316,342
<b>Total revenues</b>	<b>141,245,870</b>	<b>15,791,030</b>	<b>3,332,313</b>
<b>EXPENDITURES</b>			
Current:			
General government	32,649,654	-	-
Education	64,467,649	12,842,459	-
Public safety	14,741,369	374,061	-
Public works	5,351,824	-	-
Human services	2,510,468	2,486,619	-
Capital outlay	224,230	-	17,738,516
Debt service:			
Principal retirements	12,701,960	-	-
Interest	4,613,947	-	-
<b>Total expenditures</b>	<b>137,261,101</b>	<b>15,703,139</b>	<b>17,738,516</b>
<b>Revenues over (under) expenditures</b>	<b>3,984,769</b>	<b>87,891</b>	<b>(14,406,203)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	-	144,895	887,238
Operating transfers out	(887,238)	-	(144,895)
Lease proceeds	224,230	-	-
<b>Total other financing sources (uses)</b>	<b>(663,008)</b>	<b>144,895</b>	<b>742,343</b>
<b>Revenues and other financing sources over (under) expenditures and other financing (uses)</b>	<b>3,321,761</b>	<b>232,786</b>	<b>(13,663,860)</b>
<b>FUND BALANCES (DEFICITS), beginning</b>	<b>26,685</b>	<b>3,934,647</b>	<b>(2,173,776)</b>
<b>FUND BALANCES (DEFICITS), ending</b>	<b>\$ 3,348,446</b>	<b>\$ 4,167,433</b>	<b>\$ (15,837,636)</b>
See Notes to Financial Statements.			



CITY OF MERIDEN, CONNECTICUT			EXHIBIT C
<b>STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES -</b>			
<b>BUDGETARY BASIS - BUDGET AND ACTUAL</b>			
<b>GENERAL FUND</b>			
<b>For the Year Ended June 30, 2001</b>			
			Variance
	Revised		Favorable
	Budget	Actual	(Unfavorable)
<b>REVENUES AND TRANSFERS</b>			
Property taxes	\$ 75,441,962	\$ 77,363,055	\$ 1,921,093
Intergovernmental	53,810,623	54,769,306	958,683
Charges for services	3,979,843	3,755,479	(224,364)
Investment income	600,000	918,438	318,438
Other revenues and transfers	1,969,700	1,153,592	(816,108)
<b>Total revenues and transfers</b>	<b>135,802,128</b>	<b>137,959,870</b>	<b>2,157,742</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>			
General government	33,658,094	32,616,486	1,041,608
Education	61,205,512	61,182,717	22,795
Public safety	14,497,197	14,741,369	(244,172)
Public works	5,404,056	5,351,887	52,169
Human Services	2,591,711	2,510,405	81,306
Debt service	17,359,569	17,315,907	43,662
<b>Total expenditures and encumbrances</b>	<b>134,716,139</b>	<b>133,718,771</b>	<b>997,368</b>
<b>Revenues over (under) expenditures and encumbrances</b>	<b>1,085,989</b>	<b>4,241,099</b>	<b>3,155,110</b>
<b>OTHER FINANCING USES</b>			
Operating transfers out	-	(887,238)	(887,238)
<b>Increase in fund balance</b>	<b>\$ 1,085,989</b>	<b>\$ 3,353,861</b>	<b>\$ 2,267,872</b>
See Notes to Financial Statements.			

CITY OF MERIDEN, CONNECTICUT				EXHIBIT D
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)/FUND BALANCES ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS For the Year Ended June 30, 2001				
	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 11,763,570	\$ 15,182,239	\$ -	\$26,945,809
Income from investments	-	-	24,699	24,699
Net depreciation of investments	-	-	(56,675)	(56,675)
Other revenues	829,416	1,521,459	115,107	2,465,982
<b>Total operating revenues</b>	<b>12,592,986</b>	<b>16,703,698</b>	<b>83,131</b>	<b>29,379,815</b>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	4,071,449	69,643	-	4,141,092
Contracted services	1,911,189	-	-	1,911,189
Utilities	1,060,028	-	-	1,060,028
Repairs and maintenance	625,588	-	-	625,588
Insurance	320,265	-	-	320,265
Materials and supplies	1,630,728	53,192	-	1,683,920
Claims incurred	-	15,126,686	-	15,126,686
Depreciation	3,014,061	-	-	3,014,061
Other	33,662	199,632	147,328	380,622
<b>Total operating expenses</b>	<b>12,666,970</b>	<b>15,449,153</b>	<b>147,328</b>	<b>28,263,451</b>
<b>Operating income (loss)</b>	<b>(73,984)</b>	<b>1,254,545</b>	<b>(64,197)</b>	<b>1,116,364</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	294,373	26,169	-	320,542
Interest expense	(527,061)	-	-	(527,061)
<b>Total nonoperating revenues (expenses)</b>	<b>(232,688)</b>	<b>26,169</b>	<b>-</b>	<b>(206,519)</b>
<b>Income (loss) before capital contributions</b>	<b>(306,672)</b>	<b>1,280,714</b>	<b>(64,197)</b>	<b>909,845</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>888,129</b>	<b>-</b>	<b>-</b>	<b>888,129</b>
<b>Net income (loss)</b>	<b>581,457</b>	<b>1,280,714</b>	<b>(64,197)</b>	<b>1,797,974</b>
<b>RETAINED EARNINGS (DEFICIT)/FUND BALANCES, beginning</b>				
	31,935,519	(1,659,443)	2,604,630	32,880,706
<b>RETAINED EARNINGS (DEFICIT)/FUND BALANCES, ending</b>				
	<b>\$ 32,516,976</b>	<b>\$ (378,729)</b>	<b>\$2,540,433</b>	<b>\$34,678,680</b>
See Notes to Financial Statements.				

CITY OF MERIDEN, CONNECTICUT				EXHIBIT E
COMBINED STATEMENT OF CASH FLOWS				
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS				
For the Year Ended June 30, 2001				
	Proprietary Fund Types		Fiduciary Fund Type	Totals
	Enterprise	Internal Service	Non- expendable Trust	(Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (73,984)	\$ 1,254,545	\$ (64,197)	\$ 1,116,364
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,014,061	-	-	3,014,061
Investment reported as operating income	-	-	(24,699)	(24,699)
Net depreciation in investments	-	-	56,675	56,675
Change in assets and liabilities:				
Decrease in estimated unbilled usage	270,461	-	-	270,461
Increase in use charges receivable	(5,639)	-	-	(5,639)
Decrease in sewer assessments receivable	9,228	-	-	9,228
Decrease (increase) in accounts receivable	51,200	(42,962)	-	8,238
Decrease in other assets	11,099	-	-	11,099
Decrease in due from other funds	752,729	-	-	752,729
Decrease in accounts payable	(134,550)	(36,529)	(8,709)	(179,788)
Decrease in due to other funds	(444,383)	-	-	(444,383)
Increase in claims payable	-	285,597	-	285,597
<b>Net cash provided by (used in) operating activities</b>	<b>3,450,222</b>	<b>1,460,651</b>	<b>(40,930)</b>	<b>4,869,943</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of property and equipment	(1,763,700)	-	-	(1,763,700)
Principal payments on bond obligations	(1,533,194)	-	-	(1,533,194)
Interest payments on bond obligations	(527,061)	-	-	(527,061)
Capital contributions	888,129	-	-	888,129
<b>Net cash used in capital and related financing activities</b>	<b>(2,935,826)</b>	<b>-</b>	<b>-</b>	<b>(2,935,826)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Advances to other funds/return of capital	126,840	-	-	126,840
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments	1,611,898	-	140,726	1,752,624
Income received on cash and investments	294,371	26,169	24,699	345,239
Purchases of investments	-	(1,566,050)	-	(1,566,050)
<b>Net cash provided by (used in) investing activities</b>	<b>1,906,269</b>	<b>(1,539,881)</b>	<b>165,425</b>	<b>531,813</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,547,505</b>	<b>(79,230)</b>	<b>124,495</b>	<b>2,592,770</b>
<b>CASH AND CASH EQUIVALENTS</b>				
Beginning	6,313,175	266,488	332,317	6,911,980
Ending	\$ 8,860,680	\$ 187,258	\$ 456,812	\$ 9,504,750
See Notes to Financial Statements.				

CITY OF MERIDEN, CONNECTICUT				EXHIBIT F
<b>COMBINING STATEMENT OF PLAN NET ASSETS - EMPLOYEES',</b>				
<b>FIREFIGHTERS' AND POLICE PENSION TRUST FUNDS</b>				
<b>June 30, 2001</b>				
	Employees'	Firefighters'	Police	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,852,181	\$ 9,564,969	\$ 9,446,487	\$ 38,863,637
Other receivables	2,747	-	3,699	6,446
Investments, at fair value				
Corporate bonds	22,473,724	2,476,678	2,374,464	27,324,866
Corporate stocks	61,421,998	29,785,225	28,559,278	119,766,501
Treasury bills	15,623,865	5,304,571	5,048,995	25,977,431
<b>Total investments</b>	<b>99,519,587</b>	<b>37,566,474</b>	<b>35,982,737</b>	<b>173,068,798</b>
<b>Net Assets Held in Trust for Pension</b>				
<b>Benefits (a schedule of funding</b>				
<b>progress is presented in Note 10)</b>	<b>\$ 119,374,515</b>	<b>\$ 47,131,443</b>	<b>\$ 45,432,923</b>	<b>\$211,938,881</b>
See Notes to Financial Statements.				

CITY OF MERIDEN, CONNECTICUT				EXHIBIT G
<b>COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS - EMPLOYEES',</b>				
<b>POLICE AND FIREFIGHTERS' PENSION TRUST FUNDS</b>				
<b>For the Year Ended June 30, 2001</b>				
	Employees'	Firefighters'	Police	Totals
<b>Additions</b>				
Contributions				
Employer	\$ 17,773	\$ 955,772	\$ 1,280,356	\$ 2,253,901
Plan members	1,057,924	243,995	329,419	1,631,338
<b>Total contributions</b>	<b>1,075,697</b>	<b>1,199,767</b>	<b>1,609,775</b>	<b>3,885,239</b>
Investment Income (loss)				
Net depreciation in fair value of investments	(9,323,305)	(6,103,933)	(5,851,073)	(21,278,311)
Interest and dividends	4,040,762	1,514,061	1,448,103	7,002,926
	(5,282,543)	(4,589,872)	(4,402,970)	(14,275,385)
Less investment expense	884,248	359,831	334,439	1,578,518
Net investment (loss)	(6,166,791)	(4,949,703)	(4,737,409)	(15,853,903)
<b>Total additions</b>	<b>(5,091,094)</b>	<b>(3,749,936)</b>	<b>(3,127,634)</b>	<b>(11,968,664)</b>
<b>Deductions</b>				
Benefits	4,394,215	2,796,035	2,873,988	10,064,238
Refunds	208,407	20,812	1,830	231,049
<b>Total deductions</b>	<b>4,602,622</b>	<b>2,816,847</b>	<b>2,875,818</b>	<b>10,295,287</b>
<b>Net decrease</b>	<b>(9,693,716)</b>	<b>(6,566,783)</b>	<b>(6,003,452)</b>	<b>(22,263,951)</b>
<b>Net Assets Held in Trust for Pension</b>				
<b>Benefits</b>				
Beginning of year	129,068,231	53,698,226	51,436,375	234,202,832
End of year	\$ 119,374,515	\$ 47,131,443	\$ 45,432,923	\$ 211,938,881
See Notes to Financial Statements.				

<b>CITY OF MERIDEN, CONNECTICUT</b>	<b>EXHIBIT H</b>
<b>STATEMENT OF POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS</b>	
<b>June 30, 2001</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 600,320
Investments, at fair value:	
Corporate bonds	423,227
Corporate stocks	1,155,010
Treasury bills	294,230
<b>Total investments</b>	<b>1,872,467</b>
<b>Net Assets Held in Trust for Postemployment Healthcare Benefits</b>	<b>\$ 2,472,787</b>
See Notes to Financial Statements.	

CITY OF MERIDEN, CONNECTICUT	EXHIBIT I
<b>STATEMENT OF CHANGES IN POSTEMPLOYMENT HEALTHCARE PLAN NET ASSETS</b>	
<b>For the Year Ended June 30, 2001</b>	
<b>Additions</b>	
Contributions:	
Plan members	\$ 208,234
<b>Total contributions</b>	208,234
Investment Income (loss):	
Net depreciation in fair value of investments	(175,660)
Interest and dividends	76,412
	(99,248)
Less investment expense	15,197
<b>Net investment loss</b>	(114,445)
<b>Total additions</b>	93,789
<b>Deductions</b>	
Healthcare premium subsidies	245,958
<b>Total deductions</b>	245,958
<b>Net decrease</b>	(152,169)
<b>Net Assets Held in Trust for Postemployment Healthcare Benefits</b>	
Beginning of year	2,624,956
End of year	<u>\$ 2,472,787</u>
See Notes to Financial Statements	

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

June 30, 2001

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#### **Note 1. Reporting Entity, Description of Funds and Account Groups, and Summary of Significant Reporting Policies**

##### Reporting entity

The City of Meriden, Connecticut (the "City") was incorporated in 1867. The City covers an area of 23.8 square miles, and is located midway between Hartford and New Haven. The City operates under a Council/Manager form of government. The City Manager is appointed by the Council and serves as the Chief Executive Officer.

The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning, and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments except that a liability for earned but unpaid employee compensation was not recorded. The following is a summary of the more significant accounting policies used by the City.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", have been considered and there are no agencies or entities which should be, but are not, combined with the financial statements of the City.

##### Description of funds and account groups

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

##### *Governmental funds*

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

CITY OF MERIDEN, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS, *Continued*  
June 30, 2001

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**Special revenue funds** - are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

**Capital projects funds** - are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those accounted for in the enterprise funds.

*Proprietary funds*

**Enterprise funds** - are used to account for operations:

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

The City's enterprise funds are its water fund, sewer authority and golf course.

**Internal service funds** - are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service funds are its medical self-insurance fund and workers' compensation fund.

*Fiduciary funds*

**Trust and agency funds** - are used to account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds consist of expendable, nonexpendable, pension trust funds, and the postemployment healthcare fund.

*Account groups*

**General Fixed Assets Account Group** - is used to account for all property and equipment of the City, other than those accounted for in the proprietary funds. The amounts reported in this account group are unaudited.

**General Long-Term Debt Account Group** - is used to account for all long-term liabilities of the City expected to be financed from governmental funds. The principal payments made on long-term debt are disbursed from the General Fund.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2001

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Summary of significant accounting policies:

#### Basis of accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

#### Modified accrual basis of accounting

All governmental, agency and expendable trust funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as they become both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Revenue items susceptible to accrual consist primarily of property taxes and interest on investments. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. There are, however, essentially two bases for this revenue recognition. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City, therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability. Major revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period or are not objectively measurable include licenses and permits.

Expenditures are generally recognized under the modified accrual basis of accounting when the liability is incurred. Exceptions to this general policy are: (1) principal and interest on general long-term debt which is recognized when paid; (2) compensated absences, claims, landfill closure costs and pension obligations which are recognized when paid or the obligations are expected to be liquidated with expendable available financial resources.

The City's policy for the recognition of a liability and expenditure in the General Fund, for compensation earned at year end, but paid subsequent to year end is not in accordance with accounting principles generally accepted in the United States of America which require a liability and expenditure be recorded when incurred. If this liability had been recognized in accordance with accounting principles generally accepted in the United States of America, the General Fund fund balance would be reduced by approximately \$7,792,000 as of June 30, 2001, resulting in a fund deficit of approximately \$4,444,000 and the General Fund expenditures would be increased by approximately \$551,000 for the year then ended.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, *Continued* June 30, 2001

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#### Accrual basis of accounting

All proprietary, nonexpendable and pension trust funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

#### Measurement focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Operating statements present increases (revenues and other financing sources) in net current assets and decreases (expenditures and other financing uses) in net current liabilities for these funds.

Proprietary funds, nonexpendable trust funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with this activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Operating statements present increases (revenues) and decreases (expenses) in equity for these funds.

#### Accounting estimates

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

#### Property taxes

Property taxes consist of real estate, personal property and motor vehicle taxes. They are assessed as of October 1 and are levied and enforceable on the following July 1. Real estate taxes are payable in quarterly installments, July 1, October 1, January 1 and April 1. Personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are filed on delinquent real estate taxes within one year.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2001

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Property tax revenues are recognized when they become available. Available means due or past due and receivable within sixty days of year-end. Property taxes receivable not expected to be collected within sixty days of year-end, are reflected as deferred revenue.

#### Cash equivalents

Cash equivalents are money market accounts and certificates of deposit with original maturities of three months or less.

#### Investments

Investments are stated at fair value using quoted market prices.

#### Inventories

Inventories of the governmental fund types are stated at cost using the consumption method on the first-in, first-out basis.

#### Loans receivable

The City records loans receivable in the Neighborhood Preservation Revolving Loan Program special revenue fund and the Bonded Project capital project fund as the loan proceeds are advanced. An allowance for estimated uncollectible amounts of \$250,780 is provided.

#### Property and equipment

Property and equipment that have been purchased by governmental funds are recorded as expenditures in the purchasing funds at the time of purchase or construction, and added to the balance of the General Fixed Assets Account Group at their purchased cost. Depreciation is not provided for. Infrastructure assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized since such items are of value only to the City. The City does not maintain detail cost records of its property and equipment; therefore, the General Fixed Assets Account Group included in the financial statements has not been audited.

Property and equipment accounted for in the proprietary fund type is carried at cost. Depreciation of these assets is computed by the straight-line method using lives ranging from three to fifty years. Amortization of property and equipment acquired under capital leases is included with depreciation expense.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Compensated absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement, as follows:

<b>Employees</b>	<b>Sick Leave</b>	<b>Vacation Leave</b>
School Administrators	Does not vest	Vests 100%
Teachers	Does not vest	No provisions
Board of Education Classified Personnel	Vests 50% - up to a maximum of 120 days	Vests 100%
Meriden Community Action Agency	Does not vest	Vests 100%
Police, Fire and Nurses	Vests 100% up to 90 days if retire or die. Does not vest if terminated	Does not vest
Public Utilities Employees	Vests as follows: 50% - 0-10 yrs service 75% - 11-15 yrs service 100% - 16-25 yrs service	Vests 100%
Supervisors and Managers	Vests 100%, up to 120 days for Supervisors and 90 days for Managers	Vests 100%
Meriden Municipal Employees	Vests 100% up to 90 days	Vests 100%
Crossing Guards	Does not vest, carried forward, not to exceed 15 days	No provisions

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

Vested sick leave and accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, *Continued* June 30, 2001

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#### Proprietary fund accounting

The City of Meriden has adopted Statement No. 20 of the Governmental Accounting Standards Board (GASB), "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." This Statement provides guidance on the applicability of accounting pronouncements from other standards setting organizations. Under the City's election, the City must apply all GASB pronouncements and the following pronouncements issued before November 30, 1989 unless they contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

#### Pension accounting

##### **Pension Trust Funds:**

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

##### **Governmental Funds:**

The net pension obligation, the cumulative difference between annual pension cost and the City's contributions to the plans since 1986, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 27 and is recognized in the General Long-Term Debt Account Group. Expenditures are recognized when they are paid or are expected to be paid with current available resources.

##### **Funding Policy:**

The City makes annual contributions at the discretion of the City Council.

#### Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as a reservation of fund balance as they do not constitute expenditures or liabilities.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2001

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#### Estimated unbilled usage

An estimate has been recorded for utility services provided but not billed as of the end of the year.

#### Deferred revenue

Deferred revenue arises when a potential revenue does not meet the "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when revenue recognition criteria is met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

#### Advances

Advances to and advances from governmental funds represent noncurrent portions of interfund receivables and payables. The governmental fund making the advance establishes a fund balance reserve equal to the amount of the advance.

#### Capital contributions

The Governmental Accounting Standards Board (GASB) issued Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" to establish accounting and financial reporting for transactions involving financial or capital resources. Prior to July 1, 2000, accounting principles generally accepted in the United States of America allowed enterprise funds to increase equity directly with no effect on net income for contributed capital. Subsequent to July 1, 2000, enterprise funds must account for capital contributions through the statement of revenues and expenses.

#### Total columns on combined statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2001

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#### Note 2. Budgets and Budgetary Accounting

##### General Fund

The City's general budget policies are as follows:

- A. The head of every department, office and agency submits to the Finance Director, at such date as he determines, estimates of revenues and expenditures for the following year.
- B. The City Manager reviews these estimates and may revise them as he deems advisable, except that in the case of the department of education, he has the authority to revise only the total estimated expenditures.
- C. On or before March 1, not later than 120 days prior to the beginning of the fiscal year, the City Manager submits to the City Council a balanced annual budget.
- D. The City Council shall hold one (1) public hearing on the budget to obtain public comments not later than seventy-five (75) days prior to the beginning of the fiscal year.
- E. Within twenty (20) days after the final public hearing the City Council shall adopt the budget. The budget is legally enacted through passage of an ordinance.
- F. The Mayor shall have veto power on a line item basis only, and submit veto message within five (5) days of the adoption of the budget by the City Council.
- G. The City Council may override any line item veto by a two-thirds (2/3) vote of the entire body.
- H. Budget referendum on the adopted budget must be held if a petition is filed within thirty days of the adoption of the final approved budget.
- I. The City Manager is authorized to transfer budgeted amounts within departments. However, any transfer between departments or additional appropriations, must be approved by the City Council. Additional appropriations by the City Council may not exceed 1 1/2% of the general fund budget as established for the current year, without levying a special tax. There were additional appropriations of approximately \$552,000 during the year ended June 30, 2001.
- J. The Board of Education may transfer unexpended balances from one account to another within its total line appropriation. A number of such transfers occurred during the year.
- K. 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 reflected in

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**

**June 30, 2001**

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budgetary reports as expenditures of the current year. If an appropriation is not encumbered, it lapses at year-end and may not be used by the department.

- M. A reconciliation of General Fund revenues as presented in accordance with GAAP and revenues presented on the budgetary basis is as follows:

Revenues and transfers, budgetary basis (Exhibit C)	\$ 137,959,870
On-behalf payments paid directly by the State of Connecticut Teachers Retirement System	<u>3,286,000</u>
Revenues and operating transfers in, as reported (Exhibit B)	<u>\$ 141,245,870</u>

- N. A reconciliation of expenditures of the General Fund as reported, expenditures and operating transfers out and encumbrances presented on the budgetary basis is as follows:

Expenditures, encumbrances and operating transfers out, budgetary basis (Exhibit C)	\$ 134,606,009
On-behalf payments paid directly by the State of Connecticut Teachers' Retirement System	3,286,000
Encumbrances	
June 30, 2000	53,146
June 30, 2001	(21,046)
Purchase of equipment under capital lease arrangements, not recognized for budgetary purposes	<u>224,230</u>
Expenditures and operating transfers out, as reported (Exhibit B)	<u>\$ 138,148,339</u>

Special revenue funds

The City does not adopt annual budgets for the special revenue funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets are nonlapsing and may comprise more than one fiscal year.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Capital projects funds

Legal authorization for expenditures of the capital projects funds is provided by the related bond ordinances and/or intergovernmental grant agreements. Capital appropriations for construction or for other permanent improvements, from whatever source derived, do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned. If three fiscal years pass without any expenditure or encumbrance of the appropriation being made, the project is deemed to have been abandoned.

**Note 3. Cash and Investments**

The following is a summary of cash and cash equivalents as of June 30, 2001:

Deposits	\$ 23,388,299
* Tax Exempt Proceeds Fund/Mutual Funds	<u>39,797,608</u>
<b>Total cash and cash equivalents</b>	<u><u>\$ 63,185,907</u></u>

\* These amounts are not subject to investment risk categorization since the City does not own identifiable securities, but invests as a shareholder of the investment pool.

As of June 30, 2001, the carrying amount of the City's deposits totaled \$23,388,299 with a bank balance of \$23,403,560.

The insured and collateral status of the year-end bank balance was as follows:

Covered by federal depository insurance or by collateral held by the City's agent in the City's name	\$ 500,000
Uninsured and uncollateralized, except as described below	<u>22,903,560</u>
	<u><u>\$ 23,403,560</u></u>

The uninsured and uncollateralized balance is partially protected under provisions of the Connecticut General Statutes, which provide for protection against loss in excess of deposit insurance through assessment against segregated collateral required to be maintained by all qualified public depositories in the amount of 10% to 25% of their outstanding public deposits depending on the bank's financial strength as shown by its risk-based capital ratio. At June 30, 2001, approximately \$2,340,000 of uninsured deposits were collateralized under these statutes. It is unclear whether the collateral required for public deposits would stand if challenged by the FDIC since there is no perfected security agreement between the depository and the depositor as required by federal laws.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

The level of the City's deposits varies significantly throughout the year as a result of higher cash flow during certain periods of the year. As a result, uninsured, uncollateralized amounts at those times were significantly higher than at year end.

The City's investments as of June 30, 2001 consisted of the following:

Type of Investment	Fund Type	Market/ Carrying Amount	Credit Risk Category
Repurchase Agreement	General Fund	\$ 3,195,000	1
Corporate Debt	Nonexpendable Trust	550,946	3
Common Stock	Nonexpendable Trust	1,351,424	3
Corporate Debt	Pension Trust/Healthcare	27,748,093	3
Common Stock	Pension Trust/Healthcare	120,921,511	3
Treasury bills	Pension Trust/Healthcare	26,271,660	3
Mutual Funds	Nonexpendable Trust	181,252	*
Repurchase Agreement	Internal Service Fund	2,637,468	1
		<u>\$ 182,857,354</u>	

\* Mutual funds and money market funds are excluded from this risk classification because specific securities related to the City cannot be identified.

City investments are categorized above to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name. Mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

State statutes allow the City to invest in obligations of the United States, including its agencies; in obligations of any state or of any political subdivisions, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The pension and other trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

**Note 4. Interfund Accounts**

As of June 30, 2001, amounts due from and to other funds were as follows:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund</b>	\$ -	\$ 1,479,703
<b>Special Revenue Funds</b>		
Health Department WIC Program	-	40,000
Special Projects - Health	<u>40,000</u>	<u>-</u>
	<u>40,000</u>	<u>40,000</u>
<b>Capital Projects Funds</b>		
Capital and Non-Recurring	620,648	-
Bonded Projects Fund	<u>883,281</u>	<u>-</u>
	<u>1,503,929</u>	<u>-</u>
<b>Enterprise Funds</b>		
George Hunter Memorial Golf Course	-	24,226
	<u>-</u>	<u>24,226</u>
	<u>\$ 1,543,929</u>	<u>\$ 1,543,929</u>

**Note 5. Property and Equipment**

Changes in the General Fixed Asset Account Group for the year ended June 30, 2001, were as follows (unaudited):

	Balance June 30, 2000	Additions	Disposals	Balance June 30, 2001
Land and buildings - general government	\$ 131,908,154	\$ 8,140,682	\$ -	\$ 140,048,836
Land and buildings -education	109,696,638	6,769,903	-	116,466,541
Furniture and equipment - general government	16,847,823	1,039,759	-	17,887,582
Furniture and equipment - education	5,161,078	318,515	-	5,479,593
	<u>\$ 263,613,693</u>	<u>\$ 16,268,859</u>	<u>\$ -</u>	<u>\$ 279,882,552</u>

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Property and equipment of the enterprise funds consisted of the following as of June 30, 2001:

	Sewer Authority	Water Fund	George Hunter Memorial Golf Course	Total
Land, equipment and buildings	\$ 71,782,144	\$ 46,029,761	\$ 2,053,000	\$ 119,864,905
Construction in progress	213,513	2,110,876	-	2,324,389
	<u>71,995,657</u>	<u>48,140,637</u>	<u>2,053,000</u>	<u>122,189,294</u>
Less accumulated depreciation	27,276,794	21,258,098	826,514	49,361,406
	<u>\$ 44,718,863</u>	<u>\$ 26,882,539</u>	<u>\$ 1,226,486</u>	<u>\$ 72,827,888</u>

**Note 6. Bond Anticipation Notes and Subsequent Event**

The City had \$19,000,000 of bond anticipation notes outstanding as of June 30, 2001. In August 2001, the outstanding bond anticipation notes were repaid through the issuance of \$41,275,000 of bond anticipation notes. The balance is expected to be repaid from specific appropriations and future long-term borrowings.

Bond anticipation note transactions for the year ended June 30, 2001 were as follows:

Outstanding, June 30, 2000	\$ 5,550,000
New borrowings	19,000,000
Repayments	<u>(5,550,000)</u>
Outstanding, June 30, 2001	<u>\$ 19,000,000</u>

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

**Note 7. Debt**

A summary of changes in outstanding long-term obligations during the year ended June 30, 2001, is as follows:

Description	Balance June 30, 2000	Issued/ Additions	Transferred/ Redeemed/ Matured	Balance June 30, 2001
<b>General Long-Term Debt</b>				
General obligation bonds	\$ 79,324,702	\$ -	\$ 12,603,934	\$ 66,720,768
Compensated absences	16,704,000	1,216,000	-	17,920,000
Claims and judgments	7,500,000	8,621,000	-	16,121,000
Net pension obligation	24,474,894	1,175,740	-	25,650,634
Landfill closure and postclosure care cost	4,600,000	700,000	-	5,300,000
Capital leases payable	282,984	224,230	98,026	409,188
	\$ 132,886,580	\$ 11,936,970	\$ 12,701,960	\$ 132,121,590
<b>Enterprise Funds</b>				
Bonds Payable	\$ 7,875,299	\$ -	\$ 1,446,067	\$ 6,429,232
Clean Water Fund Notes	2,066,256	-	144,591	1,921,665
	\$ 9,941,555	\$ -	\$ 1,590,658	\$ 8,350,897

Compensated absences

Included in the General Long-Term Debt Account Group is the vested portion of employee compensated absences and the nonvested portion of employee compensated absences expected to be paid in the future, which are not expected to be paid with current available resources, aggregating approximately \$17,920,000 as of June 30, 2001.

Claims and judgments

Claims and judgments include an estimated amount for judgments and litigation which are not expected to be paid with current available resources, aggregating \$16,121,000 as of June 30, 2001.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Net pension obligation

Governmental Accounting Standards Board Statement No. 27, "Accounting for Pensions by State and Local Governments" requires the City to accrue the amount of the net pension obligation in the General Long-Term Debt Account Group. The balance at June 30, 2001 was \$25,650,634.

Landfill closure and postclosure care cost

In accordance with Statement No. 18 of the Governmental Accounting Standards Board, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs", the City's estimated costs included in the General Long-Term Debt Account Group for closure and postclosure care cost of the City's landfill is estimated to be \$5,300,000 at June 30, 2001.

Bonded indebtedness

As of June 30, 2001, the outstanding bonded indebtedness of the City was as follows:

	<u>General Long- Term Debt Account Group</u>	<u>Enterprise Funds</u>
<b><u>General Obligation Bonds</u></b>		
\$14,005,000 GOB 1985, issue of 4/01/85, due 4/01/04, interest at 8.5% to 8.6%, annual principal payments of \$275,000	\$ 825,000	\$ -
\$12,950,000 GOB 1987, issue of 7/15/87, due 7/15/2002, interest at 6.0%, annual principal payments of \$180,000	178,868	181,132
\$23,945,000 GOB 1988, issue of 10/01/88, due 10/1/2008, interest at 6.75% to 6.9%, annual principal payments of \$500,000	4,000,000	-
\$12,332,000 GOB 1989, issue of 7/15/89, due 7/15/2009, interest at 5.5% to 7.5%, annual principal payments of \$200,000	1,800,000	-

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

	General Long- Term Debt Account Group	Enterprise Funds
<b><u>General Obligation Bonds, Continued</u></b>		
\$23,600,000 GOB 1991, issue of 7/15/91, due 7/15/2010, interest at 6.4%, annual principal payments of \$50,000	500,000	-
\$20,700,000 GOB 1992, issue of 11/18/92, due 11/18/2007, interest at 6.15%, annual principal payments range from \$700,000 to \$1,500,000	6,235,000	315,000
\$18,643,000 GOB 94, issue of 10/15/94, due 6/30/2012, interest at 4.9% to 7.0%, annual principal payments range from \$475,000 to \$1,475,000	7,645,000	1,180,000
\$22,025,000 GOB 96, issue of 8/1/96, due 8/1/2011, interest at 4.25% to 6.25%, annual principal payments range from \$175,000 to \$2,235,000	12,682,500	427,500
\$23,900,000 GOB 98, issue of 2/1/98, due 2/1/2008, interest at 4.1% to 5.0%, annual principal payments of \$2,115,000	14,995,000	805,000
\$24,050,000 GOB 99, issue of 8/1/99, due 8/1/2009, interest at 4.35% to 4.8%, annual principal payments range from \$2,140,000 to \$2,670,000	17,859,400	3,520,600
	<u>\$ 66,720,768</u>	<u>\$ 6,429,232</u>
<b><u>Clean Water Fund Notes</u></b>		
\$2,891,832 Clean Water Fund due 6/30/2012, interest at 2%, annual principal payments ranging from \$144,592 to \$14,283.	<u>\$ -</u>	<u>\$ 1,921,665</u>

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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The annual debt service requirements of the bonded indebtedness described above are as follows:

General Long-Term Debt Account Group

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 10,554,076	\$ 3,168,591	\$ 13,722,667
2003	10,288,017	2,642,653	12,930,670
2004	9,193,350	2,147,943	11,341,293
2005	8,918,350	1,690,753	10,609,103
2006	7,704,000	1,273,539	8,977,539
2007	7,704,000	876,164	8,580,164
2008	5,943,000	507,890	6,450,890
2009	3,208,000	246,379	3,454,379
2010	2,708,000	98,410	2,806,410
2011	275,000	24,201	299,201
2012	224,975	7,013	231,988
	<u>\$ 66,720,768</u>	<u>\$ 12,683,536</u>	<u>\$ 79,404,304</u>

Enterprise Funds

	<u>Principal</u>
2002	\$ 1,390,540
2003	1,371,575
2004	986,242
2005	986,242
2006	670,592
Thereafter	2,945,706
	<u>\$ 8,350,897</u>

The State of Connecticut reimburses the City for eligible school bond principal and interest costs. The amount of such reimbursement for the year ended June 30, 2001 was approximately \$3,094,000. Additional payments aggregating approximately \$11,744,000 are expected to be received through the bonds' maturity dates.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Property and equipment with a carrying value of approximately \$514,000 have been acquired under capital lease arrangements. Future minimum payments under capital lease arrangements are as follows:

2002	\$ 106,182
2003	106,182
2004	106,182
2005	106,182
2006	53,000
Total	<u>477,728</u>
Less amount representing interest	<u>68,540</u>
	<u>\$ 409,188</u>

The City's statement of debt limitation under Connecticut General Statutes, Section 7-374(b) as of June 30, 2001, is as follows:

Total tax collections (including interest and lien fees) for the year ended June 30, 2001	\$ 79,130,894
Reimbursement for revenue loss: Tax relief for elderly freeze	<u>26,050</u>
Base	<u>79,156,944</u>
Debt limit	<u>\$ 554,098,608</u>

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

The Connecticut General Statutes provide that the total authorized debt of the City shall not exceed seven times the above base cash receipts, nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below.

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt limitation:					
2-1/4 times base	\$ 178,103,124	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	356,206,248	-	-	-
3-3/4 times base	-	-	296,838,540	-	-
3-1/4 times base	-	-	-	257,260,068	-
3 times base	-	-	-	-	237,470,832
<b>Total debt limitation</b>	<b>178,103,124</b>	<b>356,206,248</b>	<b>296,838,540</b>	<b>257,260,068</b>	<b>237,470,832</b>
Debt as defined by statute:					
Bonds payable <sup>(1)</sup>	34,795,786	19,910,000	2,984,465	11,190,000	-
Bond anticipation notes	15,053,700	2,920,000	732,500	-	-
Bonds authorized/unissued	42,572,663	34,983,200	2,060,134	-	-
<b>Total indebtedness</b>	<b>92,422,149</b>	<b>57,813,200</b>	<b>5,777,099</b>	<b>11,190,000</b>	<b>-</b>
Debt limitation in excess of outstanding and authorized debt	\$ 85,680,975	\$ 298,393,048	\$ 291,061,441	\$ 246,070,068	\$ 237,470,832

(1) Excludes Memorial Hospital Bonds of \$825,000; Water Bonds and Notes \$5,166,800; General Obligation Golf Course Bonds \$199,615

**Note 8. Commitments and Contingencies**

Lawsuits

The City is a defendant in various lawsuits including personal injury, negligence and other miscellaneous claims. For certain of these cases, where it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated, a loss contingency has been accrued.

On April 20, 2001, Yankee Gas Services Company (“Yankee”) and the Connecticut Light and Power Company (“CL&P”) obtained a judgment against the City of Meriden (the “City”) from property tax appeals for each of the grand list years 1991 through 1999.

Yankee and CL&P challenged the adjustments made by the Assessor to their personal property tax filings in each of the grand list years in question. In making the adjustments, the City determined the present value for Yankee’s and CL&P’s personal property subject to tax using a replacement cost new less depreciation (“RCNLD”) method. The trial court found that this overvalued the property and the relief available was for the court to revalue the property “de

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued

June 30, 2001

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novo.” In determining value “de novo,” the trial court determined original cost less depreciation (“OCLD”) to be the most appropriate method of valuation, and further found the fair market value of Plaintiffs’ personal property to be “as filed” by Plaintiffs, notwithstanding Meriden’s submitted evidence that Plaintiffs’ filings were inaccurate and deficient. The trial court ordered the City to pay Yankee and CL&P a total amount, as of April 20, 2001, of \$15,626,860, plus the amount of any “excess” that the Plaintiffs paid with respect to the second installment of taxes on the 1999 grand list.

On May 7, 2001, Meriden filed an appeal with the Appellate Court. On June 27, 2001, the trial court granted in part the motion filed by Meriden seeking a stay pending appeal. While the trial court found that no automatic stay was available under the appellate rules, the court exercised its discretion, directing that a stay issue with respect to all years at issue in the litigation, provided that Meriden make monthly payments on the running of interest in the amount of eight percent (8%) commencing on July 15, 2001. Meriden has filed with the Appellate Court a motion for review of the stay order. The stay was granted until the motion is heard.

In August 2001, a settlement was agreed upon. The City must pay \$9,950,505 and \$4,949,495 to Yankee and CL&P, respectively. The City has accrued the settlement in the general long-term debt account group. To fund the settlement, the City issued \$41,275,000 of bond anticipation notes in August 2001, of which approximately \$15 million was designated for this claim.

#### Municipal Solid Waste Management Services Contract

The City has entered into the municipal solid waste management services contract, as amended (the "service contract") with the Connecticut Resources Recovery Authority (the "Authority") pursuant to which it participates with four other Connecticut Municipalities (the five constituting the "Contracting Municipalities"), in the Wallingford Resource Recovery System (the "System"). The System consists of a mass-burn solid waste, resource recovery steam and electric generation facility (the "facility") located in the Town of Wallingford, and various improvements and facilities related thereto, including landfills. The facility is complete and presently receiving waste from the Contracting Municipalities.

Under the service contract, the City is required to deliver, or cause to be delivered, to the System solid waste generated within its boundaries up to its minimum commitment of 39,500 tons per year and to pay a uniform per ton disposal service payment (the "service payment"). The current fee is \$87.00 per ton. The aggregate minimum commitment of the five Contracting Municipalities is 125,000 tons per year. The City's service payment commitment is a "put-or-pay" commitment, in that if the aggregate minimum commitment of the Contracting Municipalities is not met by the total deliveries of all the Contracting Municipalities in any year, the City is responsible for its minimum commitment.

The service payment applicable in any contract year is calculated by estimating the net cost of operation, which is the cost of operation less revenues other than service payments, as such terms are defined in the service contract. The sum of all service payments and other payments from the

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Contracting Municipalities are required to be sufficient to pay or provide for the net cost of operations.

Service payments shall be payable so long as the system is accepting solid waste delivered by or on behalf of the City, whether or not such solid waste is processed at the facility. The City has pledged its full faith and credit to the payment of service payments and has also agreed to enforce or levy and collect all taxes, cost sharing or other assessments or charges and take all such other action as may be necessary to provide for the payment of the service payments.

**Note 9. Fund Deficits**

The following funds had fund deficits as of June 30, 2001:

**Special Revenue Funds:**

Community Development Block Grant	\$	45,192
Dog Fund		2,532
Railroad Right of Way		10,331
Student Fund		11,323

**Capital Project:**

Bonded Projects		16,371,479
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**Internal Service:**

Worker's Compensation		1,632,808
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The fund deficits in the Special Revenue and Internal Service Funds will be funded by future revenues; the deficit in the Capital Projects Fund will be funded with future bond and grant proceeds.

**Note 10. Pension Plans**

The City of Meriden administers three single employer, contributory, defined benefit pension plans, which cover substantially all full-time employees except certified personnel at the Board of Education. The three pension plans are part of the City's financial reporting entity and stand alone plan reports are not available for these plans. Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan. The three City plans are as follows:

- A. Employees' Retirement Plan
- B. Police Pension Plan
- C. Firemen's Pension Plan

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Provisions of Pension Plans	Employees' Retirement	Police Pension	Firefighters' Pension
Benefit provisions	2% of average annual pay for the highest 3 consecutive years in the last 10 years prior to retirement multiplied by the years of continuous service in the plan, with a maximum of 60% of salary.	One-half of the prevailing rate of pay for the rank held at the time of retirement. Benefits are subsequently increased for cost of living or other emoluments as may be granted to the active member.	One-half of the prevailing rate of pay for the rank held at the time of retirement. Benefits are subsequently increased for cost of living or other emoluments as may be granted to the active member.
Eligibility requirements	Vest after 10 years of service.	Vest after 25 years of continuous service.	Vest after 25 years of continuous service.
Early retirement provisions	Age 65, 10 years of service or Rule of 80 - full benefits. Age 55, 10 years service - reduced benefits.	None.	None.
Obligation to contribute:			
Employee	5% of earnings*	5% of earnings	5% of earnings
Employer	Remaining necessary to fund Plan based on City Charter & actuarial studies.	Remaining necessary to fund Plan based on City Charter & actuarial studies.	Remaining necessary to fund Plan based on City Charter and actuarial studies.

\* An additional 1% of earnings is contributed for postemployment healthcare benefits as described in Note 11.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Membership in the Plans consisted of the following:

	7/1/98 Employees'	7/1/00 Police	7/1/00 Firefighters'
Retirees and beneficiaries receiving benefits	305	103	95
Terminated plan members entitled to, but not yet receiving benefits	101	-	-
Active plan members	573	127	96
Total	<u>979</u>	<u>230</u>	<u>191</u>

The City's annual pension cost and net pension obligation (asset) for the Plans for the year ended June 30, 2001 were as follows:

	Employees'	Police	Firefighters'
Annual required contribution	\$ -	\$ 2,046,300	\$ 1,494,200
Interest on net pension obligation (asset)	(30,161)	973,688	1,045,491
Adjustment to annual required contribution	(36,360)	1,035,717	1,112,094
Annual pension cost	6,199	1,984,271	1,427,597
Contributions made	(17,773)	(1,280,356)	(955,772)
Increase (decrease) in net pension obligation (asset)	(11,574)	703,915	471,825
Net pension obligation (asset) beginning of year	(377,016)	11,802,276	12,672,618
Net pension obligation (asset) end of year	<u>\$ (388,590)</u>	<u>\$ 12,506,191</u>	<u>\$ 13,144,443</u>

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Three-Year Trend Information:

Employees'

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>	<u>Actual Contribution</u>
6/30/99	\$ 250,516	85.4%	\$ (314,525)	\$ 214,000
6/30/00	\$ 4,625	145.1%	\$ (377,016)	\$ 67,116
6/30/01	\$ 6,199	286.7%	\$ (388,590)	\$ 17,773

Police

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/99	\$ 3,595,782	78.8%	\$ 7,974,773	\$ 2,835,600
6/30/00	\$ 3,827,504	0%	\$ 11,802,276	\$ -0-
6/30/01	\$ 1,984,271	64.5%	\$ 12,506,191	\$ 1,280,356

Firefighters'

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>	<u>Actual Contribution</u>
6/30/99	\$ 3,331,983	71.2%	\$ 9,485,911	\$ 239,116
6/30/00	\$ 3,186,707	0%	\$ 12,672,618	\$ -0-
6/30/01	\$ 1,427,597	67.0%	\$ 13,144,443	\$ 955,772

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

The following is a summary of certain significant actuarial assumptions and other information.

	<u>Employees'</u>	<u>Police</u>	<u>Firefighters'</u>
Valuation Date	7/1/98	7/1/00	7/1/00
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level Dollar, Closed	Level Dollar, Closed	Level Dollar, Closed
Remaining amortization period	21 years	30 years	30 years
Asset valuation method	5-year smoothed * market	5-year smoothed * market	5-year smoothed market
Actuarial assumptions:			
Investment rate of return	8.00%	8.25%	8.25%
Projected salary increases	6.00%	2.5% -5.5%	2.5% -5.5%

\* A one-time adjustment to 100% market value was applied to the July 1, 1999 valuation.

Year Ended June 30,	<u>Employees'</u>		<u>Police</u>		<u>Firefighters'</u>	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2001	\$ -	-	\$ 2,046,300	62.5%	\$ 1,494,200	63.9%
2000	-	-	3,951,500	0%	3,334,200	0%
1999	245,900	87.0%	3,696,100	76.7%	3,450,800	69.3%
1998	181,700	118.5%	3,645,000	75.7%	3,405,500	68.2%
1997	879,100	92.4%	3,672,100	72.2%	3,457,500	64.9%
1996	841,200	106.7%	3,514,000	73.5%	3,308,600	64.7%

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) (UAAL)	Funded Ratio	Covered Payroll	UAAL (UAAL) as a Percentage of Covered Payroll
<u>Employees'</u>						
July 1, 1998	89,530,600	64,878,200	(24,652,400)	138.00%	20,752,300	(118.79)%
July 1, 1997	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 1996	72,100,300	58,546,000	(13,554,300)	123.15%	18,990,000	(71.38)%
July 1, 1995	N/A	N/A	N/A	N/A	N/A	N/A
<u>Police</u>						
July 1, 2000	47,533,800	62,801,100	15,267,400	75.69%	6,098,900	250.33%
July 1, 1999	* 45,525,200	56,997,300	11,472,600	79.87%	6,150,900	186.52%
July 1, 1998	31,181,100	57,141,300	25,960,200	54.57%	6,138,200	422.92%
July 1, 1997	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 1996	23,942,200	51,111,500	27,169,300	46.84%	4,862,700	558.73%
July 1, 1995	N/A	N/A	N/A	N/A	N/A	N/A
<u>Firefighters'</u>						
July 1, 2000	49,656,100	59,676,600	10,020,500	83.21%	4,463,500	224.50%
July 1, 1999	* 47,360,400	56,017,200	8,656,800	84.55%	4,600,200	188.18%
July 1, 1998	32,626,200	56,236,600	23,610,400	58.02%	4,462,500	529.08%
July 1, 1997	N/A	N/A	N/A	N/A	N/A	N/A
July 1, 1996	25,622,500	51,562,800	25,940,200	49.69%	4,251,800	610.10%
July 1, 1995	N/A	N/A	N/A	N/A	N/A	N/A

\* Reflects one-time adjustment to market.

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. A teacher is eligible to receive normal retirement benefits if he or she has attained age sixty and has accumulated twenty years of credited service in the public schools of Connecticut or has attained any age and has accumulated thirty-five years of credited service, at least twenty-five of which are service in the public schools of Connecticut. The financial statements of the Plan are available from the Connecticut State Teachers' Retirement Board, 21 Grand Street, Hartford, CT 06105.

Certain part-time and full-time certified teachers are eligible to participate in the plan and are required to contribute 7% of their annual earnings to the plan. The City does not, and is not legally responsible to, contribute to the plan.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, Continued June 30, 2001

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The State of Connecticut contributes based on actuarially determined amounts. The funding level is determined based on an actuarial valuation of the plan as a whole, which does not provide actuarial information on an individual city/town basis.

In addition, the City has recognized revenues and expenditures for on-behalf payments for pension contributions paid directly to the Connecticut State Teachers' Retirement System by the State of Connecticut. Such on-behalf payments were approximately \$3,286,000 for the year ended June 30, 2001.

#### **Note 11. Postemployment Healthcare Plan**

The City of Meriden administers the Employee Retirement Healthcare Plan (ERHCP), a single employer defined benefit postemployment healthcare plan. ERHCP provides a healthcare premium subsidy to age and service retirees of the City who retire under the provisions of the Employee Retirement Plan.

The ERHCP is available to all employees who retire with at least 15 years of service. Authority to establish and amend benefit provisions is granted through City charter.

ERHCP membership consisted of the following at July 1, 1998, the date of the last actuarial valuation:

Retirees and beneficiaries receiving healthcare benefits	127
Terminated plan members entitled to but not yet receiving healthcare benefits	-
Active plan members	<u>599</u>
Total	<u><u>726</u></u>

ERHCP's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and healthcare premium subsidies are recognized when due and payable in accordance with the terms of the plan.

Plan investments are reported at fair value.

Plan members are required to contribute 1% of their annual covered salary to the plan. Administrative costs are financed through investment earnings.

## CITY OF MERIDEN, CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS, *Continued* June 30, 2001

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#### **Note 12. Other Postemployment Benefits**

The City provides post-employment benefits for police and fire department retirees. This benefit is provided per a stipulated judgment entered into on June 1, 1982. The judgment requires the City to pay to the retiree the cost of insurance premiums on behalf of each retired policeman and fireman and their respective dependents, in an amount equal to one half (1/2) of the total premium attributed to each active policeman and fireman and their respective dependents.

For the fiscal year 2001, the payments aggregated approximately \$713,000 based on general fund appropriations. The approximate number of participants eligible to receive these benefits was 100 for police retirees and 100 for fire department retirees.

The City also provides benefits to certain retired members and their families of the police and fire department for claims resulting from hypertension and heart disease, as required by provision of Connecticut General Statutes. Approximately 16 retirees and their families are currently receiving benefits under this provision and expenditures are recognized and funded on a pay as you go basis. Benefits paid in the year ended June 30, 2001 approximated \$528,000.

#### **Note 13. Risk Management**

The City is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; employee health; and natural disasters. The City generally obtains commercial insurance for these risks, but has chosen to retain the risks for workers' compensation and employee health and medical claims. Under the City's current policy, the Meriden health insurance fund covers all employee claims up to \$200,000 per claim with a stop-loss policy covering amounts exceeding the limit. The City also purchases aggregate stop-loss coverage for claims in excess of 120% of expected claim level. The City purchases commercial insurance for claims in excess of coverage provided by the workers' compensation fund with an individual claim maximum of \$500,000 and a \$5,000,000 aggregate maximum per year. Settled claims, for all types of commercial coverage, have not exceeded coverage in any of the past three years.

The workers' compensation fund is funded by the general fund, sewer fund, water fund and golf fund. Payments to the fund are estimated based on the number and dollar amount of claims over the past five years.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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The health insurance fund is funded by monthly contributions from all funds incurring payroll charges. Blue Cross/Blue Shield, administrator of the claims process, provides the City with suggested rates for various types of coverage. The City uses monthly employee counts and suggested rates to compute fund contributions.

Liabilities 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 incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Under Public Act 89-342, health insurance for retired teachers, a subsidy equal to the equivalent flat dollar premium amount for Blue Cross 65/Blue Shield 65 is paid by the State directly to the local school districts, where it is applied to reduce premium payments of the retired member/spouse covered by the local school district. The retired member/spouse is required to pay the difference directly to the local school district. The funding for the subsidy is provided by the members' 1% supplemental contributions, which, since July 1, 1989, have been directed to a dedicated health insurance fund. There is no cost to the City.

Changes in the balances of claim liabilities during the past years are as follows:

Fiscal Year Ended	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
Medical:				
2001	\$ 1,439,532	\$ 14,273,183	\$ 14,138,441	\$ 1,574,274
2000	1,237,741	13,163,998	12,962,207	1,439,532
Workers' Compensation:				
2001	\$ 1,656,656	\$ 853,503	\$ 702,647	\$ 1,807,512
2000	1,660,167	760,307	763,818	1,656,656

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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**Note 14. Segment Information for Enterprise Funds**

The City maintains three enterprise funds. Segment information for the year ended June 30, 2001, was as follows:

	Sewer Authority	Water Fund	George Hunter Memorial Golf Course	Totals
Operating revenues	\$ 4,555,697	\$ 7,416,459	\$ 620,830	\$ 12,592,986
Depreciation	1,677,520	1,273,593	62,948	3,014,061
Operating income (loss)	(905,493)	878,724	(47,215)	(73,984)
Net income (loss)	(488,427)	1,056,022	13,862	581,457
Current capital contributions	372,637	425,492	90,000	888,129
Property and equipment additions	555,096	1,005,856	202,748	1,763,700
Net working capital	5,223,177	7,503,975	(112,949)	12,614,203
Total assets	50,851,744	36,286,488	1,392,775	88,531,007
Bond and notes payable	2,984,466	5,166,800	199,632	8,350,898
Total retained earnings (deficit)	8,792,292	23,985,591	(260,907)	32,516,976
Total equity	47,367,366	30,100,914	342,621	77,810,901

**Note 15. Closure and Postclosure Care Cost**

State and federal laws and regulations require the City to place a final cover on its closed landfill and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated closure and postclosure care cost of \$5,300,000, is based on an estimate of the current cost of acquiring equipment, facilities and services required to close, monitor and maintain the landfill as of June 30, 2001. However, the actual cost of closure and postclosure may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

**Note 16. Issued But Not Effective Professional Standards**

The Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements which will have an impact on the City are as follows:

Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments;" No. 37, "Basic Financial Statements and Management's Discussion and Analysis – For State and Local Governments: Omnibus;" and No. 38, "Certain

## **CITY OF MERIDEN, CONNECTICUT**

### **NOTES TO FINANCIAL STATEMENTS, Continued** **June 30, 2001**

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Financial Statement Note Disclosures,” will be effective for the City of Meriden, based on its revenues for the fiscal year beginning July 1, 2001. These statements, summarized below, impose new standards for financial reporting. Management has not yet completed their assessment of this statement, however, it will have a material effect on the overall financial statement presentation for the City.

The new financial statement guidelines embodied in Statement No. 34 are the culmination of many years of study and deliberation by the GASB.

For the first time, financial managers will be required to share their insights in a management's discussion and analysis (MD&A) that gives readers an analysis of the government's overall financial position and results of the previous year's operations.

Financial statements will be presented under a dual perspective - a government-wide perspective (new) and a fund level perspective. For the first time, the annual report will include government-wide financial statements prepared using full accrual accounting for all of the government's activities, not just those that cover costs by charging a fee for services, as was previously required. Governments will report all capital assets, including infrastructure, in a government-wide statement of net assets and will report depreciation expense, the cost of using up capital assets, in the statement of activities. Infrastructure assets will be reported, but may not be required to be depreciated under certain circumstances. The net assets of a government will be broken down into three categories: invested in capital assets, net of related debt; restricted; and unrestricted. A statement of activities will be presented in at least the same level of detail provided in the governmental fund statements; generally, expenses and program revenues by function. Program expenses will include all direct expenses; governments that allocate overhead and other indirect expenses to individual programs will show the allocation in a separate column. Special and extraordinary items will be reported separately from other revenue and expenses. This way, users will see if the government's conventional, recurring revenues and expenses balanced.

Statement No. 34 requires governments to continue to present fund level financial statements with information about funds. The focus of these fund-based statements has been sharpened, however, by requiring governments to report information about their most important or major funds (those whose revenues, expenditures/expenses, assets, or liabilities are at least 10% of the total for their fund category or type (governmental or enterprise) and at least 5% of the aggregate amount for all governmental and enterprise funds), including a government's general fund. Fund-based statements for governmental activities (generally, those supported by tax revenues) will continue to report the flow of current financial resources (generally, cash and other assets that can easily be converted to cash).

To help users understand and assess the relationship between fund-based and government-wide financial statements, governments will present a summary reconciliation that will show the interplay between the two types of statements.

**CITY OF MERIDEN, CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**June 30, 2001**

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Governments will continue to provide budgetary comparison information in their annual reports - as required supplementary information. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.