

CITY OF MERIDEN, CONNECTICUT

Comprehensive
ANNUAL FINANCIAL REPORT

For

For The Fiscal Year Ended

June 30, 2006

Prepared by

City of Meriden Department of Finance

**Robert M. Curry
Finance Director**

CITY OF MERIDEN, CONNECTICUT

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

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

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

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

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

Yours truly,

CITY OF MERIDEN

Robert Curry
Robert Curry
Finance Director

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PROFILE OF THE GOVERNMENT

Description of the Municipality

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

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

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

Form of Government

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

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

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

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

Principal City Officials

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

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

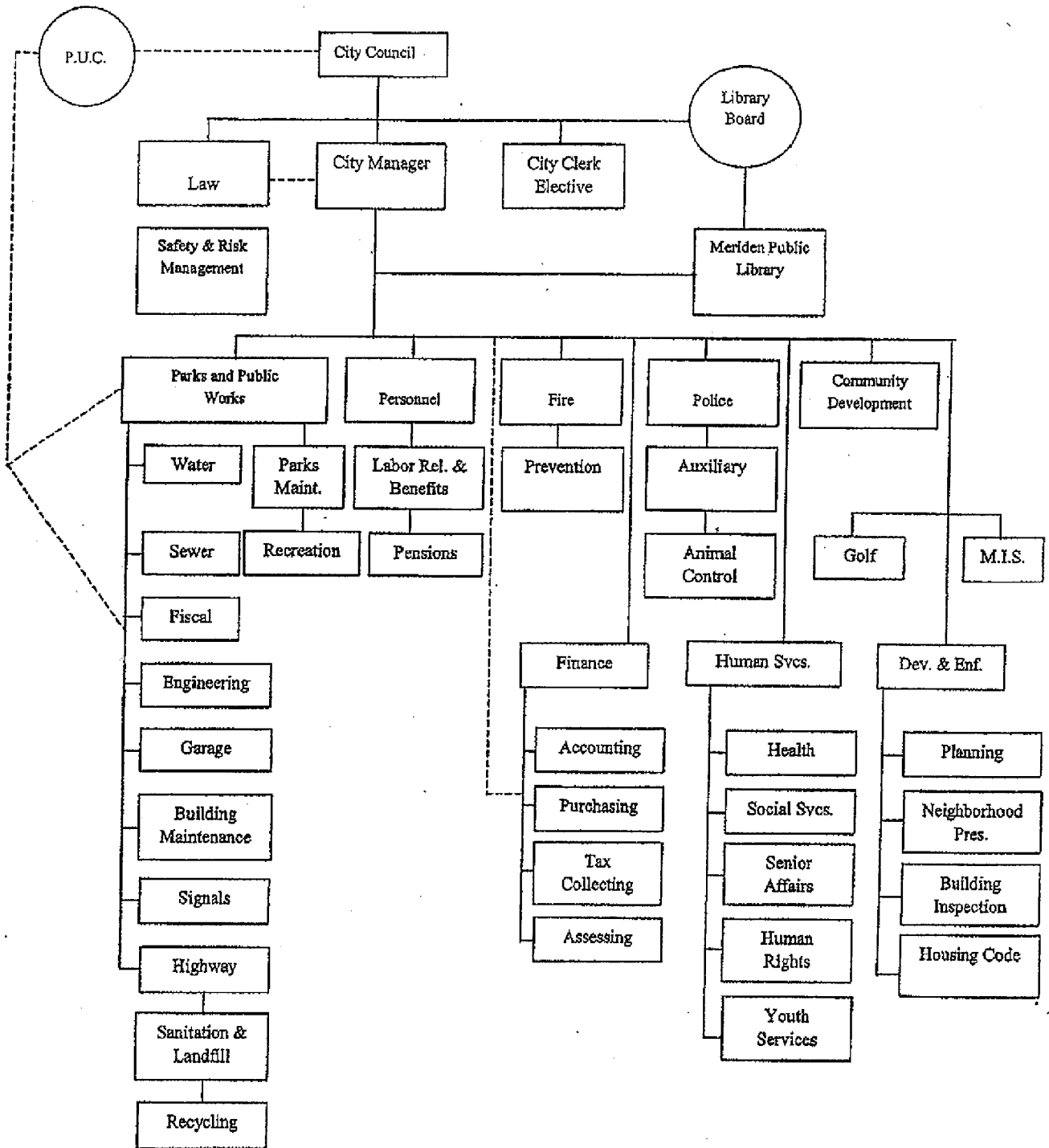
year of his third term. In addition, to serving as mayor, Mr. Benigni is currently the assistant principal at Berlin High School. His prior work experience includes focus in special education.

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

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

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

ORGANIZATIONAL CHART



ECONOMIC CONDITIONS AND DEVELOPMENT

Economic Development

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

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

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

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

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

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

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

Commercial Industrial Development

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

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

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

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

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

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

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

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

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

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

Downtown Activity and Planned Redevelopment

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

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

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

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

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

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

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

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

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

Retail Development

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

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

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

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

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

Saab Auto opened a new 10,000 sq. ft. dealership at 171-195 South Broad Street.

Sleepy's Mattress built and occupied a new 5,000 sq. ft. building on Chamberlain Highway.

Burnham Builders is completing a new 48,000 sq. ft. shipping center on the corner Dunkin Donuts, Aarons Furniture, bank and restaurant.

Burger King and Walgreen's are constructing 2 new buildings (17,500 sq. ft.) at 852 East Main Street.

492 So. Broad Street Associates is constructing a 26,000 sq. ft. restaurant/commercial building at 492 South Broad Street (Major tenants are expected to be Starbucks and Talbots).

Municipal and Public Facility Development

The following represent highlights to the City's recent municipal and public facility development:

Government officials broke ground in April for the new USPS post office on Center Street, the site of the former Jefferson School. The new building will be a 31,000 square foot "state of the art" facility with 156 parking spaces for employees and the public. The new post office is scheduled to open in early 2007.

The City's Meriden-Markham Municipal Airport reopened this month after surfacing renovations of the runway and taxiway. New lighting and a new beacon were also included in the \$1.5 million project 98 percent funded by the Federal Aviation Administration and the CT Department of Transportation.

Lincoln Middle School has been completed and occupied. It replaced an aging building with a new state-of-the-art facility with a special focus on the arts.

The City is currently completing a new large ballfield park complex. The twenty acre site on Thorpe Avenue will greatly expand recreational opportunities for the City's youth and young adults, and is also expected to host regional sports events.

The City of Meriden built and occupied a new 12,000 sq. ft. animal shelter on East Road.

MidState Medical Center added 31,500 sq. ft. to the hospital.

Residential Development

During the two year period July 2004 – 2006, the residential activity was very strong with 237 new housing units being approved and another 180 units occupied. Some of the major residential developments include:

Newly Occupied:

- Hidden Valley: 27 single-family homes;
- Maplewood Construction: 13 multi-family units;
- Coppola: 24 multi-family units – Quarry Lane
- B & L: 180 multi-family units – Pomeroy Avenue;
- Murdy: 1 multi-family units – Woodland Street;
- Silver Island Homes: 24 single-family homes

Larger new residential developments currently under construction:

- 201 Prospect Avenue: 13 single-family homes;
- Sperry Lane: 13 single-family homes;
- New Hanover: 6 single-family homes
- Hollowbrook: 30 multi-family units;

- Bridgestone Commons: 32 single-family homes;
- Cobblestone Subdivision: 39 single-family homes

Larger Residential Developments expected to begin construction within one year:

- Sunset Village: 8 multi-family units;
- Brownstone Common: 10 single-family homes.

Community Development Program

The City of Meriden, as an entitlement community under the Housing and Community Development Act of 1974, as amended in 1977 and 1982, has received approximately \$27,722,000 in federal funds under the Community Development Block Grant for fiscal years 1976 through 2004.

Under the Community Development Program, the City has made a major commitment to preserving and rehabilitating Meriden's inner-city neighborhoods. To date, some \$17 million of Community Development funds has been coupled with more that \$5 million of private funds and \$1.6 million of City bond funds to implement the rehabilitation and maintenance of inner-city housing.

Other Community Development projects have included both a wide range of physical development activities such as a new Senior Citizens Center, a West Side Firehouse, a handicapped facility, a St. Vincent DePaul Homeless Shelter, the American Silver Museum, the demolition of hazardous structures, and a variety of service delivery programs for the elderly, low and moderate income persons and infrastructure improvements in inner-city neighborhoods.

Additionally, economic development and planning activities in the area of Central Business District Revitalization, zoning ordinance revisions, and the master plan have been funded. The City has developed a plan for a special targeted neighborhood improvement program within the inner city.

The City has focused its efforts to clean up its neighborhoods and to encourage reinvestment in their "inner core" areas. This focus is achieved through a series of changes to the established loan tools which will encourage more owner/occupant investment. Also, the City is actively working with the private sector to augment the public loans with their private funding. Another part of this focus is through a more intense code enforcement effort. Such an effort includes the assignment of housing inspectors to work with community police officers throughout the "inner-core". Consortiums of social service agencies have developed to address youth problems. The City has assisted the organization of 28 inner-city neighborhood associations. Lastly, the City has received a \$2 million State grant to demolish the old HUB building in the center of town.

The Meriden Housing Authority has begun the total reconstruction of the 124-unit Chamberlain Heights housing development. Estimated cost is \$13 million.

Awards and Acknowledgements

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the City of Meriden Connecticut for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the second consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Meriden Connecticut

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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



President

Executive Director

Financial Section



LEVITSKY & BERNEY

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor,
& Members of the City Council
City of Meriden
Meriden, Connecticut 06450

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Meriden, Connecticut, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Meriden, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Meriden, Connecticut, as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2006, on our consideration of the City of Meriden, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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


LEVITSKY & BERNEY, P.C.
Certified Public Accountants

December 21, 2006

City of Meriden, Connecticut
Management's Discussion and Analysis
June 30, 2006

As management of the City of Meriden, Connecticut we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City of Meriden for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here along with additional information we have furnished in our letter of transmittal, as well as the City's basic financial statements that follow this section.

Financial Highlights

- ◆ On a government-wide basis, excluding component units, the assets of the City of Meriden exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$162.6 million. Total net assets for Governmental Activities at fiscal year-end were \$57.4 million and total net assets for Business-Type Activities were \$105.1 million.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$8.7 million or 6%, from \$153.9 million to \$162.6 million. Net assets increased by \$9.8 million for Governmental Activities and decreased by \$1.2 million for Business-Type Activities. Government-wide expenses were \$180.7 million, while revenues were \$190.5 million.
- ◆ At the close of the year, the City of Meriden's governmental funds reported, on a current financial resource basis, combined ending fund balances of -\$6.6 million, a decrease of \$10.4 million from the prior fiscal year.
- ◆ At the end of the current fiscal year, the total fund balance for the general fund alone was \$9.8 million, an increase of \$.2 million from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2006, \$3.0 million represents unreserved General Fund fund balance. Unreserved General Fund fund balance at year-end represents 1.80% of total general fund expenditures (\$167.0 million).

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Meriden's finances, in a manner similar to private-sector business. All of the resources the City has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the City's overall financial status.

The statement of net assets presents information on all of Meriden's assets and liabilities, with the difference reported as net assets. One can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the city is improving or deteriorating. It speaks to the question of whether or not the City, as a whole, is better or worse off as a result of this year's activities. Other non-financial factors will need to be considered, however, as such changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City of Meriden.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, uncollected taxes and earned but unused vacation leave are examples.

Both of the government-wide financial statements distinguish functions of the City of Meriden that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

- ◆ Governmental activities of the City of Meriden encompass most of the City's basic services and include governmental and community services, administration, public safety, health and welfare, operations and education. Property taxes, charges for services and state and federal grants finance most of these activities.
- ◆ Business-type activities of the City of Meriden include the Water Pollution Control Authority, Water Division and the Hunter Golf Course. They are reported here as the City charges a fee to customers to help cover all or most of the cost of operations.

The government-wide financial statements (statement of net assets and statement of activities) can be found on pages 4-6 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The City of Meriden, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City of Meriden has three kinds of funds:

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

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

The City of Meriden maintains 41 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation as other governmental funds. Non-major governmental funds for the City of Meriden include: Airport Improvement, Community Development Block Grant, Day Care Center, Health Department-WIC Program, Insurance Reserve Fund, Neighborhood Mobile Health, Special Projects-Health, Tri-Town Medical Transportation, Neighborhood Preservation Program, Asset Forfeiture Fund, State & Federal Education

Grants, Underage Drinking, Transit Welfare to Work, Dog Fund, Landfill Reclamation, Cafeteria, Meriden Public School Rental, Adult Evening School, Safe Neighborhoods, Railroad Right-of-Way, Drivers Education Training, Student Fund, AmeriCorps, Summer Youth Initiative, Law Enforcement Block Grant, Lorenzo Fuller Award, Charlotte Yale Ives, Downtown Property Management, School Readiness, Cops More 98, C.P. Bradley Park, Hubbard Park Fund, Liberty Trust Fund, Reading Video, CP National Science Foundation, Document Preservation, Arts District Feasibility, EPA Brownfield Assessment, Parks & Recreation Capitol & Non-Recurring, Capitol & Non-Recurring. Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on pages 71-75 and in the combining statement of revenues, expenditures and changes in fund balance on pages 76-84.

The City of Meriden adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the authorized budget. The statement of revenues, expenditures and changes in unreserved fund balance on a budgetary basis can be found on page 10.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 7-8 of this report.

Proprietary funds. The City of Meriden maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Meriden uses enterprise funds to account for its Water Pollution Control Authority, the Water Division and the Hunter Golf Course. Internal service funds are an accounting device used to accumulate and allocate certain costs internally among the City of Meriden's various functions. The City of Meriden uses internal service funds to account for its risk management costs including risk related to Workers' Compensation and Employee Health Insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Pollution Control Authority and the Water Division, both of which are considered to be major funds of the City of Meriden. The Hunter Golf Course is also provided separately and identified as a non-major fund of the City of Meriden. Individual fund data for the internal service fund is also provided as a separate column in the proprietary fund financial statements. The proprietary fund financial statements can be found on pages 11-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to provide services to the City's constituency. The City has three pension trust funds, four agency funds and four private purpose funds. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 17 and 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-50 of this report.

The notes to this report also contain certain supplementary information concerning the City of Meriden's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 41-48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. City of Meriden governmental activities assets exceeded liabilities by \$162.6 million on June 30, 2006.

CITY OF MERIDEN, CONNECTICUT STATEMENT OF NET ASSETS (\$000's) Primary Government

	June 30, 2005			June 30, 2006		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and other assets	54,753	19,813	74,566	49,427	17,650	67,077
Non-current	28,653	0	28,653	24,423	0	24,423
Capital assets	152,785	98,913	251,698	163,159	98,513	261,672
Total Assets	236,191	118,726	354,917	237,009	116,163	353,172
Current liabilities	45,519	1,606	47,125	51,334	1,510	52,844
Long-term liabilities outstanding	143,050	10,802	153,852	128,249	9,507	137,756
Total Liabilities	188,569	12,408	200,977	179,583	11,017	190,600
Net Assets:						
Invested in capital assets, net of related debt	104,144	89,673	193,817	107,105	85,780	192,885
Restricted	6,485	0	6,485	5,284	0	5,284
Unrestricted	-63,007	16,644	-46,353	-54,963	19,366	-35,597
Total Net Assets	47,622	106,317	153,939	57,426	105,146	162,572

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

A portion of net assets was restricted in June 30, 2006 as a result of enabling legislation and the early implementation of the Governmental Accounting Standards Board (GASB) Statement 46, *Net Assets Restricted by Enabling Legislation – An Amendment to GASB Statement 34*. These restrictions are further explained in Note 11 of the financial statements.

