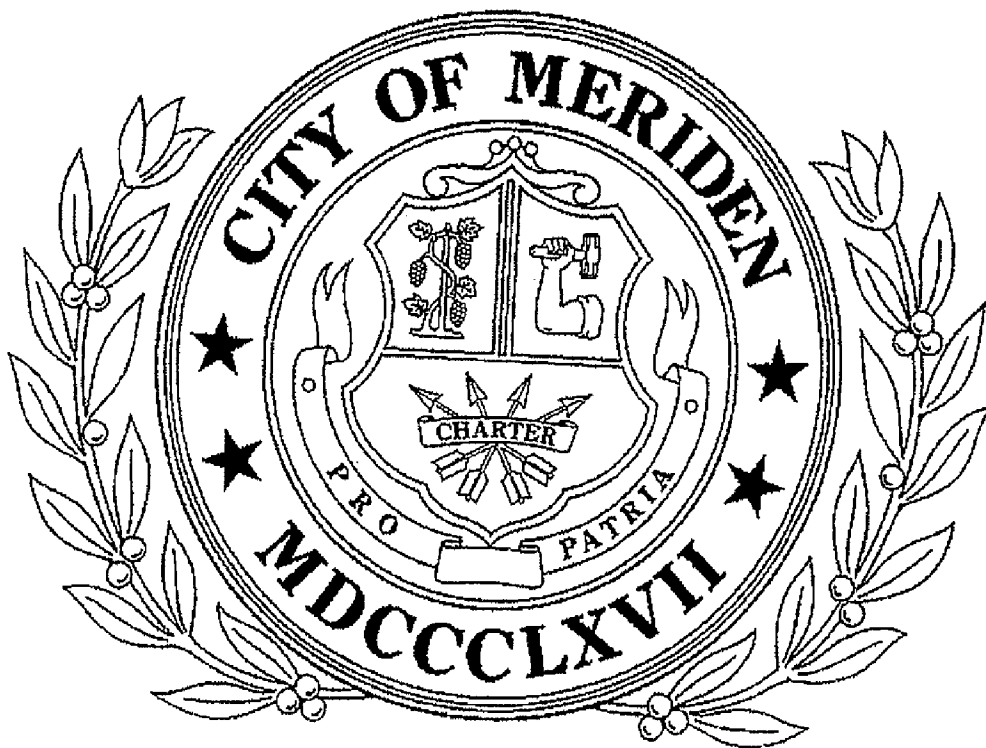


CITY OF MERIDEN, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDED JUNE 30, 2007

DEPARTMENT OF FINANCE

MERIDEN, CONNECTICUT

CITY OF MERIDEN, CONNECTICUT

Comprehensive
ANNUAL FINANCIAL REPORT

For

For The Fiscal Year Ended

June 30, 2007

Prepared by

City of Meriden Department of Finance

**Robert Tait
Finance Director**

CITY OF MERIDEN, CONNECTICUT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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LEVITSKY & BERNEY

A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
100 BRADLEY ROAD • WOODBRIDGE, CONNECTICUT 06525-2394
203 389-5371 • FAX 203 389-4430

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, 2007, 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, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund thereof 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 28, 2007, 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 3a through 3m 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, the combining and individual non-major fund financial statements, and the other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.



LEVITSKY & BERNEY, P.C.
Certified Public Accountants

December 28, 2007



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

December 28, 2007

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, 2007.

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 opinion of the City of Meriden's financial statements for the year ended June 30, 2007. 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. The MD&A compliments this letter of transmittal and should be read in conjunction with it.

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 59,468 in 2006, an increase of 1,212 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 ridge top 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.

ECONOMIC CONDITIONS AND DEVELOPMENT

Meriden's development points to a stable economy of consistent growth in all development sectors (commercial/industrial and residential). In fact, the residential annual growth rate of 90 units per year is in line with the annual growth rate over the last decade and half. The 400,055 sq. ft. annual growth rate for commercial/industrial development rate is substantially above normal. It is the second largest increase in the past 15 years. The largest increase occurred in 1999 when the annual rate of increase in commercial/industrial development was 460,000 sq. ft.

The Planning Commission approved plans which when constructed will add:

- 90 units to the housing stock;
- 400,055 sq. ft. to the commercial/industrial base; and
- 25,000 sq. ft. to the institutional base.

These numbers again point to a stable/healthy expansion of the residential and especially the commercial/industrial base. The residential annual growth rate of 90 is a healthy increase particularly in the quality of the developments. Again, the commercial/industrial annual rate 400,055 sq. ft. is an extremely positive sign of the vitality of the City's economic base. The development activity is charted below per type and status:

MATRIX: DEVELOPMENT PROJECTS APPROVED

Type of Use	Approved by Planning	Occupied	Under Construction	Anticipated Construction
Off. Lt. Indus.	30,000 sq.ft.	18,000 sq. ft.	12,000 sq. ft.	
Industrial	147,455 sq.ft.	88,455 sq.ft.		59,000 sq. ft.
Comm. Retail	222,600 sq.ft.	10,000 sq.ft.	190,000 sq.ft.	22,600 sq.ft.
TOTAL COMMERCIAL	400,055 sq.ft.	116,445 sq.ft.	202,000 sq.ft.	81,600 sq.ft.
Multi-Fam. Residential	52 units		30 units	22 units
Single Fam. Residential	38		14	24
TOTAL RESIDENTIAL	90 units		44 units	46 units
TOTAL INSTITUTIONAL	25,000 sq.ft.		20,000 sq. ft.	5,000 sq.ft.

Another encouraging aspect of this development activity continues to be the diversity and the high percentage of approvals that are either completed or under construction. This diversity and construction rate include:

- 80% (338,455 sq. ft.) of the total development square footage (425,055 sq. ft.) approved by the Planning Commission has already been built or is under construction;
- 80% (318,415 sq. ft.) of the total commerce square footage (400,055 sq. ft.) approved by the Planning Commission has been built or is under construction;
- 49% (44 units) of the total residential units (90 units) approved by the Planning Commission have already been built or is under construction.

Comprehensive Planning

The City is in the midst of the most important planning process a community faces, that is the preparation of the Plan of Conservation & Development (a.k.a. "Master Plan" or "Plan of Development"). In April of 2005, the Planning Commission noted the need to update the 1985 Land-Use Plan and began the process of developing the Plan of Conservation & Development. The City Council recognizing the importance of such a plan has allocated a total of \$100,000 in the City budget to hire a consultant to work with the Plan of Conservation & Development Steering Committee to prepare the Comprehensive Plan. In July 2006, the City hired the Planning

firm of "Harrall-Michalowski Associates". This planning process will be completed by April 2008. All aspects of City function (land use, economic development, open space housing, infrastructure, quality of life, etc.) will be reviewed and addressed. Please note the following vision statement that the Plan of Development Steering Committee has established as the guiding objective of the Plan:

There will be a diversity of cultures in Meriden's slowly growing population; a learning, working citizenry that shop and convene together in places like an expanded and rejuvenated downtown, where residents and employees can enjoy a pleasing stroll between the historic downtown and the new City Center, and visitors to the mall can continue to the downtown and Hubbard Park for seasonal activities and festivals. There will be a balanced range of housing with a prideful majority of homeownership including a larger segment of higher value single detached homes. Condominiums and apartments will be located near convenient services; their overall quality will be improved as declining structures are renovated or removed. The City will be fiscally stable as neighborhoods and developed areas like Research Parkway retain their value and new development adequately contributes to quality services and infrastructure.

The study process has already involved a determined effort to acquire public input. This outreach has been through: The Steering Committee's presentation and receipt of input from civic groups (i.e. Chamber of Commerce) and neighborhood groups. Also, the City employed the nationally recognized pollsters "Center for Research & Public Policy" to conduct a statistically sound public survey on land use issues. This survey was conducted April '07 and is included as an addendum to this report.

Further, The City's comprehensive planning efforts continued to be concentrated in the areas of Neighborhood Planning, Environmental Planning and Economic Development:

A. NEIGHBORHOOD PLANNING:

The City continued its efforts to ensure the preservation and the improvement of the quality of life in our distinct and historical neighborhoods.

The preservation effort is primarily addressed through the Neighborhood Code Enforcement Walk. This program includes six inner core neighborhoods covering 525 acres and 20 miles of street. Since the 1994 inception of this award-winning program through December 2006, over 4,000 code violations were cited on some 2,000 properties. As of 2007, and after eight (8) rounds 92% (3,680) of these violations have been corrected and 91% (1,820) of the properties have been brought into compliance. Code violations include: building, zoning, housing and health codes. More specifically, the major issues addressed are painting, drainage, overgrown grass, garbage and debris, abandoned vehicles, illegal apartments, etc.

In order to build upon the Code Enforcement and go the extra step to address quality of life and aesthetic issues in our neighborhoods, in April 2004, the City Council adopted an "AntiBlight Ordinance". Basically, this ordinance attacks

poorly maintained and dilapidated properties. It also addresses properties that are not covered by the safety codes. The AntiBlight Ordinance covers property not just buildings; it also addresses unoccupied structures and commercial properties. In the two years since we began enforcing the ordinance, the City has cited 31 properties and has already received compliance on 19.

B. ENVIRONMENTAL PLANNING

The top priority of all City projects is the Harbor Brook Flood Control project. This critical flood control project will protect most of the City through retention, improvement and creation of floodway, removal of obstructions and redirecting portions of the brook. The City is currently in the final ROW acquisition phase and bidding phase for river crossings (bridges, etc.).

Also, the City is in the engineering phase of a nature walk/bike trail project, which will traverse the city from South Meriden through the CBD to the northeast corner of the City. This is a regional project that will connect with an existing bikeway in Cheshire and a proposed bikeway in Wallingford. This project will parallel the Harbor Brook Flood Control project.

The Conservation Commission and Planning staff is active in preserving the environmentally sensitive land throughout the City. A major environmental project was the development and approval of the Ridge Top Protection Ordinance. This is a Zoning Regulation with the stated purpose being "to restrict development on the major ridge lines of the City". The adoption of this ordinance, the first in the State, is evidence of the City's commitment to protect our natural resources. The City extended this commitment by applying this zone to private property. In recognition the City's "outstanding" efforts in the development, maintenance and protection of trail systems, the Connecticut Forest and Park Association designed the City as a "Connecticut Trail Town".

The City continues to monitor and preserve the City's tree inventory through the effort of the Tree Warden. Also, the Inland Wetlands and Watercourse Commission and staff continue to oversee and limit development of the City's wetland areas.

The City is in the process of environmental clean-up of two (2) important, centrally located sites:

1. Factory "H" - which is located on Cook Avenue at the southerly entrance to the CBD. The clean-up of this vacant "dirty factory" will present many development opportunities.
2. HUB - This abandoned mall in the middle of the CBD has been demolished and the City is now developing plans for an urban center park and provide further development potential.

As previously stated, the City is in the process of updating the 1985 Land-Use Plan. This will include the further study and recommendation regarding environmental sensitive lands and be a major tool in the City's preservation and balanced development efforts.

ECONOMIC DEVELOPMENT

On the Economic Development front, the City has continued to attract development and further business to the CBD. Also, this past year the City has approved two zoning amendments with economic development consequences:

1. Change the zone of 210 Cheshire Road from Residential designation to Manufacturing to allow for the large expansion of industrial business;
2. Amend the regulations to allow colleges with the Planned Executive Office zone.

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 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.

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 release/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 of the 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.

The former Jefferson School building has been razed and the ground remediated. The United States Post Office has completed and is operating a new postal facility in the City.

The City, in conjunction with its legislative delegation is petitioning the State to acquire some 50 acres of valuable property contiguous and accessible to I-691 for Economic Development purposes.

COMMUNITY DEVELOPMENT PROGRAM

The primary function of the City's Community Development Program is the administration of the City's Community Development Block Grant (CDBG) Program, which provides funds for various city departments and local non-profit agencies to operate programs benefiting low and moderate income persons. In addition, this staff applies for and manages numerous other municipal grant applications in the areas of transportation, energy, open space, law enforcement and public safety.

The City of Meriden is a federal entitlement community under the Housing and Community Development Act of 1974, as amended in 1977 and 1982, and a state-designated "distressed" municipality pursuant to Section 32-9j of the Connecticut General Statutes. During fiscal year 2007, the City of Meriden received \$939,242 in U.S. Department of Housing and Urban Development Community Development Block Grant (CDBG) "entitlement" funds that are used to promote decent housing, a suitable living environment, and economic opportunities in Meriden's low and moderate income areas. Programs funded with CDBG funds include a portion of the City's code enforcement activities, as well as social services for the elderly, the homeless, the handicapped and at-risk youth. Some CDBG funds are also set aside for demolition of hazardous structures, litter removal and administrative activities. CDBG grants are also used to support a revolving loan program that funds housing rehabilitation projects. Repayment of loans allows the City to implement new housing rehabilitation projects throughout the year. At the end of FY 2007, there were 164 outstanding loans that were funded with CDBG money totaling \$2,398,063.

In addition to the CDBG program, the Community Development Program office also manages an assortment of state and federal grants totaling over \$6 million. Current grants include the US Environmental Protection Agency and Connecticut Department of Economic and Community Development grants for brownfields remediation at the "HUB" and Factory H sites, Connecticut Department of Environmental Protection grants for open space preservation and park improvement at five sites City-wide, US Department of Homeland Security-Federal Emergency Management Agency and US Department of Justice grants for police overtime and fire safety equipment, Connecticut Department of Transportation grants for the development of greenways and the maintenance of roads and bridges City-wide.

Key accomplishments of the Community Development Program office during the 2007 fiscal year included: completed the demolition of the former Meriden Mall building at the "HUB" brownfields site, completed twenty-seven (27) Rehabilitation Loans to low income households, enabled 25 social service agencies to provide services to 19,341 persons, 97 percent of which are low or moderate income, and enabled the City Building Department oversee the correction of 1981 housing code violations and board and secure four hazardous properties. In addition to the CDBG and other grant funded activities, the City also supported the activities of the Meriden Council of Neighborhoods and submitted on behalf of interested non-profit organizations the City's application to the state Neighborhood Assistance Act program. During FY 2007, the Meriden Housing Authority also used approximately \$9,500,000 in state and federal grant during the program year for public housing programs City-wide.

Awards

The Government Finance Officer's Association (GFOA) of the United States and Canada 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, 2006. This was the third 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.

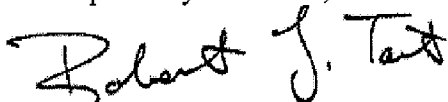
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department and the Board of Education Business Office. Each member has my sincere appreciation for their contributions made in the preparation of this report. In particular, Carol Shade, Director of Accounting, Agnes Puzio and Margaret Leighton, Accountants and Gail Hyde, BOE Business Office Manager.

This comprehensive annual financial report reflects a commitment to the citizens of Meriden, the Honorable Mayor, the City Council and all concerned readers of this report, to provide information in conformance with the highest standards of accountability.

Respectfully submitted,

A handwritten signature in black ink that reads "Robert G. Tait". The signature is written in a cursive style with a large, stylized initial "R".

Robert G. Tait
Director of Finance

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, 2006

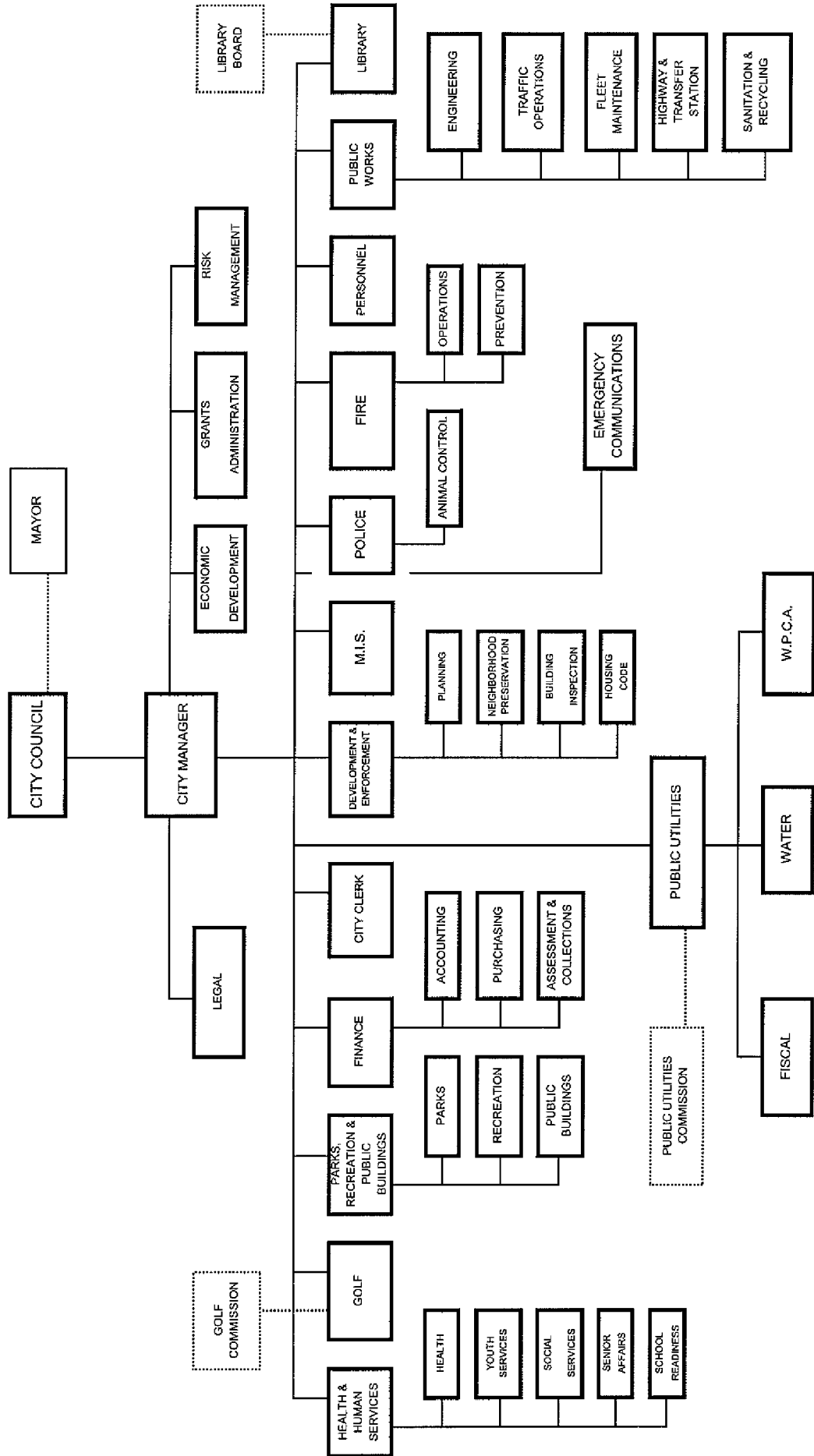
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF MERIDEN ORGANIZATIONAL CHART



CITY OF MERIDEN, CONNECTICUT

PRINCIPAL OFFICIALS

JUNE 30, 2007

MAYOR

Mark D. Benigni

CITY COUNCIL

Matthew C. Dominello, Sr., Deputy Mayor
Stephen T. Zerio, Majority Leader
Keith Gordon, Deputy Majority Leader
Patricia D. Lynes, Deputy Majority Leader
Michael S. Rohde, Majority Whip
Brian F. Kogut, City Councilor
George McGoldrick, City Councilor
David J. Salafia, City Councilor
Hilda E. Santiago, City Councilor
Sandy Maier Schede, City Councilor
Trevor Thorpe, City Councilor
Anthony d. Tomassetti, City Councilor

CITY MANAGER

Lawrence Kendzior

ADMINISTRATION

City Clerk	Irene Masse
City Planner	Dominick Caruso
Corporate Counsel	Michael Quinn
Director of Finance	Robert Tait
Fire Chief	James Trainor
Golf Course Facilities Manager	Tom DeVaux
Director of Economic Development	Peggy Brennan
Director of Emergency Communications	Frank Kiernan
Director of Health and Human Services	Beth Vumbaco
Director of Management Information Systems	Steve Montemurro
Director of Parks, Recreation and Building Maintenance	Mark Zebora
Director of Personnel	Caroline Beitman
Library Director	Nancy Lauretano
Police Chief	Jeffry Cossette
Director of Public Works	Robert J. Bass
Director of Public Utilities	David Lohman

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Jeffrey A. Villar, Ph.D., Associate Superintendent for Instruction
Glen A. Lamontagne, Assistant Superintendent, Finance and Administration

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Financial Section

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

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, 2007. 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, the assets of the City of Meriden exceeded its liabilities resulting in total net assets at the close of the fiscal year of \$174.6 million. Total net assets for Governmental Activities at fiscal year-end were \$70.4 million and total net assets for Business-Type Activities were \$104.2 million.
- ◆ On a government-wide basis, during the year, the City's net assets increased by \$12.1 million or 7.5%, from \$162.6 million to \$174.6 million. Net assets increased by \$13.0 million for Governmental Activities and decreased by \$0.9 million for Business-Type Activities. Governmental activities expenses were \$194.1 million, while revenues were \$207.1 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 \$5.7 million, an increase of \$12.3 million from the prior fiscal year (exhibit C).
- ◆ At the end of the current fiscal year, the total fund balance for the general fund was \$11.5 million, an increase of \$1.7 million from the prior fiscal year. Of the total General Fund fund balance as of June 30, 2007, \$3.6 million represents unreserved General Fund fund balance. Unreserved General Fund fund balance at year-end represents 2.06% of total general fund expenditures (\$176.6 million).

Overview of the Financial Statements

This discussion and analysis 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 expendable resources, as well as on balances of expendable 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 45 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 43 governmental funds are combined into a single, aggregated presentation as other governmental funds.

Individual fund data for each of these non-major governmental funds is provided in the combining balance sheets on Schedule 3 and in the combining statement of revenues, expenditures and changes in fund balance on Schedule 4.

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 Exhibit F.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on Exhibits C and D 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 Exhibits G, H and I 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 Exhibits J and K 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 19-52 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 in Note 10 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 total net assets exceeded liabilities by \$174.6 million on June 30, 2007. Governmental activities assets exceeded liabilities by \$70.4 million. Business Type activities assets exceeded liabilities by \$104.2 million.

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

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Current and other assets	50,707	23,850	74,557	49,427	17,650	67,077
Non-current	208		208	24,423	0	24,423
Capital assets	189,632	98,475	288,107	163,159	98,513	261,672
Total Assets	240,547	122,325	362,872	237,009	116,163	353,172
Current liabilities	38,517	6,016	44,533	51,334	1,510	52,844
Long-term liabilities outstanding	131,626	12,082	143,708	128,249	9,507	137,756
Total Liabilities	170,143	18,098	188,242	179,583	11,017	190,600
Net Assets:						
Invested in capital assets, net of related debt	106,565	86,538		107,105	85,780	192,885
Restricted				5,284	0	5,284
Unrestricted		17,833		-54,963	19,366	-35,597
Total Net Assets	70,404	104,226	174,630	57,426	105,146	162,572

A portion of net assets was restricted in June 30, 2007 as a result of enabling legislation. Governmental Accounting Standards Board (GASB) Statement 46, *Net Assets Restricted by Enabling Legislation – An Amendment to GASB Statement 34* pertains to this. These restrictions are further explained in Note 11 of the financial statements.

