

# Comprehensive Annual Financial Report

## City of Middletown Connecticut

Fiscal Year Ended June 30, 2015



Office of the Director of Finance

# **Comprehensive Annual Financial Report**

**of the**

## **City of Middletown Connecticut**

**FISCAL YEAR ENDED JUNE 30, 2015**

Carl Erlacher, CPA  
Director of Finance and  
Revenue Services

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
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# **Introductory Section**

**PRINCIPAL OFFICIALS**

City of Middletown, Connecticut

**ELECTED OFFICIALS**

Daniel T. Drew, Mayor  
Quentin Phipps, Treasurer

Elizabeth Santangelo (D)  
Registrar of Voters

Janice A. Gionfriddo (R)  
Registrar of Voters

**COMMON COUNCIL**

Eugene P. Nocera  
Thomas J. Serra  
Mary A. Bartolotta  
Gerald E. Daley  
Robert P. Santangelo  
Carl R. Chisem

Robert Blanchard  
Grady L. Faulkner, Jr.  
Sebastian N. Giuliano  
Philip J. Pessina  
Deborah A. Kleckowski  
Linda Salafia

**BOARD OF EDUCATION**  
Vincent Loffredo, Chairman

Sheila C. Daniels, Vice-Chair  
Anita Dempsey White  
Christopher Drake  
Deborah Cain

Franca Biales, Secretary  
Marilyn S. Dunkley  
Linda Szyrkowica  
Cheryl A. P. McClellan

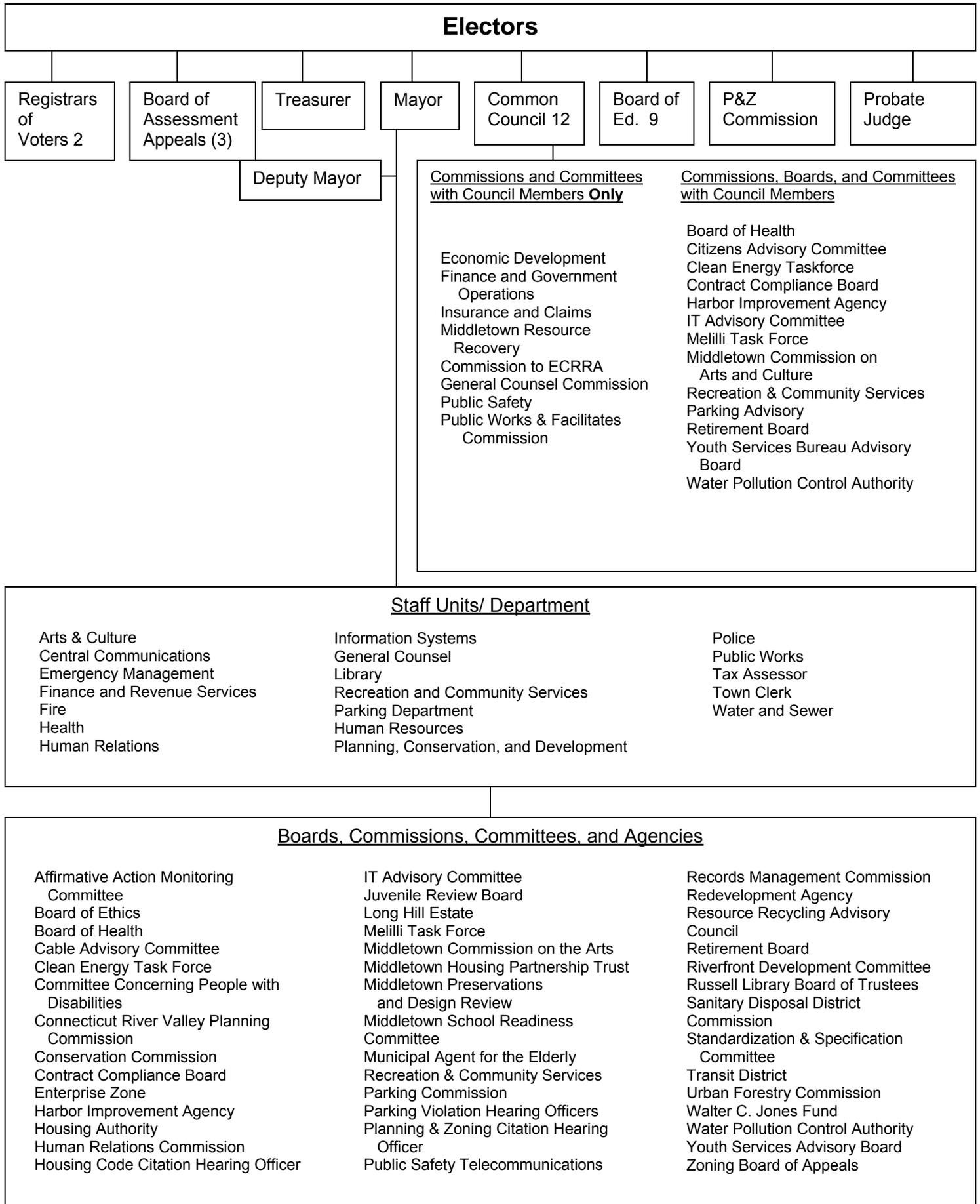
Dr. Patricia Charles, Superintendent of Schools

**DIRECTORS**

Town Clerk  
Director of Finance and Revenue Services  
Chief of Fire  
Chief of Police  
Director of Health  
Acting Director Recreation and Community Services  
Director of Public Works  
Director of Water and Sewer  
Director of Human Resources  
Director of Human Relations  
Director of Parking  
General Counsel  
Tax Assessor  
Planning Conservation and Development  
Russell Library Director

Linda Bettencourt  
Carl Erlacher  
Robert Kronenberger  
William McKenna  
Joseph A. Havlicek, MD  
Deborah Stanley  
William Russo  
Guy P. Russo  
Kathy Morey  
Faith M. Jackson  
Geen Thazhampallath  
Brigham Smith  
Damon Braasch  
Michiel Wackers  
Arthur S. Meyers

# City of Middletown Organization of Governance





# City of Middletown

FINANCE DEPARTMENT

245 deKoven Drive, P.O. Box 1300, Middletown, CT 06457-1300

TEL: (860) 344-3435

FAX: (860)344-3565

December 29, 2015

Honorable Mayor and Common Council  
City of Middletown  
Middletown, Connecticut

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Middletown (the City) for the fiscal year ended June 30, 2015. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects; and are reported in a manner to present fairly the financial position and results of operations of the City. 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: introductory, financial and statistical. The introductory section includes this transmittal letter, the City's organizational chart and a list of principal officials. The financial section includes the management's discussion and analysis (MD&A), basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, as well as the auditors' report. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on the internal control over financial reporting and compliance with applicable laws and regulations are issued under separate cover and are not included in this report. The City is also required to undergo a State single audit. Information related to this State single audit will be issued separately.

The Eastern Connecticut Regional Resource Recovery Authority (ECRRA) and Long Hill Estate Authority have been included as discretely presented component units in the City's report in accordance with generally accepted accounting principles. As more fully explained in Note 12, ECRRA is a regional authority formed to provide solid waste disposal and resource recovery system. At June 30, 2015, Middletown is the only member.

The Long Hill Estate Authority was established by ordinance to operate and maintain the former Wadsworth/Cenacle property. The Authority is a public body politic and corporate formed in accordance with Connecticut General Statutes.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the MD&A. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Middletown's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the City**

Middletown was settled in 1650 and incorporated as a Town in 1651. The City and Town were consolidated in 1923 and the 1st and 2nd taxing districts and two school districts were consolidated in 1959. The City covers an area of 42.9 square miles located on the west bank of the Connecticut River, fifteen miles south of Hartford. The City is traversed by Interstate 91 and State Highways Number 9, 17, 66, 72, 155, 157 and 217. Bus transportation linking Middletown with other communities is provided by commercial companies as is an intra-city bus service. Freight service is provided by Conrail, light shipping up the Connecticut River and various motor common carriers.

The City operates under a Charter first granted in 1874 and subsequently revised. The most recent revision became effective November 4, 2014. The City is governed by a strong Mayor and twelve-member Common Council. The Mayor is the chief executive officer of the City. In addition to the City's line departments, there is a Sanitary District Commission, Water and Sewer Commission, a Parking Authority and a Housing Authority. A director of Finance administers the financial affairs of the City.

The City provides a full range of services, which include; general government services such as finance, personnel, City and Town clerk, legal; public safety, which includes fire and police protection; public works for the management, care and maintenance of all public buildings, public roadways, City vehicles and various construction activities; water treatment and distribution; sanitary sewer for the collection and treatment of wastewater, sanitation for the solid waste disposal, which includes recycling; and education, which is under the control of the elected Board of Education, operates the eleven school elementary and secondary education system with a capacity of 6,029.

## **City of Middletown Economic Development**

The City of Middletown economic development division exists within the Department of Planning, Conservation and Development. Its mission is to stimulate development in the City, assist City businesses in expanding, attracting businesses from outside of Middletown all in an effort to grow the tax base, facilitate job creation and generally improve the quality of life for Middletown residents and businesses.

### **Approach**

Economic development is built on relationships and partnerships. The City's efforts are supported by engaging partners such as:

- The Middlesex County Chamber of Commerce, Connecticut's largest
- Downtown Business District
- Middletown Small Business Development Center
- State of Connecticut Department of Economic and Community Development
- State of Connecticut Department of Labor
- Workforce Alliance

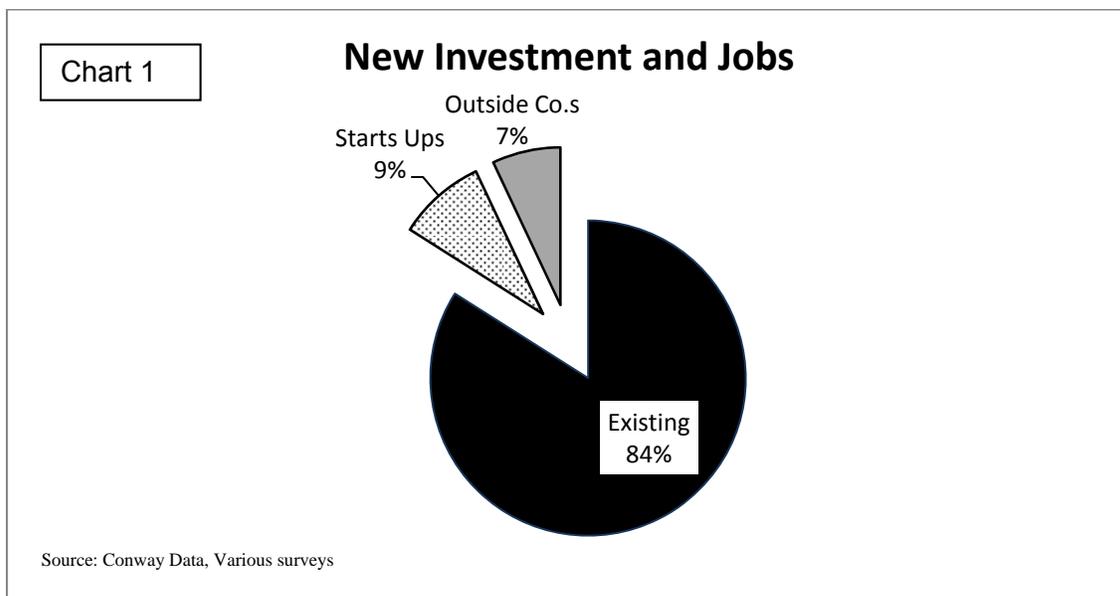
- Wesleyan University
- Middlesex Community College
- Eversource Energy
- Commercial Brokers, Property Owners and Developers
- Connecticut Economic Resources Center

The City also builds relationships by being members of professional groups such as the Connecticut Planning Association and the Connecticut Economic Developers Association among others.

These partnerships help us by providing services to City businesses that help them grow. They also bring in leads for businesses considering moving into Middletown.

**Business Retention and Expansion**

National surveys show the vast majority of new investment and jobs in any community come from existing businesses, entrepreneurs and start-ups. Few come from outside the community (Chart 1).



Given these data, City staff invests most of its time with existing businesses and start-ups. Staff visits existing businesses on a continuing basis to determine how the City can help them grow. For entrepreneurs, staff works with our partners to help them with typical start-up issues such as business plans, hiring and marketing. The City uses its service provider network to help businesses with utility, real estate and training, among others.

Middletown owns a former factory building which serves as a low-cost incubator for small businesses. The 165,000 sf building currently houses 25 businesses which, together, have 100 employees. In the FY ending June 30, 2015, rents from the building totaled more than \$402,000, of which \$200,000 is returned to the General Fund.

## **Business Recruitment**

The City also engages in recruiting businesses from outside the region. Our partners like the Chamber of Commerce, State agencies and commercial brokers and property owners bring businesses to the City where we actively try to address their location needs. Once they have decided to invest in Middletown, we make our land use approval processes as easy as possible to give them a smooth transition here. The staff regularly reaches out to site selection consultants, corporate real estate professionals and brokers to inform them of development opportunities in Middletown.

## **Easy Development Processes**

Middletown has built a reputation across the State for being a community which it is easy to work with. To that end, on our website, for example, we have:

- Nearly all development related applications and procedures
- Link to our GIS system
- Link to the Tax Assessor's database
- Studies and reports of the City of Middletown for public reading
- A business guide published bi-annually
- Records of City proceedings going back decades
- Information on City development incentives
- Links to partners and assistance providers
- Links to available commercial and industrial properties

Staff from all departments that approve projects meets as a team with project developers prior to their submitting applications to show them how their project can get approved.

## **Growing the Tax Base**

The City of Middletown continues to grow the tax base through marketing available land and buildings and reclaiming brownfields for redevelopment. The City of Middletown leverages Federal, State and Foundation grants with City and private sector financing to fund various economic development initiatives such as environmental assessments, brownfield clean and open space purchasing. This is a list of grants and their source since 2005. Most are for planning, environmental assessment and remediation.

<b>Year</b>	<b>Total</b>	<b>Federal</b>	<b>State</b>	<b>Other</b>
2014	\$3,828,225	\$414,475	\$3,413,750	
2013	\$573,004	\$419,044		\$154,000
2012	\$598,165	\$598,165		
2011	\$880,276	\$380,276	\$450,000	\$50,000
2010	\$875,228	\$854,428	\$10,000	\$10,800
2009	\$20,468,342	\$19,933,942	\$530,000	\$4,400
2008	\$927,345	\$407,345	\$520,000	
2007	\$487,490	\$487,490		
2006	\$682,094	\$417,094	\$265,000	
2005	\$661,146	\$658,989		\$2,157.80

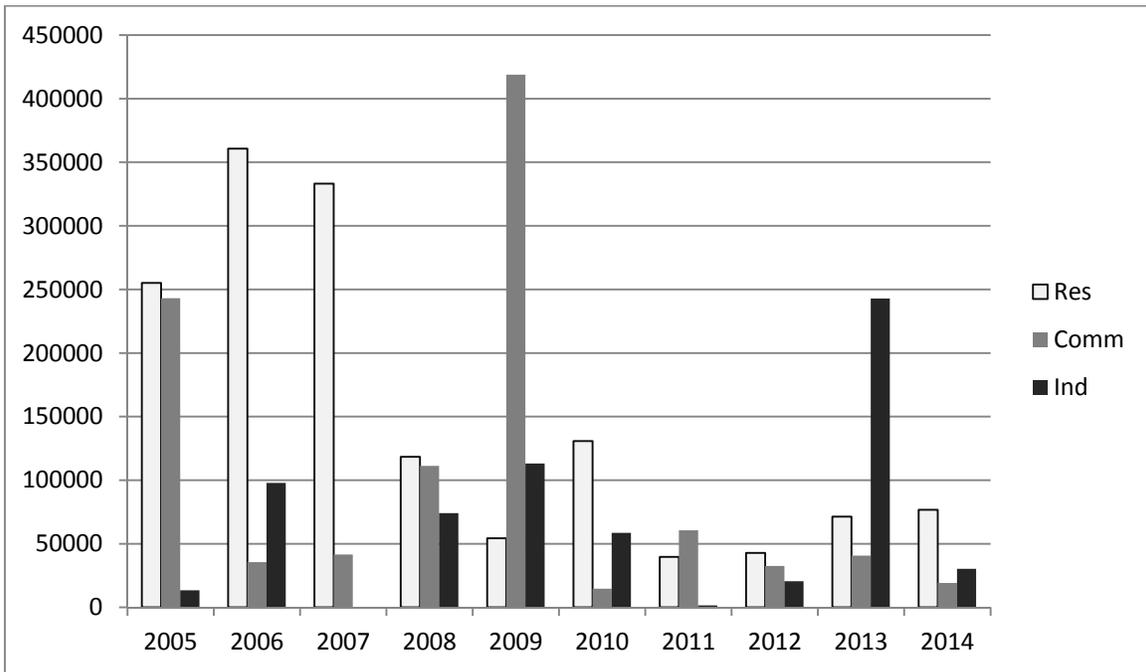
Over the last ten years, the City has invested, or will invest, \$24.6M, \$5.2M, \$221,000, in Federal, State and Foundation grants respectively.

## **Results**

The City's economic development efforts have yielded positive results over the last 11 years as seen in the following charts.

- Positive growth in new square footage
- 2.2% CAGR in new taxable grand list
- 3.5% CAGR in property tax revenues
- Minimal increases in the mill rate

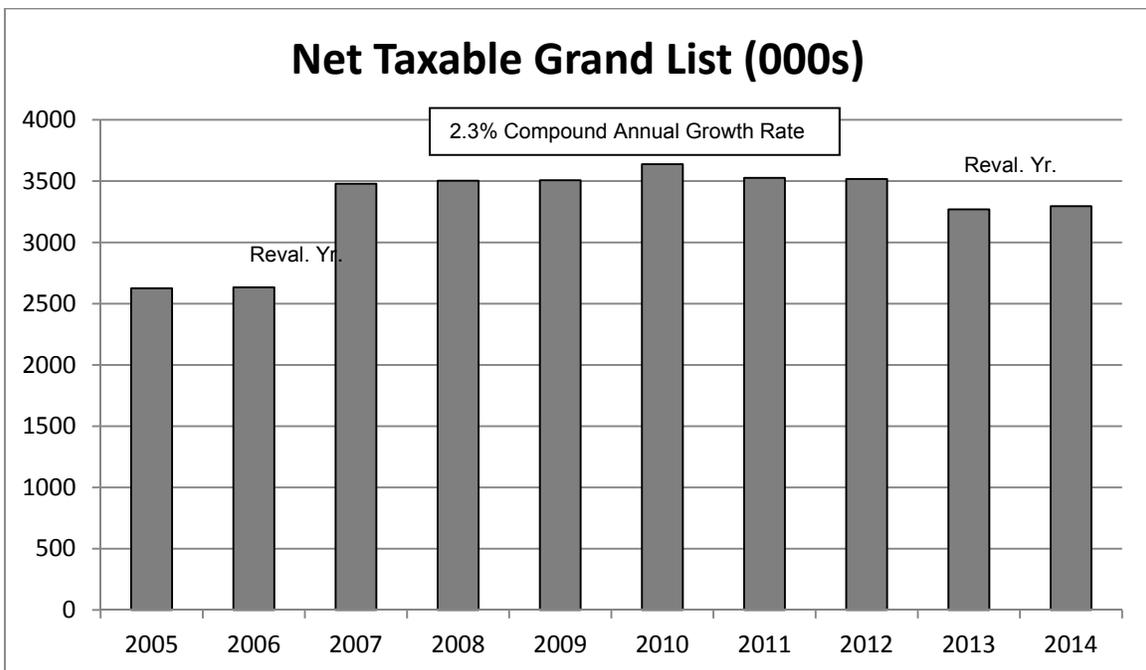
## New Construction (Sq Ft) by Year

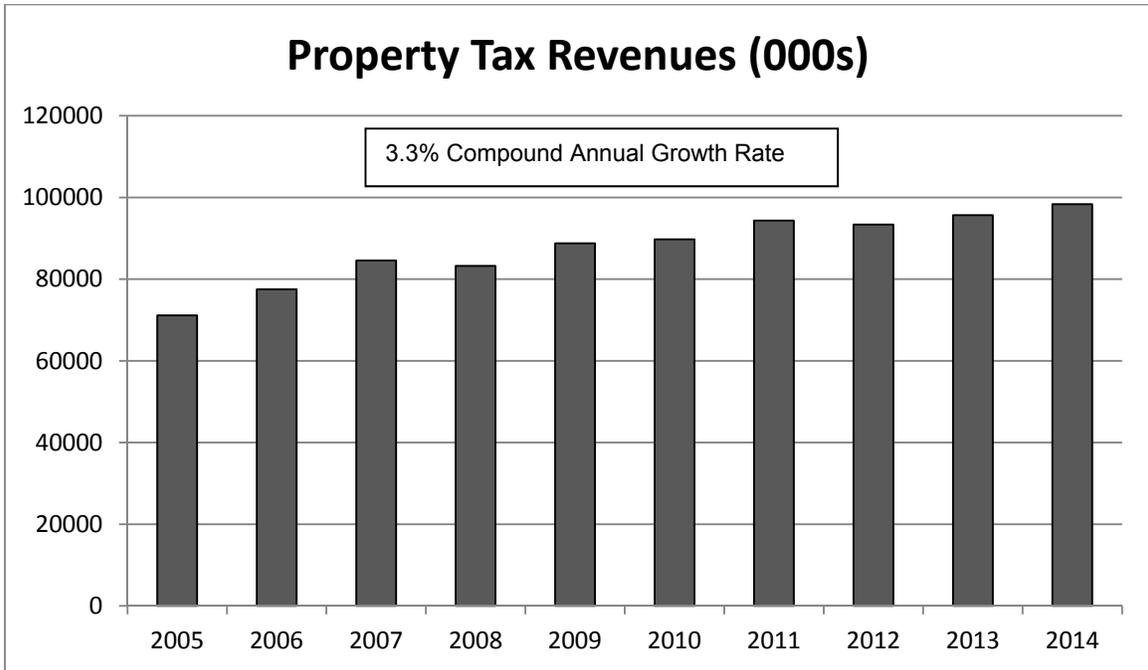


Major projects over the last several years include:

WinWholesale:	200,000 sf, warehouse
Electrical Wholesalers:	30,000 sf, office
ModSpace:	15,100 sf, office/warehouse
A&A Office Supply:	12,000 sf, Corporate HQ, distribution
Jarvis Products:	20,000 sf, manufacturing expansion

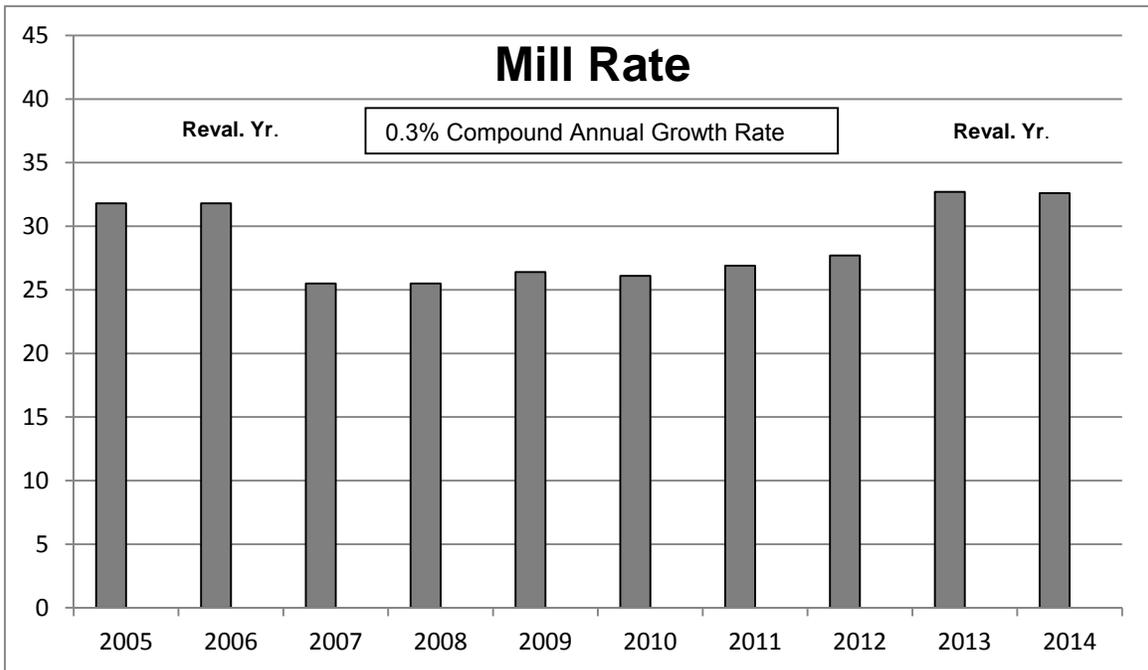
FedEx Ground Package Systems, Inc. has proposed and received all local approvals for a 535,000 sf distribution hub on the former site of Aetna's office building. The company proposes to create more than 500 new jobs.





Note: These do not include Nonmajor Governmental Funds.

The steady growth in the grand list has kept mill rate increases to a minimum.



## **Major Projects/Studies**

The City of Middletown continues to uncover new development opportunities. They include:

- **Riverfront:** The State of Connecticut awarded the City \$2.6 million to assess and clean up property along the Connecticut River. The goal is to create a 1.5 mile long riverfront park with amenities and housing. The park will bring in visitors from all over the region.
- **Downtown:** The City approved a 93-unit, market rate apartment and commercial project in downtown. Construction has started and is scheduled to be complete late in 2016.
- **Downtown sites:** The City is facilitating discussions between developers and owners of underutilized properties downtown. The plan is to create more housing, population and income downtown.
- **Recruiting:** Businesses continue to find Middletown an attractive place to invest. The City has successfully recruited several new businesses. They include a mix of retailers and restaurants downtown, start-ups and manufacturers.

## **Department Focus**

The Department of Finance and Revenue Service has completed the process of implementing an ADMINS Unified Community software system for all City departments including the Board of Education. This system has been implemented over time and includes programs for budgeting, purchasing, payables, receivables, payroll and general ledger. The staff continues to strive to automate many aspects of the department and continues to work with user departments to implement positive changes which will benefit the entire City.

## **Financial Information**

The Department of Finance is organized into six divisions: Administration, Accounting and Budgeting, Purchasing, Payroll, Tax Collection, Debt and Cash Management. The City's accounting system is an automated, integrated financial management system comprising payroll, accounts payable, general ledger, and budgetary control. It is organized and operated on a fund basis. Each fund is a distinct and self-balancing accounting entity.

## **Internal Controls**

All financial transactions are subject to pre-audit before processing as well as to an annual post-audit by an independent auditing firm selected by the City Council. Financial policies and procedures prescribed by the Director of Finance for the various departments are monitored by the Accounting and Budgeting Division of the Department.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **Budgetary Controls**

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

Activities of the general fund and certain special revenue funds are included in the annual appropriated budget. Project-length financial plans are adopted for the other special revenue funds and capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is made at the sub-function level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of sub-function balances are not released until additional appropriations are made available. Open encumbrances are reported in funds statements as reservation of fund balance at June 30, 2015.

### **Other Information**

#### **Independent Audit**

The City Charter requires an annual audit of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with and the auditors' report has been included in this report.

#### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Middletown for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. 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.

#### **Acknowledgment**

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I should like to express my appreciation to all members of the Department who assisted and contributed to its preparation. I should also like to thank the Mayor, the Finance and Government Operations Commission, the members of the City Council, and the Finance Department's Staff for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Carl R. Erlacher, CPA  
Director of Finance and Revenue Services



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Middletown  
Connecticut**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

## **Financial Section**



Accounting | Tax | Business Consulting

## **Independent Auditors' Report**

To the Honorable Mayor and Members of the Common Council  
City of Middletown, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Middletown, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Middletown, Connecticut's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***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 discretely presented component units, each major fund and the aggregate remaining fund information of the City of Middletown, Connecticut, as of June 30, 2015 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Change in Accounting Principle***

As discussed in Note 15 to the financial statements, during the fiscal year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net position of the City has been restated to recognize the net pension asset required in implementing GASB No. 68. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the budgetary comparison information on pages 60 through 62 and the pension schedules on pages 63 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Middletown, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Middletown, Connecticut as of and for the year ended June 30, 2014 (not presented herein), and have issued our report thereon dated December 23, 2014, which contained unmodified opinions on the respective financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet and Internal Service Fund statements as of June 30, 2014 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2014 financial statements. The accompanying General Fund balance sheet and Internal Service Fund statements have been subjected to the auditing procedures applied in the audit of the 2014 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet and Internal Service Fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015 on our consideration of the City of Middletown, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Middletown, Connecticut's internal control over financial reporting and compliance.

*Blum, Shapiro & Company, P.C.*

West Hartford, Connecticut  
December 29, 2015

## **CITY OF MIDDLETOWN, CONNECTICUT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015**

This discussion and analysis of the City of Middletown, Connecticut's (City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

#### **FINANCIAL HIGHLIGHTS**

- Net position of the City's governmental activities increased by \$4.2 million, or 1.2 percent.
- During the year, the City had expenses that were \$4.2 million less than the \$204.0 million generated in tax and other revenues for governmental programs.
- Total cost of all of the City's programs was \$199.8 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$26.6 million.
- The resources available for appropriation exceeded budgetary estimates by \$12.7 million for the General Fund. Expenditures were kept within spending limits.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented in Exhibit III to IX. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

#### **Government-Wide Financial Statements**

The analysis of the City as a whole begins on Exhibit I and II. The statement of net position and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, human resources, culture and recreation, employee benefits and insurance, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Component units* - The City includes two separate legal entities in its report; the Eastern Connecticut Resource Recovery Authority (ECRRA), and the Long Hill Estate Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

## **Fund Financial Statements**

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by Charter. However, the City Council establishes many other funds to help control and manage financial activities for particular purposes (like the Fire District, Water Fund, Sewer Fund and Sanitation Fund) or to show that it is meeting legal responsibilities for using grants, and other money (like grants received from the Clean Water Fund, Block Grants and Special Education Grants). The City's funds are divided into three categories; governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Internal service funds (the component of proprietary funds) are used to report activities that provide services for the City's other programs and activities - such as the City's Medical, Workers Compensation and Property and Liability Funds.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plans. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position increased from a year ago from \$347.7 million to \$351.9 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental activities.

**TABLE 1**  
**NET POSITION**  
**(In Thousands)**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current assets	\$ 142,848	\$ 120,749
Capital assets, net of accumulated depreciation	371,940	364,966
Total assets	<u>514,788</u>	<u>485,715</u>
Difference between projected and actual earnings for pensions	<u>14,462</u>	
Long-term liabilities outstanding	156,730	126,401
Other liabilities	18,111	11,587
Total liabilities	<u>174,841</u>	<u>137,988</u>
Difference of assumption changes for pensions	577	
Difference between expected and actual experiences for pensions	<u>1,890</u>	
Total deferred inflows of resources	<u>2,467</u>	<u>-</u>
Net Position:		
Net investment in capital assets	267,645	289,881
Restricted	1,289	1,323
Unrestricted	<u>83,008</u>	<u>56,523</u>
Total Net Position	<u>\$ 351,942</u>	<u>\$ 347,727</u>

Net position of the City's governmental activities increased by 1.2 percent (\$351.4 million compared to \$347.7 million). Capital assets increased by \$6.9 million while long-term liabilities increased by \$30.3 million. The City's aggressive debt repayment philosophy results in the rapid payment for capital asset additions.

**TABLE 2**  
**CHANGE IN NET POSITION**  
(In Thousands)

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Revenues:		
Program revenues:		
Charges for services	\$ 20,915	\$ 17,905
Operating grants and contributions	48,566	44,949
Capital grants and contributions	3,101	1,965
General revenues:		
Property taxes	116,763	106,714
Grants and contributions not restricted to specific programs	9,828	9,284
Unrestricted investment earnings	143	302
Other general revenues	4,701	5,932
Total revenues	<u>204,017</u>	<u>187,051</u>
Program expenses:		
General government	18,740	19,747
Public safety	26,917	29,048
Public works	10,128	11,758
Health and human services	1,502	802
Culture and recreation	5,740	5,809
Employee benefits and insurance	14,908	16,586
Education	109,091	106,256
Sewer	4,885	4,778
Water	4,038	4,445
Sanitation	1,685	1,857
Interest on long-term debt	2,168	2,347
Total program expenses	<u>199,802</u>	<u>203,433</u>
Increase (Decrease) in Net Position	4,215	(16,382)
Net Position at Beginning of Year, as Restated	<u>347,727</u>	<u>364,109</u>
Net Position at End of Year	<u>\$ 351,942</u>	<u>\$ 347,727</u>

The City's total revenues were \$204.0 million. The total cost of all programs and services was \$199.8 million. Our analysis below considers the operations of governmental activities.

**Governmental Activities**

More than 57.2 percent of the revenues were derived from property taxes, followed by 23.8 percent from operating grants, then 10.2 percent from charges for services.

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2015 reflects an increase in the City's tax rate and virtually no change in the total assessed value of all taxable property.
- Operating Grants and contributions increased by 3.6 million mainly attributable to increased education grants received from the State of Connecticut.
- Capital grants increased by 1.1 million, which is mainly due to the Clean Water Projects under construction.

For governmental activities, more than 54.6 percent of the City's expenses relate to education, 13.5 percent relate to public safety, general government (9.4 percent), employee benefits and insurance (7.5 percent), and public works (5.1 percent).

Major expense factors include:

- Decreases in total program expenses is attributable to a decrease in public safety expenses mainly due to a decrease in accruals for various liabilities including pensions.
- The cost of education services increased due to accrual basis changes in compensated absences, other post-employment benefits.

## **CITY FUNDS FINANCIAL ANALYSIS**

### **Governmental Funds**

As the City completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$45.8 million, which is an increase from last year's total of \$22.0 million. The fund balance for the Capital Project's Fund increased by \$14.9 million dollars due to bond issuance of 32.3 million in the current fiscal year.

### **General Fund Budgetary Highlights**

Tax collections were favorable by \$2.6 million primarily due to increased delinquent tax collections. Charges for services were favorable by \$921 thousand with the majority of this coming from increased activity with police extra duty.

Under the intergovernmental section, the City experienced a favorable revenue variance of \$3.6 million which included larger than budgeted receipts from various state and federal agencies.

One of the areas of unfavorable budget variances was in interest revenues by \$22 thousand due to lower than expected interest rates.

The aforementioned items, when combined with the planned use of fund balance to minimize the annual tax impact to City residents, resulted in completing the June 30, 2015 year with an unassigned fund balance of \$21.8 million.

The City continues to experience a variety of favorable events, most related to a planned expenditure cut back, that favorably impacted expenses during the fiscal year.

These events include:

	<b>(in thousands)</b>
General government	\$ 508
Public safety	100
Public works	56
Parks and recreation	182
Other	<u>266</u>
 Total	 \$ <u><u>1,112</u></u>

The City's General Fund balance of \$26.6 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$25.7 million. This is principally because budgetary fund balance includes \$.9 million of outstanding encumbrances at year end which are reported as expenditures for budgetary purposes.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2015, the City had \$371.9 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 3.

**TABLE 3  
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)  
(In Millions)**

	<b>Governmental Activities</b>	
	<u>2015</u>	<u>2014</u>
Land	\$ 18.7	\$ 18.2
Infrastructure	135.2	139.5
Buildings and improvements	146.6	153.2
Machinery, equipment and building contents	11.9	12.0
Construction in progress	<u>59.5</u>	<u>42.1</u>
 Total	 \$ <u><u>371.9</u></u>	 \$ <u><u>365.0</u></u>

The City capital assets increase for 2015 is mainly attributable to clean water projects and other various projects throughout the City.

More detailed information about the City's capital assets is presented in Notes 1 and 5 to the financial statements.

## Long-Term Debt

At June 30, 2015, the City had \$90.6 million in bonds outstanding versus \$70.9 million last year, an increase of 27.8 percent - as shown in Table 4.

**TABLE 4**  
**OUTSTANDING DEBT, at Year-End**  
**(In Millions)**

	Governmental Activities	
	2015	2014
General Obligation Bonds	\$ 90.6	\$ 70.9

The City's general obligation bond rating continues to carry a AA+ rating with Standard & Poor's Rating Services. The State limits the amount of general obligation debt that towns can issue based on formula determined under State Statutes based on type of debt and tax base. The City's outstanding general obligation debt is significantly below this \$787 million state-imposed limit.

Other obligations include accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the City is currently 5.7 percent compared with the prior year of 5.8 percent.

The appropriation for expenditures totaled \$173.8 million in the adopted budget for the 2015-2016 fiscal year representing an increase of 3.81 percent compared to the final amended budget for fiscal year ended June 30, 2015. The City is anticipating using \$3.8 million of assigned General Fund fund balance to balance budgeted operations for the 2015-2016 fiscal year.

The City's elected and appointed officials considered many factors when establishing the tax mill rate of 39.6 for the adopted budget for the 2015-2016 fiscal year. There was an increase of .4% from the mill rate established for the 2015-2016 fiscal year.

The City, while cautiously optimistic, is quite concerned about the State of Connecticut budget and the impact balancing the State budget may have on the City. Approximately one-fourth of the City's budget revenues are derived from revenues received from the State of Connecticut. The vast majority of the State revenues come to the City in the form of Educational Cost Sharing Grants (ECS) which provide a direct subsidy to the local school system.

This is a difficult year for the State of Connecticut due to shortfalls in State revenues resulting from the current state of our economy. Section 52 of Public Act 02-1 allows the Governor, on or after October 1, 2002, to reduce certain allotments, including grants to municipalities, by up to 5 percent. Any State reduction over \$750,000 would result in a budget revenue shortfall and would reduce the City's undesignated General Fund fund balance and/or increase the property tax rate in the fiscal year 2015.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, City of Middletown, 245 DeKoven Drive, Middletown, Connecticut 06457.

# **Basic Financial Statements**

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**  
**(In Thousands)**

	Primary	Component Units	
	Governmental Activities	ECRRA	Long Hill Estate
<b>Assets:</b>			
Cash and cash equivalents	\$ 67,781	\$ 3,022	\$ 519
Investments	1,215		115
Receivables, net	17,470	4,016	2
Inventories	32		
Net pension asset	56,350		
Other assets		310	
<b>Restricted assets:</b>			
Cash and cash equivalents		7,399	
Investments		11,134	
<b>Capital assets:</b>			
Assets not being depreciated	78,153		
Assets being depreciated, net	293,787	48,715	
Total assets	<u>514,788</u>	<u>74,596</u>	<u>636</u>
<b>Deferred Outflows of Resources:</b>			
Difference between projected and actual earnings for pensions	<u>14,462</u>		
<b>Liabilities:</b>			
Accounts and other payables	10,728	7,245	24
Unearned revenue	2,489		249
Note payable	4,894		
<b>Noncurrent liabilities:</b>			
Due within one year	17,605	9,689	
Due in more than one year	139,125	49,253	
Total liabilities	<u>174,841</u>	<u>66,187</u>	<u>273</u>
<b>Deferred Inflows of Resources:</b>			
Difference of assumption changes for pensions	577		
Difference between expected and actual experiences for pensions	1,890		
Total deferred inflows of resources	<u>2,467</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>			
Net investment in capital assets	267,645	907	
<b>Restricted for:</b>			
Debt service		7,399	
<b>Trust purposes:</b>			
Expendable	74		
Nonexpendable	1,215		
Unrestricted	<u>83,008</u>	<u>103</u>	<u>363</u>
<b>Total Net Position</b>	<b>\$ <u>351,942</u></b>	<b>\$ <u>8,409</u></b>	<b>\$ <u>363</u></b>

The accompanying notes are an integral part of the financial statements

CITY OF MIDDLETOWN, CONNECTICUT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Governmental	Component Units	
					Governmental Activities	ECRRA	Long Hill Estate
Primary Government:							
Governmental activities:							
General government	\$ 18,740	\$ 3,011	\$	\$	\$ (15,729)	\$	\$
Public safety	26,917	2,013	1,183	28	(23,693)		
Public works	10,128	320	7	3,031	(6,770)		
Health and human resources	1,502		49		(1,453)		
Culture and recreation	5,740	703	864	42	(4,131)		
Employee benefits and insurance	14,908				(14,908)		
Education	109,091	619	46,463		(62,009)		
Sewer	4,885	5,994			1,109		
Water	4,038	6,430			2,392		
Sanitation	1,685	1,825			140		
Interest on long-term debt	2,168				(2,168)		
<b>Total Primary Government - Governmental Activities</b>	<b>\$ 199,802</b>	<b>\$ 20,915</b>	<b>\$ 48,566</b>	<b>\$ 3,101</b>	<b>(127,220)</b>	<b>-</b>	<b>-</b>
Component Units:							
ECRRA	\$ 24,242	\$ 29,708	\$	\$		5,466	
Long Hill Estate	578	557		6			(15)
<b>Total Component Units</b>	<b>\$ 24,820</b>	<b>\$ 30,265</b>	<b>\$ -</b>	<b>\$ 6</b>	<b>-</b>	<b>5,466</b>	<b>(15)</b>
General revenues:							
Property taxes					116,763		
Grants and contributions not restricted to specific programs					9,828		
Unrestricted investment earnings					143	623	1
Miscellaneous					4,701		
Total general revenues					131,435	623	1
Change in net position					4,215	6,089	(14)
Net Position at Beginning of Year, as Restated					347,727	2,320	377
Net Position at End of Year					\$ 351,942	\$ 8,409	\$ 363

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**  
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 22,583	\$ 81	\$ 7,149	\$ 21,871	\$ 51,684
Investments				1,215	1,215
Receivables, net	5,103		4,604	5,255	14,962
Due from other funds	8,166				8,166
Inventories				32	32
Total Assets	<u>\$ 35,852</u>	<u>\$ 81</u>	<u>\$ 11,753</u>	<u>\$ 28,373</u>	<u>\$ 76,059</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 4,915	\$	\$ 2,460	\$ 2,477	\$ 9,852
Due to other funds			7,810	356	8,166
Note payable			4,894		4,894
Unearned revenue				2,489	2,489
Total liabilities	<u>4,915</u>	<u>-</u>	<u>15,164</u>	<u>5,322</u>	<u>25,401</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	<u>4,370</u>			<u>469</u>	<u>4,839</u>
Fund Balances:					
Nonspendable				32	32
Restricted		81		3,724	3,805
Committed				18,972	18,972
Assigned	4,741				4,741
Unassigned	<u>21,826</u>		<u>(3,411)</u>	<u>(146)</u>	<u>18,269</u>
Total fund balances	<u>26,567</u>	<u>81</u>	<u>(3,411)</u>	<u>22,582</u>	<u>45,819</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 35,852</u>	<u>\$ 81</u>	<u>\$ 11,753</u>	<u>\$ 28,373</u>	<u>\$ 76,059</u>

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**CITY OF MIDDLETOWN, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)**  
**JUNE 30, 2015**  
**(In Thousands)**

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Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position:

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds	\$	45,819
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	622,015	
Less accumulated depreciation		<u>(250,075)</u>	
Net capital assets			371,940

Other long-term assets and deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Net pension asset	56,350
Property tax receivables greater than 60 days	4,839
Interest receivable on property taxes	1,953
Interest receivable on water, sewer and sanitation	555
Change in deferred outflows related to expected and actual experience	14,462

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

8,444

Long-term liabilities, including bonds payable and deferred inflows of resources, are not due and payable in the current period and therefore, are not reported in the funds:

Bonds and notes payable	(90,559)
Interest payable on bonds and notes	(862)
Compensated absences	(7,220)
OPEB obligation	(42,470)
Bond premium	(8,842)
Change in deferred inflows related to assumption changes	(577)
Change in deferred inflows related to investment gains or losses	<u>(1,890)</u>

Net Position of Governmental Activities (Exhibit I)	\$	<u><u>351,942</u></u>
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The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(In Thousands)**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 106,476	\$	\$	\$ 9,255	\$ 115,731
Licenses and permits	652				652
Intergovernmental	34,947		1,530	24,454	60,931
Charges for services	4,769			14,942	19,711
Investment income	52			124	176
Miscellaneous	3,926		286	1,508	5,720
Total revenues	<u>150,822</u>	<u>-</u>	<u>1,816</u>	<u>50,283</u>	<u>202,921</u>
Expenditures:					
Current:					
General government	9,233	105		1,026	10,364
Public safety	14,337			10,378	24,715
Public works	5,020				5,020
Health and human resources	1,495			48	1,543
Culture and recreation	5,283			418	5,701
Employee benefits and insurance	17,380				17,380
Education	82,531			20,988	103,519
Sewer				4,876	4,876
Water				4,014	4,014
Sanitation				1,672	1,672
Capital outlay			19,131	3,612	22,743
Debt service:					
Principal retirement		12,647			12,647
Interest and fiscal charges		2,543			2,543
Total expenditures	<u>135,279</u>	<u>15,295</u>	<u>19,131</u>	<u>47,032</u>	<u>216,737</u>
Excess (Deficiency) of Revenues over Expenditures	<u>15,543</u>	<u>(15,295)</u>	<u>(17,315)</u>	<u>3,251</u>	<u>(13,816)</u>
Other Financing Sources (Uses):					
Bond and serial notes			32,302		32,302
Bond premium	5,287				5,287
Transfers in	553	15,298		1,155	17,006
Transfers out	(14,680)		(67)	(2,180)	(16,927)
Total other financing sources (uses)	<u>(8,840)</u>	<u>15,298</u>	<u>32,235</u>	<u>(1,025)</u>	<u>37,668</u>
Net Change in Fund Balances	6,703	3	14,920	2,226	23,852
Fund Balances at Beginning of Year	<u>19,864</u>	<u>78</u>	<u>(18,331)</u>	<u>20,356</u>	<u>21,967</u>
Fund Balances at End of Year	<u>\$ 26,567</u>	<u>\$ 81</u>	<u>\$ (3,411)</u>	<u>\$ 22,582</u>	<u>\$ 45,819</u>

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(In Thousands)**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

Net change in fund balances - total governmental funds (Exhibit IV)	\$	23,852
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	20,426
Depreciation expense	(13,392)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets.	(60)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	751
Property tax interest and lien revenue - accrual basis change	282
Water, sewer, sanitation interest receivable - accrual change	92
Change in deferred outflows related to expected and actual experience	14,462
Change in deferred inflows related to assumption changes	(577)
Change in deferred inflows related to investment gains or losses	(1,890)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	12,646
Issuance of bonds and notes	(32,300)
Premium on bonds	(5,287)

Change in net pension asset	(12,025)
-----------------------------	----------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(258)
OPEB obligation	(5,330)
Bond premium amortization	625
Accrued interest	(250)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.	<u>2,448</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 4,215</u>
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The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**JUNE 30, 2015**  
**(In Thousands)**

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	<b>Governmental Activities <u>Internal Service Fund</u></b>
Assets:	
Cash and cash equivalents	\$ <u>16,097</u>
Liabilities:	
Current liabilities:	
Accounts and other payables	14
Unpaid claims - current	<u>2,877</u>
Total current liabilities	2,891
Noncurrent liabilities:	
Unpaid claims - noncurrent	<u>4,762</u>
Total liabilities	<u>7,653</u>
Net Position:	
Unrestricted	\$ <u><u>8,444</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

	<b>Governmental Activities Internal Service Fund</b>
Operating Revenues:	
Charges for services	\$ 29,122
Other	2,279
Total operating revenues	<u>31,401</u>
Operating Expenses:	
Benefit payments	7,385
Administration	1,055
Insurance	20,460
Total operating expenses	<u>28,900</u>
Operating Income	2,501
Nonoperating Revenue:	
Income on investments	<u>26</u>
Income Before Transfers	2,527
Transfers Out	<u>(79)</u>
Change in Net Position	2,448
Net Position at Beginning of Year	<u>5,996</u>
Net Position at End of Year	<u>\$ 8,444</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

	<b>Governmental Activities Internal Service Fund</b>
Cash Flows from Operating Activities:	
Interfund services provided or used	\$ 29,122
Cash received for insurance reimbursements	2,279
Cash paid to vendors	(28,490)
Net cash used in operating activities	<u>2,911</u>
Cash Flows from Noncapital Financing Activities:	
Transfers to other funds	(79)
Cash Flows from Investing Activities:	
Income on investments	<u>26</u>
Net Increase in Cash and Cash Equivalents	2,858
Cash and Cash Equivalents at Beginning of Year	<u>13,239</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,097</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 2,501
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in vouchers and other payables	<u>410</u>
Net Cash Provided by Operating Activities	<u>\$ 2,911</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2015**  
**(In Thousands)**

	<u>Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$ 8,219	\$ 2,656
Investments:		
Certificate of deposits		37
U.S. government bonds and securities	107,715	
Corporate bonds	52,538	
Common stock	167,418	
Mutual funds	51,958	
Receivables:		
Accrued investment income	<u>503</u>	
Total assets	<u>388,351</u>	\$ <u><u>2,693</u></u>
Liabilities:		
Vouchers and other payables	256	\$
Due to student groups and others		<u>2,693</u>
Total liabilities	<u>256</u>	\$ <u><u>2,693</u></u>
Net Position:		
Held in Trust for Employee Benefits	<u>\$ 388,095</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT  
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
PENSION TRUST FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

	<u>Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 11,019
Plan members	2,609
Other	190
Total contributions	<u>13,818</u>
Investment income:	
Net appreciation in fair value of investments	4,276
Interest and dividends	7,297
Total investment gain	<u>11,573</u>
Investment fees	<u>(1,092)</u>
Net investment income	<u>10,481</u>
Total additions	<u>24,299</u>
Deductions:	
Benefits	22,998
Other	10
Total deductions	<u>23,008</u>
Net Increase	1,291
Net Position at Beginning of Year	<u>386,804</u>
Net Position at End of Year	<u>\$ 388,095</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**  
**(IN THOUSANDS)**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The City was incorporated in 1651. Its legal authority is derived from a Charter granted in 1874 that has been subsequently revised, most recently in 2008. The City operates under a Council-Mayor form of government. Services provided include education, water, sewer, refuse, streets and drainage, recreation and parks, police and fire, planning and zoning, community development and human resources.

**Discretely Presented Component Units**

The Eastern Connecticut Resource Recovery Authority (ECRRA) has been included in the City's reporting as a proprietary fund type in accordance with GAAP. As more fully explained in Note 11, ECRRA is a regional authority formed to provide solid waste disposal and a resource recovery system. At June 30, 2015, the City is the only member and accordingly, ECRRA is fiscally dependent because the City is responsible for paying ECRRA's debt and it is under the City's control. Additionally, ECRRA's financial position and operations are material to the financial statements of the City. Separate financial statements of ECRRA are available from the City's Office of the Mayor.

The Long Hill Estate Authority (Authority) has been included in the City's reporting as a governmental fund type in accordance with GAAP. The Authority was established by ordinance to operate and maintain the former Wadsworth/Cenacle property. The City will maintain ownership of the facility and retire the debt issued to make renovations. The City Council appoints the Authority's nine-member board and, although the Authority is legally separate from the City, it is fiscally dependent upon the City because the City is responsible for paying the Authority's debt. Separate financial statements of the Authority are available from the Authority's offices, 421 Wadsworth Street.

**B. Government-Wide and Fund Financial Statements**

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

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**  
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The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and pension trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the payment of principal and interest on long-term debt of the City.

The Capital Project Fund accounts for financial resources to be used for the acquisition or construction of major capital assets.

Additionally, the City reports the following fund types:

The Internal Service Fund accounts for the risk management activity of the City.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The Trust Funds account for the activities of the defined benefit pension plans and Other Post Employment Benefits Trust Fund, which accumulate resources for pension and health benefit payments to qualified employees upon retirement.

The Agency Funds are used to account for assets held by the City in an agent capacity for individuals, private organizations or other governments. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds include Escrow Account Fund and Board of Education Activity Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to customers for risk management. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned

**D. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City, ECRRA and Long Hill Estate to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 3.

Investments for the City, as well as for its component units, are reported at fair value.

**E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables, including those for the component units, are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data. Property taxes allowance represents 2.4% of outstanding amounts.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Real, personal and motor vehicle property taxes are levied on the assessed value at the rate enacted by the Common Council in the annual budget ordinance.

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year and are billed on the following July 1 and January 1. Taxes are overdue on August 1 and February 1. Interest at the rate of 1-1/2% per month accrues on all overdue taxes. If taxes are unpaid as of June 30, following the payable date, a lien is placed on the real property. Property assessments are made at 70% of the market value.

Property tax revenues are recognized when they become measurable and available. Available means then due, or past due and collectible within 60 days of the end of the current period.

**F. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**G. Restricted Assets**

Because of certain bond covenants, ECRRA is required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only for servicing outstanding debt and other indenture requirements.

**H. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	25
Infrastructure	35-70
Equipment	15
Vehicles	7
Office equipment	7
Computer equipment	7

**I. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows related to pension. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports a deferred inflow of resources related to pensions. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

**J. Net Pension Asset**

The net pension asset is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension asset), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension asset is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**K. Termination Benefits**

**Sick Leave and Vacation Benefits**

Employees may accumulate a limited amount of vested vacation and unused sick leave. At year end, accumulated vacation and unused sick leave was valued at \$7,220. The General Fund generally funds the cost associated with compensated absences.

**L. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditure.

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

**M. Fund Equity**

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

**Net Invested in Capital Assets**

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

**Restricted**

Net position is restricted because they are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted**

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

**Nonspendable Fund Balance**

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Restricted Fund Balance**

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

**Committed Fund Balance**

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City of Middletown Town Council). A commitment of fund balance and any subsequent modifications or rescission requires a resolution of the City of Middletown Town Council.

**Assigned Fund Balance**

This represents amounts constrained for the intent to be used for a specific purpose by the Board of Finance, which has been delegated authority to assign amounts by City Charter.

**Unassigned Fund Balance**

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The City has an annual operating budget for the General Fund and budgets for certain Special Revenue Funds: Fire District Fund, Sanitary Disposal District Fund, Water Fund and Sewage Disposal Fund.

The City Charter requires the Mayor to submit a recommended operating budget for the General Fund and selected Special Revenue Funds to the Common Council by April 1. The budget provides a financial plan for the year and contains estimates of anticipated revenues and proposed expenditures. After public hearings a final budget is adopted by the Common Council by May 15.

The budget allocations among the various organizational units, as revised by the Common Council through year-end, are included in the budget-to-actual comparisons. Total budgeted expenditures in the budget-to-actual comparison agree with the Common Council appropriations. These budgetary comparisons are made at the sub-function level by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of sub-function balances are not released until additional appropriations are made available.

Any revisions that alter the total expenditures of any department of the General Fund must be approved by the City Council. In addition, any revisions that alter the total budget of Special Revenue funds must be approved by the City Council. During the year General Fund appropriations increased in the amount of \$1,535. All budget amendments were processed in accordance with Charter provisions.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**  
**(IN THOUSANDS)**

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**B. Deficit Fund Equity**

The City has the following fund deficits at June 30, 2015:

	<u>Amount</u>
Capital Projects Fund*	\$ 3,411
Nonmajor Governmental Funds:	
Special Revenue Funds:	
School Cafeteria Fund **	114

\* Deficit will be eliminated with future bond proceeds

\*\* Deficit will be eliminated through future appropriations

**3. CASH, CASH EQUIVALENTS AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**Deposits**

**Deposit Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposit will not be returned. The City does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk based capital ratio.

*City*

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$56,433 of the City’s bank balance of \$58,977 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 50,590
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name	<u>5,843</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 56,433</u>

*Long Hill Estate Authority*

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, all of the Authority’s bank balance of \$645 was uninsured and uncollateralized.

**Cash Equivalents**

*City*

At June 30, 2015, the City’s cash equivalents amounted to \$21,975. The following table provides a summary of the City’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard &amp; Poor’s</u>	<u>Fitch Ratings</u>
State Short-Term Investment Fund (STIF)	AAAm	
Wells Fargo*		

\*Not rated

*ECRRA*

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2015, ECRRA’s cash equivalents amounted to \$10,421. ECRRA’s cash equivalents are primarily bank and government instruments that are not rated by nationally recognized statistical rating organizations.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**  
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**Investments**

*City*

As of June 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Government bonds	AAA to A-	\$ 116,157	\$ 1,402	\$ 60,326	\$ 54,429
Government bonds	BBB+ to B-	205		205	
Government bonds	CC+ to CCC-	18			18
Corporate bonds	AAA to A-	34,655		32,618	2,037
Corporate bonds	BBB+ to B-	8,042	41	7,372	629
Corporate bonds	CC+ to CCC-	1,176		1,176	
Certificates of deposit	*	37	37		
Total		160,290	\$ 1,480	\$ 101,697	\$ 57,113
Other Investments:					
Common stock		167,418			
Mutual funds		53,173			
Total Investments		\$ 380,881			

\*Subject to coverage by Federal Depository Insurance and collateralization.

*Long Hill Estate Authority*

As of June 30, 2015, the Authority had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificates of Deposit	*	\$ 115	\$ 115	\$ -	\$ -

\* Subject to coverage by Federal Depository Insurance and collateralization.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*ECRRA*

As of June 30, 2015, ECRRA had the following investments:

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1-10</u>	<u>More Than 10</u>
Interest-bearing investments:					
MBIA Investment Agreements	*	\$ <u>11,134</u>	\$ <u>          </u>	\$ <u>11,134</u>	\$ <u>          </u>

\* Subject to coverage by Federal Depository Insurance and collateralization.

**Interest Rate Risk**

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

**Credit Risk - Investments**

As indicated above, State Statutes limit the investment options of cities and towns. The City has no investment policy that would further limit its investment choices. The following table provides a summary of the City’s investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

**Concentration of Credit Risk**

The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the City’s total investments.

**Custodial Credit Risk**

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2015, the City’s investments, other than open-end mutual funds and other pooled accounts that are not categorized as to custodial credit risk, were uninsured and unregistered securities held by the counterparty, or by its trust department or agent, and were not in the City’s name.

**CITY OF MIDDLETOWN, CONNECTICUT**  
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**4. RECEIVABLES**

Receivables as of year end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 5,023	\$	\$ 561	\$ 5,584
Interest*			503	503
Accounts and other	200		3,133	3,333
Intergovernmental		4,604	1,592	6,196
Gross receivables	<u>5,223</u>	<u>4,604</u>	<u>5,789</u>	<u>15,616</u>
Less allowance for uncollectibles	<u>120</u>		<u>31</u>	<u>151</u>
Net Total Receivables	<u>\$ 5,103</u>	<u>\$ 4,604</u>	<u>\$ 5,758</u>	<u>\$ 15,465</u>

\* Does not include interest on property taxes \$1,953 and interest on water, sewer and sanitation receivables \$555.

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**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

*Primary Government*

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,179	\$ 474	\$	\$ 18,653
Construction in progress	42,100	19,131	(1,731)	59,500
Total capital assets not being depreciated	<u>60,279</u>	<u>19,605</u>	<u>(1,731)</u>	<u>78,153</u>
Capital assets being depreciated:				
Buildings	238,193	96		238,289
Machinery, equipment and building contents	30,277	1,762	(430)	31,609
Infrastructure	273,270	694		273,964
Total capital assets being depreciated	<u>541,740</u>	<u>2,552</u>	<u>(430)</u>	<u>543,862</u>
Less accumulated depreciation for:				
Buildings	(84,968)	(6,718)		(91,686)
Machinery, equipment and building contents	(18,325)	(1,690)	370	(19,645)
Infrastructure	(133,760)	(4,984)		(138,744)
Total accumulated depreciation	<u>(237,053)</u>	<u>(13,392)</u>	<u>370</u>	<u>(250,075)</u>
Total capital assets being depreciated, net	<u>304,687</u>	<u>(10,840)</u>	<u>(60)</u>	<u>293,787</u>
Governmental Activities Capital Assets, Net	<u>\$ 364,966</u>	<u>\$ 8,765</u>	<u>\$ (1,791)</u>	<u>\$ 371,940</u>

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

Governmental activities:	
General government	\$ 3,302
Public safety	747
Public works	5,069
Education	<u>4,274</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 13,392</u>

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**Construction Commitments**

The City has active construction projects as of June 30, 2015. The projects include roads, bridges, water and sewer lines and school building improvements. At year end the City's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Project Balance</u>
Technology Systems Land Records	\$ 123	\$
City Public Parking Improvements	731	8
Water Wellfield Shoreline Protection	694	6
City Pub Parking Imp, Const & Infrastruct	23	573
Parking Public Safety/Security Improve	85	515
Plan, Design, Cons, Portable Water Infrastr	557	192
MDTWN Youth Soccer	353	2
Fire Truck & Related Equipment	489	5
Eckersley Hall	683	19
Rehab Main St. Water Main N of Wash	1,406	212
CSO 2007 BI Sewer/Separation	4,771	3,248
Remediation of OMO Manuf. Site	2,826	174
Acquire Propty/Constr Park King & Clinton	448	97
Design Acquire/Constr W/Mattabassett	9,621	14,314
Eckersley Hall-Plan, Impr.Const, Restore	3,874	687
2007 Road Improv. Bond	8,369	1,458
Water and Sewer Improvements	3,745	748
Water Planning Improvements	198	3
Installation of Water System (SCADA)	142	10
John S. Roth Treatment Plant Improvements	50	241
Sewer System Pump Station	220	99
Charles Bacon Plant Improvements Water	420	288
Integrated Public Safety Software	665	2
Information Technology Infrastructure	741	4
Acquisition/Implement Technology Project	225	(6)
Information Technology System & Devices	528	81
Pur/Install Telephone System City BLDGS	634	51
City Info Technology Storage Infrastructure	558	146
CNR Ordinance 2012-2013	494	58
CNR Ordinance 13/14	735	3
CNR Ordinance 2014-2015	327	257
Citywide Streets Poles & Equip	1,083	52
2013 Road, Sidewalk & PW Facilities	807	13,534
Standby Generator for City Hall	133	362
Keigwin Middle Sch Parking Lot	357	90
Keigwin Middle Sch Fire Alarm System	152	5
Asbestos Abatement/Woodrow Wilson Middle	64	370
Woodrow Wilson Middle	6	742
Wired & Wireless Network MHS	295	48
Powerschool Info Sys Mdtwn Schools	134	1
Jackson Street Bridge	122	158
Renovation & Improve Russell Library	622	118
Physical Inspect & Reval Real Property	529	74
Sanitary Sewers	1,663	780
Road Improvement Bond 2005	8,851	879
Mill Street Bridge	1,386	261
2011 Road Improvement Bond	8,000	5,169
Mdtwn Mattabassett District Membership	13,178	22
Plan, Design, Const, Repl, Sani Sewer Infrs	272	228
BI Force Main & Pump Station w/Mattabasset	3	2,997
Combined Sewer Overflow Separation	2	7,748
Waterline Improv. Arrigoni Bridge	311	(5)
CSO Road Improvement	7,334	2,549
2001 Road Improvement Bond	6,594	50
Open Space	2,983	17
Middletown High School BI	106,347	126
Security Measures at City Hall	53	369
Web Base Security Sys School Citywide	2	748
2003 Road Improvement Bond	8,030	70
	<u>\$ 214,048</u>	<u>\$ 61,057</u>
Total	\$ 214,048	\$ 61,057

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The commitments are being financed as follows:

School projects are financed by bonds and grants from the State Department of Education.

Sewer projects are financed by grants and 2% loans from the State Department of Environmental Protection.

Other projects are primarily funded by City general obligation bonds.

*Discretely Presented Component Units*

Activity for ECRRA for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Buildings and systems	\$ 109,901	\$	\$	\$ 109,901
Less accumulated depreciation for:				
Buildings and systems	<u>(58,043)</u>	<u>(3,143)</u>	<u>                    </u>	<u>(61,186)</u>
ECRRA Capital Assets, Net	<u>\$ 51,858</u>	<u>\$ (3,143)</u>	<u>\$ -</u>	<u>\$ 48,715</u>

**6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2015, the amounts due to and from other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 8,166	\$
Nonmajor - Special Revenue Funds:		
Special Grants		356
Capital Projects Fund		<u>7,810</u>
Total	<u>\$ 8,166</u>	<u>\$ 8,166</u>

The above balances represent temporary advances for operating cash requirements.

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Interfund transfers:

	<b>Transfers In</b>			
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Transfers out:				
General Fund	\$	\$ 13,525	\$ 1,155	\$ 14,680
Nonmajor Governmental	474	1,706		2,180
Capital Projects		67		67
Internal Service Funds	79			79
<b>Total Transfers Out</b>	<b>\$ 553</b>	<b>\$ 15,298</b>	<b>\$ 1,155</b>	<b>\$ 17,006</b>

Transfers are for regularly recurring operational transfers. Interfund transfers are used to 1) to move revenues from the General Fund, Nonmajor Governmental Funds and Capital Project Funds to the Debt Service Fund to pay for principal and interest on debt, and 2) to supplement revenues to other funds such as General Fund and Nonmajor Governmental Funds as approved by Town Council.

**7. LONG-TERM DEBT**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 70,905	\$ 32,300	\$ 12,646	\$ 90,559	\$ 11,205
Unamortized bond premium	4,180	5,287	625	8,842	996
Total bonds payable	75,085	37,587	13,271	99,401	12,201
Compensated absences	6,962	2,695	2,437	7,220	2,527
OPEB obligation	37,140	5,330		42,470	
Risk management	7,214	2,545	2,120	7,639	2,877
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<b>\$ 126,401</b>	<b>\$ 48,157</b>	<b>\$ 17,828</b>	<b>\$ 156,730</b>	<b>\$ 17,605</b>

Compensated absences are generally liquidated by the General Fund. OPEB obligation is generally paid by the OPEB Trust fund.

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**Note Payable**

The City has a note payable at June 30, 2015 of \$4,894, which was issued for the construction of the Mattabassett Project. The note carries a 2% interest rate and the principal becomes payable upon the permanent refinancing of the note payable.

The annual requirements to amortize bonds payable as of June 30, 2015, are as follows:

<b><u>Due Fiscal Year</u></b> <b><u>Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	\$ 11,205	\$ 3,539	\$ 14,744
2017	12,713	3,173	15,886
2018	12,571	2,721	15,292
2019	9,773	2,201	11,974
2020	8,468	1,889	10,357
2021-2025	31,877	4,652	36,529
2026-2030	3,728	209	3,937
2030-2033	<u>224</u>	<u>5</u>	<u>229</u>
Total	<u>\$ 90,559</u>	<u>\$ 18,389</u>	<u>\$ 108,948</u>

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Bonds payable at June 30, 2015 are comprised of the following:

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding</u>	<u>Date of Fiscal Year Maturity</u>
10/31/1997	Clean Water Fund	2%	\$ 2,074	\$ 190	2017
4/30/1998	Clean Water Fund	2%	1,832	193	2018
4/30/2002	Clean Water Fund	2%	3,526	1,097	2022
4/15/2005	General Purpose	3.75-5%	5,370	537	2016
4/15/2005	Water	3.75-5%	275	27	2016
4/15/2005	Sewer	3.75-5%	1,137	114	2016
4/15/2005	Schools	3.75-5%	10,218	1,022	2016
6/30/2006	Clean Water Fund	2%	1,574	787	2025
3/15/2007	General Purpose	3.875-4%	7,741	2,322	2018
3/15/2007	Water	3.875-4%	800	240	2018
3/15/2007	Sewer	3.875-4%	2,309	693	2018
3/15/2007	Schools	3.875-4%	16,850	5,055	2018
3/15/2008	General Purpose	3.25-4.5%	3,814	1,526	2019
3/15/2008	Water	3.25-4.5%	36	14	2019
3/15/2008	Sewer	3.25-4.5%	860	344	2019
3/15/2008	Schools	3.25-4.5%	8,340	3,336	2019
8/31/2008	Clean Water Fund	2%	1,975	1,168	2025
4/15/2010	General Purpose	3-5%	6,248	3,749	2021
4/15/2010	Water	3-5%	2,708	1,625	2021
4/15/2010	Sewer	3-5%	892	535	2021
4/15/2010	Schools	3-5%	1,052	631	2021
4/1/2011	General Purpose	2-4%	7,712	5,398	2022
4/1/2011	Water	2-4%	1,056	739	2022
4/1/2011	Sewer	2-4%	132	93	2022
4/10/2013	General Purpose	2-4%	24,323	21,884	2024
4/10/2013	Water	2-4%	1,787	1,610	2024
4/10/2013	Sewer	2-4%	1,030	927	2024
4/10/2013	Schools	2-4%	760	684	2024
9/30/2013	Clean Water Fund	2%	1,993	1,719	2033
3/18/2015	General Purpose	2-5%	22,837	22,837	2026
3/18/2015	Water	2-5%	4,013	4,013	2026
3/18/2015	Sewer	2-5%	2,992	2,992	2026
3/18/2015	Schools	2-5%	2,458	2,458	2026
			<u>\$ 150,724</u>	<u>\$ 90,559</u>	

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Bonds authorized and unissued amounted to \$37.1 million at June 30, 2015.

The total of the City's indebtedness does not exceed the legal debt limitation of \$851 million. The limitation is seven times the base of annual receipts from taxation as defined.

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 273,538	\$ 84,232	\$ 189,306
Schools	547,076	14,020	533,056
Sewer	455,897	21,148	434,749
Urban Renewal	395,111		395,111
Pension deficit	364,718		364,718

ECRRA long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 68,439	\$	\$ 8,910	\$ 59,529	\$ 9,820
Less deferred amounts for issuance discounts	(718)		(131)	(587)	(131)
Business-Type Activity Long-Term Liabilities	<u>\$ 67,721</u>	<u>\$</u>	<u>\$ 8,779</u>	<u>\$ 58,942</u>	<u>\$ 9,689</u>

ECRRA bonded debt at June 30, 2015 amounted to \$59,529. The following schedule reflects debt service requirements for each 12-month period ending January 1:

<u>Due Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 9,820	\$ 3,399	\$ 13,219
2017	10,780	2,839	13,619
2018	11,825	2,224	14,049
2019	12,935	1,549	14,484
2020	14,169	810	14,979
Total	<u>\$ 59,529</u>	<u>\$ 10,821</u>	<u>\$ 70,350</u>

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**8. RESTRICTED ASSETS**

The balances of the restricted asset accounts for ECRRA are as follows:

Construction Funds	\$	433
Debt Service Reserve Fund		11,134
Interest Funds		2,283
Sinking Fund		3,864
Special Reserve Fund		<u>819</u>
 Total Restricted Assets	 \$	 <u><u>18,533</u></u>

**9. FUND BALANCE**

The component of fund balance for the governmental funds at June 30, 2015 are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 32	\$ 32
Restricted for:					
Grants				2,435	2,435
Permanent funds				1,289	1,289
Debt service		81			81
Committed to:					
Fire District				1,129	1,129
Sanitary Disposal District				1,346	1,346
Water distribution operations				5,498	5,498
Landfill waste and recycling				384	384
Sewer operations				3,186	3,186
Public safety encumbrances				1	1
Sewage disposal				4,744	4,744
Police benevolence				3	3
Library				17	17
Parking District				238	238
Capital projects				2,426	2,426
Assigned to:					
General government encumbrances	44				44
Public safety encumbrances	122				122
Public works encumbrances	90				90
Health and human resources encumbrances	58				58
Culture and recreation encumbrances	76				76
Education encumbrances	506				506
Assigned for subsequent year's budget	3,845				3,845
Unassigned	<u>21,826</u>		<u>(3,411)</u>	<u>(146)</u>	<u>18,269</u>
 Total Fund Balances	 <u>\$ 26,567</u>	 <u>\$ 81</u>	 <u>\$ (3,411)</u>	 <u>\$ 22,582</u>	 <u>\$ 45,819</u>

## **10. RISK MANAGEMENT**

The City is exposed to various risks of loss including, but not limited to claims for personal injury and property damage; theft of, damage to City property; errors and omissions claims; employee injuries and illnesses, both work-related and non-work-related. The City's comprehensive insurance program including property and liability, workers' compensation and employee health benefits is overseen by the Office of the General Counsel.

### **Property and Casualty Insurance Program**

The City maintains property coverage (amounts not rounded) as listed below:

Automobile Physical Damage coverage includes actual cash value, subject to a \$25,000 deductible for both comprehensive and collision and \$125,000 for catastrophic loss.

Property Insurance totaling an amount equal to the replacement cost value of city-owned property including contents, subject to a \$50,000 deductible. Said coverage also includes specific sub-limits for fine arts, flood, earthquake, and other potential property related losses. Vacant city owned property is insured on an actual cash value basis.

Boiler and Machinery coverage with a limit of \$100,000,000 per accident is subject to a \$50,000 deductible.

With respect to liability coverage, the City's current program provides:

\$3,000,000 general aggregate - \$1,000,000 per occurrence General Liability; \$1; \$1,000,000 per occurrence Automobile Liability; and \$1,000,000 each claim Employee Benefits Liability (claims made). This coverage is not subject to a deductible, except for Employee Benefits Liability which is subject to a \$1,000 deductible. Automobile liability uninsured/underinsured motorist coverage with a limit of \$40,000 each occurrence.

Excess Liability (excess over General Liability, Automobile Liability, Law Enforcement Liability, Public Officials, School Board Legal Liability and Employers' Liability) with a limit of \$10,000,000 each occurrence and aggregate.

School Leaders Legal (claims made) with a limit each wrongful act/aggregate of \$1,000,000 subject to a \$50,000 deductible.

Public Officials Liability (claims made) with a limit each wrongful act/aggregate of \$1,000,000 subject to a \$50,000 deductible.

Law Enforcement Liability (claims made) with a limit each wrongful act/aggregate of \$1,000,000 subject to a \$50,000 deductible.

The City further maintains the required bonding for the Tax Collector in the amount of \$400,000.

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**Workers' Compensation Insurance**

The City self-insured its Workers' Compensation Program, which is comprised of two parts: third party claims administration and managed medical care, both of which are administered by an outside vendor hired by the City.

Workers' Compensation and Employers' Liability coverage (amounts not rounded), subject to self-insured retentions of \$650,000 for Police and Fire and \$500,000 for all other employees, for each accident and each employee for disease with statutory limits for Workers' Compensation and \$1,000,000 Employers Liability.

**Employee Health Benefits**

The City's current employee/retiree medical benefit program is self-insured with stop-loss insurance limits (amounts not rounded) of \$125,000 per individual and 120% aggregate.

The City further provides employees and retirees with dental prescription drug coverage, both of which are self-insured. There is no stop-loss insurance that applies.

Employees and retirees also receive life insurance which is fully insured.

**Outstanding Liabilities**

**Property and Liability**

At the close of June 30, 2015, the City reported an outstanding liability of \$1,100 for claims incurred during the 2014-15 fiscal year, as well as prior years' claims within the deductible and self-insured retentions.

**Workers' Compensation**

At the close of June 30, 2015, the City reported an outstanding liability of \$3,662 for claims incurred during the 2014-15 fiscal year, as well as claims pending from prior years.

**Employee Health Benefits**

At the close of June 30, 2015, the City reported an outstanding liability of \$2,877 (medical/dental/prescription drug) for claims incurred but not reported during the 2014-15 fiscal year.

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The following schedule reflects the change in the estimated liability for the last two fiscal years:

	<u>Claims Payable July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
Health Benefits Fund:				
2013-14	\$ 2,033	\$ 7,925	\$ 7,838	\$ 2,120
2014-15	2,120	16,699	15,942	2,877
Property and Casualty Fund:				
2013-14	950	449	259	1,140
2014-15	1,140	447	487	1,100
Workers' Compensation Fund:				
2013-14	3,748	2,475	2,269	3,954
2014-15	3,954	1,507	1,799	3,662

**11. CONTINGENT LIABILITIES**

In December 1990, ECRRA was formed. ECRRA is a public body politic and corporate of the State of Connecticut, organized and existing pursuant to the Connecticut General Statutes and an Ordinance adopted by the Common Council of the City of Middletown. ECRRA was created for the purpose of developing and implementing a solid waste disposal system, including the acquisition and ownership of a solid waste resource recovery system. At June 30, 2015, the City was the only member of ECRRA. ECRRA is empowered to issue bonds and use the proceeds to acquire and construct such systems upon approval of each member's governing body. On June 17, 1993, the Common Council of the City approved the issuance of \$150 million of bonds for the cost of a solid waste facility. In October 1993, revenue bonds amounting to \$128,150 were issued by the Authority.

ECRRA has entered into an agreement, with an indirect, wholly owned subsidiary of Wheelabrator Technologies Inc., for design, installation, and equipage of a 500-ton per day solid waste disposal, electric power generation, and resource recovery facility in Lisbon, Connecticut. Under a Municipal Waste Disposal Agreement, the City is required to provide minimum amounts of acceptable waste to the project and to pay disposal fees to ECRRA. The City and Wheelabrator Connecticut (the Company), as the users of the facility, are obligated to make monthly disposal fee payments that together equal ECRRA's net cost of operations, including debt service.

The City's commitment is 23,273 tons per year, effective July 1, 1995, which may be assigned to other towns, cities or other political subdivisions, under certain conditions. Any such assignment would not relieve the City of its obligation to make payments. ECRRA and the Company have further agreed that, so long as the City delivers at least 6,718 tons per year, the Company will deliver the shortfall below 23,273 tons.

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The City has pledged its full faith and credit to the payment of all amounts due under the agreement and shall appropriate funds and levy taxes in an amount sufficient, together with other available revenues, to make such payments. The agreement is not a debt of the City and does not obligate the City to pay the principal of or interest on the revenue bonds.

**12. POST EMPLOYMENT BENEFITS**

**A. Plan Description**

The City, in accordance with various collective bargaining agreements, provides retiree medical benefits for the lifetime of the retired member and covered dependents. The plan covers City, Board of Education, Police and Fire employees as further defined in collective bargaining agreements and other written materials. Eligibility and premium sharing information is detailed in the various collective bargaining agreements. The City does not issue separate stand-alone financial statements for the plan.

At July 1, 2014, plan membership consisted of the following:

Active plan members	972
Retired and spouses members	<u>806</u>
Total Participants	<u><u>1,778</u></u>

**B. Funding Policy**

The contribution requirements of plan members and the City are also negotiated with the various unions representing the employees. Generally, retirees and their dependents are covered for those City employees who have 15 years of service. Eligible retirees may either commence benefits immediately or defer coverage to a future date. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums.

City employees must elect one of two pension options; the options that apply vary dependent upon their union affiliation and the health insurance benefits to which they are entitled are determined based on their selected pension option. Depending on which pension option is selected, City employees who are members of Local 466, Teamsters, Police and Fire will pay the same the cost-share percentage as actives for health insurance benefits, capped at 25% for life, or pay a premium cost-share percentage for health insurance benefits based on age at retirement.

New members of the bargaining units, upon retirement, have the same pension options, however the health insurance benefits to which they are entitled are reduced and vary by union group.

All pre-2005 retirees are under different funding rules. In addition, subject to the same premium cost-sharing contribution as active employees, a surviving spouse is covered until death or remarriage. Dental coverage is provided for all retirees, including eligible surviving spouses.

The waiver of contribution offering that applied to retirees electing coverage in the City's point-of-service plan option was discontinued as of March 1, 2009. All retirees, regardless of plan choice, now make a contribution toward the cost of coverage.

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The Board of Education employees are eligible at the same time they are eligible for benefits under the plan with the State of Connecticut Teachers Retirement Board (TRB). Teachers contribute 100% of the premium less the TRB subsidy. Teachers over the age of 65 who are not eligible for Medicare, shall be allowed to purchase the coverage at no cost to the Board and are given the TRB subsidy; nonunion administration have no contribution up to the age of 65 and 20% after age 65, and union administration, pre-65 retiree pays excess over board payment. TRB subsidy is applied. If over 65 and not eligible for Medicare, retiree pays 100% of premium less the TRB subsidy.

**C. Annual OPEB Cost and Net OPEB Obligations**

The City of Middletown's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 13,577
Interest on net OPEB obligation	2,643
Adjustment to annual required contribution	<u>(2,061)</u>
Annual OPEB cost	14,159
Contributions made	<u>8,829</u>
Increase in net OPEB obligation	5,330
Net OPEB obligation at beginning of year	<u>37,140</u>
Net OPEB Obligation at End of Year	<u><u>\$ 42,470</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the last three fiscal years is presented below.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
6/30/2013	\$ 12,926	\$ 8,134	62.93 %	\$ 33,335
6/30/2014	13,523	9,718	71.86	37,140
6/30/2015	14,159	8,829	62.36	42,470

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and

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new estimates are made about the future. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (AAL) (b)</u>	<u>Underfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2009	\$ 3,770	\$ 167,196	\$ 167,196	2.25 %	\$ 65,342	256 %
7/1/2010	5,300	168,910	168,910	3.14	64,603	261
7/1/2011	5,799	142,921	137,122	4.06	65,631	209
7/1/2012	5,850	151,468	145,618	3.86	68,290	213
7/1/2014	8,748	183,479	174,731	4.77	70,422	248

**Schedule of Employer Contributions**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2010	\$ 13,867	49.0 %
6/30/2011	13,722	77.9
6/30/2012	12,023	57.2
6/30/2013	12,338	65.9
6/30/2014	12,984	74.8
6/30/2015	13,577	65.0

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 7.4% rate of return for the City and 4% for the Board of Education, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 8% for fiscal year 2013-14, decreasing .5% per year to 5% for year 2019-200 and later. Projected salary increases were 3.5%, and an inflation rate of 3%. The Unfunded Accrued Liability is amortized each year over a constant 30 year period, as a level dollar amount, open.

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**13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

*Middletown Retirement System Fund*

**A. Plan Description and Benefits Provided**

The City is the administrator of the Middletown Retirement System Fund, a single-employer defined benefit Public Employee Retirement System (PERS) established and administered by the City to provide pension benefits for its non-teacher employees. The PERS provides retirement disability, and death benefits to plan members and beneficiaries. The Charter provides the City Council with the authority to establish and amend benefit provisions, by ordinance, through the Retirement Board. The PERS is considered to be part of the City of Middletown’s financial reporting entity and is included in the City’s financial reports as a pension trust fund. Stand-alone financial statements are not issued.

Under the plan, all full-time employees are eligible to join. Firemen are 100% vested after 20 years of continuous service, all other employees are 100% vested after 10 years of continuous service. Employees who retire at normal retirement, (20 years for police and 22 years of service for fire and general government employees at any age, or after 15 years of service having attained age 65), receive a retirement benefit of 2 1/4% (Police and Fire 2 1/2%) of average annual pay during 4 (Police 3) consecutive highest-paid years times number of years of service. The maximum benefit is 70% of pay; the minimum benefit for 20 years of service is \$100 per month.

The retirement system of the City is vested in a Retirement Board consisting of eight members, not more than five of whom shall belong to any one political party, as follows: two members of the City Council (a representative from each political party); the City Director of Finance; four citizens of the City of Middletown, one of whom shall be a member of the retirement system elected by the members thereof; and the Mayor, ex officio. All members, except the Director of Finance, the Mayor and the member of the retirement system, shall be appointed by the Mayor with the advice and consent of the City Council.

At July 1, 2014, PERS membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	455
Terminated employees entitled to benefits but not yet receiving them	20
Active plan members	<u>541</u>
 Total	 <u><u>1,016</u></u>

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

**Basis of Accounting**

PERS financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to Plan provisions and contractual requirements. Benefit payments and refunds are payable when due and payable in accordance with terms of the Plan. Administrative costs are funded through investment earnings.

**Method Used to Value Investments**

Investments are reported at fair value. Investment income is recognized as earned.

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**C. Funding Status and Progress**

Employees are required to contribute 6% of their earnings to the PERS. If an employee leaves employment or dies before meeting the vesting requirements, accumulated employee contributions and interest are refunded. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined by its actuaries; the current rate is 0% - General Government, 3.6% - Firefighters, and 3.1% - Police, of annual covered payroll. Benefits and employee contributions are fixed by contract and may be amended by the City Council subject to union negotiations. Effective July 1, 2003, police employees contribute 6.5% of their earnings to the PERS. Compensation is expanded by including longevity pay (effective July 1, 2002) and holiday pay (effective July 1, 2004).

**D. Investments**

**Investment Policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Custom Fixed Income	42%
Large Cap Domestic Equity	19
International Equity Developed	15
Mid Cap Domestic Equity	7.5
Small Cap Domestic Equity	7.5
Emerging Markets Equity	6
High Yield Fixed Income	3
	<hr/>
Total	<u>100%</u>

**Rate of Return**

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**E. Net Pension Asset of the City**

The components of the net pension liability of the City at June 30, 2015 were as follows:

Total pension liability	\$ 321,620
Plan fiduciary net position	<u>377,970</u>
Net Pension Asset	<u>\$ (56,350)</u>
Plan fiduciary net position as a percentage of the total pension liability	117.52%

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation and measurement date as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.8%
Salary increases	Rates vary by age
Investment rate of return	7.40%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants Table projected to 2020 per Scale AA.

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. A full actuarial experience study has not been completed.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Custom Fixed Income	1.0%
Large Cap Domestic Equity	6.5
International Equity Developed	6.5
Mid Cap Domestic Equity	7.5
Small Cap Domestic Equity	8.3
Emerging Markets Equity	9.3
High Yield Fixed Income	4.5

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.4%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

<b>Employees' Pension Plan</b>			
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Asset (a)-(b)</b>
Balances as of June 30, 2014	\$ 309,463	\$ 377,838	\$ (68,375)
Changes for the year:			
Service cost	6,840		6,840
Interest on total pension liability	23,472		23,472
Differences between expected and actual experience	(2,268)		(2,268)
Effect of assumptions changes or inputs	(692)		(692)
Benefit payments	(15,195)	(15,195)	-
Employer contributions		2,794	(2,794)
Member contributions		2,282	(2,282)
Net investment income		10,261	(10,261)
Administrative		(10)	10
Net changes	<u>12,157</u>	<u>132</u>	<u>12,025</u>
Balances as of June 30, 2015	<u>\$ 321,620</u>	<u>\$ 377,970</u>	<u>\$ (56,350)</u>

**Sensitivity of the Net Pension Asset to Changes in the Discount Rate**

The following presents the net pension asset of the City, calculated using the discount rate of 7.40%, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.40%) or 1 percentage point higher (8.40%) than the current rate:

	<b>1% Decrease 6.40%</b>	<b>Current Discount Rate 7.40%</b>	<b>1% Increase 8.40%</b>
Net Pension Asset	\$ 14,903	\$ 56,350	\$ 90,598

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**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$2,824. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<b>Employees' Pension Plan</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 1,890
Changes of assumptions		577
Net difference between projected and actual earning on pension plan investments	<u>14,462</u>	
Total	<u>\$ 14,462</u>	<u>\$ 2,467</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

**Year Ending June 30,**

2016	\$ 3,122
2017	3,122
2018	3,122
2019	3,122
2020	(493)

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**Trust Fund Financial Statements**

**COMBINING STATEMENT OF NET POSITION - TRUST FUNDS**  
**JUNE 30, 2015**

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	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 6,828	\$ 1,391	\$ 8,219
Investments:			
U.S. government bonds and securities	107,715		107,715
Corporate bonds	52,538		52,538
Common stock	163,174	4,244	167,418
Mutual funds	47,463	4,495	51,958
Receivables:			
Accrued investment income	<u>503</u>		<u>503</u>
Total assets	<u>378,221</u>	<u>10,130</u>	<u>388,351</u>
Liabilities:			
Vouchers and other payables	<u>251</u>	<u>5</u>	<u>256</u>
Net Position:			
Held in Trust for Employee Benefits	<u>\$ 377,970</u>	<u>\$ 10,125</u>	<u>\$ 388,095</u>

**CITY OF MIDDLETOWN, CONNECTICUT**  
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**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Pension</u> <u>Trust Fund</u>	<u>OPEB</u> <u>Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 2,794	\$ 8,225	\$ 11,019
Plan members	2,282	327	2,609
Other		190	190
Total contributions	<u>5,076</u>	<u>8,742</u>	<u>13,818</u>
Investment income (loss):			
Net appreciation (depreciation) in fair value of investments	4,345	(69)	4,276
Interest and dividends	<u>6,988</u>	<u>309</u>	<u>7,297</u>
Total investment gain	11,333	240	11,573
Investment fees	<u>(1,073)</u>	<u>(19)</u>	<u>(1,092)</u>
Net investment income	<u>10,260</u>	<u>221</u>	<u>10,481</u>
Total additions	<u>15,336</u>	<u>8,963</u>	<u>24,299</u>
Deductions:			
Benefits	15,195	7,803	22,998
Administrative	<u>10</u>	<u></u>	<u>10</u>
Total deductions	<u>15,205</u>	<u>7,803</u>	<u>23,008</u>
Net Increase	131	1,160	1,291
Net Position at Beginning of Year	<u>377,839</u>	<u>8,965</u>	<u>386,804</u>
Net Position at End of Year	<u>\$ 377,970</u>	<u>\$ 10,125</u>	<u>\$ 388,095</u>

*Teachers Retirement*

**A. Plan Description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**CITY OF MIDDLETOWN, CONNECTICUT**  
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**B. Benefit Provisions**

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

**Normal Retirement**

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

**Early Retirement**

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

**Disability Retirement**

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**C. Contributions**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

*Employer (School Districts)*

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

*Employees*

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the City as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the City		<u>86,839</u>
Total	\$	<u><u>86,839</u></u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the City recognized pension expense and revenue of \$6,515 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**E. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two-year setback for males and females for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 - June 30, 2010.

Future cost-of-living increases for members who retire on or after September 1, 1992 are assumed to be an annual cost-of-living adjustment of 2%.

**CITY OF MIDDLETOWN, CONNECTICUT**  
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The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.0%
Total	<u>100.0%</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The City's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**H. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**I. Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the City has no obligation to contribute to the plan.

**CITY OF MIDDLETOWN, CONNECTICUT**  
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**14. LITIGATION**

There are a number of suits and claims pending against the City, none of which, individually or in the aggregate is believed by counsel to result in a judgment or judgments that would materially affect the City's financial position.

**15. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT**

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27:

Primary Government:	
Governmental Activities:	
Net position balance at June 30, 2014, as previously reported	\$ 278,561
Adjustments:	
Eliminate net pension liability reported per GASB No. 27	791
Record starting net pension asset per GASB No. 68	<u>68,375</u>
Net Position Balance at July 1, 2014, as Restated	<u>\$ 347,727</u>

**Required Supplementary  
Information**

**CITY OF MIDDLETOWN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General property taxes	\$ 103,260	\$ 103,260	\$ 105,562	\$ 2,302
Penalties and interest on delinquent taxes	607	607	914	307
Total	<u>103,867</u>	<u>103,867</u>	<u>106,476</u>	<u>2,609</u>
Licenses and permits:				
Business licenses and permits	26	26	43	17
Non-business licenses and permits	<u>599</u>	<u>599</u>	<u>609</u>	<u>10</u>
Total	<u>625</u>	<u>625</u>	<u>652</u>	<u>27</u>
Intergovernmental revenues	<u>28,544</u>	<u>24,844</u>	<u>28,431</u>	<u>3,587</u>
Charges for services:				
General government	2,228	2,228	2,421	193
Public safety	1,312	1,312	1,966	654
Culture and recreation	<u>308</u>	<u>308</u>	<u>382</u>	<u>74</u>
Total	<u>3,848</u>	<u>3,848</u>	<u>4,769</u>	<u>921</u>
Miscellaneous revenue:				
Interest	75	75	53	(22)
Other	<u>3,712</u>	<u>3,712</u>	<u>3,926</u>	<u>214</u>
Total	<u>3,787</u>	<u>3,787</u>	<u>3,979</u>	<u>192</u>
Total revenues	<u>140,671</u>	<u>136,971</u>	<u>144,307</u>	<u>7,336</u>
Other financing sources:				
Premium on bond			5,287	5,287
Transfers in	<u>522</u>	<u>522</u>	<u>553</u>	<u>31</u>
Total	<u>522</u>	<u>522</u>	<u>5,840</u>	<u>5,318</u>
Total	\$ <u>141,193</u>	\$ <u>137,493</u>	150,147	\$ <u>12,654</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut "on-behalf" contributions to the Connecticut State Teachers' Retirement System for City teachers are not budgeted			<u>6,515</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u>156,662</u>	

**CITY OF MIDDLETOWN, CONNECTICUT  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government:				
Mayor's Office	\$ 563	\$ 584	\$ 576	\$ 8
Finance	2,846	2,928	2,674	254
Town Clerk	293	312	308	4
City Attorney	639	720	666	54
Tax Collector	386	414	408	6
Registrar of Voters	223	227	201	26
Tax Assessor	383	385	369	16
Councilmen	178	183	181	2
Planning Conservation and Development	594	610	609	1
Personnel Department	265	269	224	45
Municipal Building	221	267	266	1
Other	100	100	98	2
P.C. Network	781	781	692	89
Total	<u>7,472</u>	<u>7,780</u>	<u>7,272</u>	<u>508</u>
Public safety:				
Police	11,730	12,269	12,269	-
Office of Emergency Management	62	92	79	13
Canine Control	148	144	144	-
Parking Authority	743	846	763	83
Fire Alarms	171	171	167	4
Central Communications	1,616	1,750	1,750	-
Total	<u>14,470</u>	<u>15,272</u>	<u>15,172</u>	<u>100</u>
Public works:				
Administration	365	393	389	4
Inspections and permits	278	296	293	3
Garage, highway and engineering	2,933	3,661	3,628	33
Building	101	112	111	1
Sanitation landfill	168	145	140	5
Traffic paint	154	164	162	2
Recycling	141	130	122	8
Total	<u>4,140</u>	<u>4,901</u>	<u>4,845</u>	<u>56</u>

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Health	\$ 660	\$ 728	\$ 727	\$ 1
Parks and recreation	2,211	2,282	2,165	117
Russell Library	2,798	2,910	2,909	1
Education	76,150	76,150	76,012	138
Sundry municipal services:				
Transit District	270	270	270	-
Senior affairs	456	470	458	12
Youth services	217	217	206	11
Human relations	153	164	164	-
Reserve for salaries	1,000	25		25
Contingency Fund	4			-
Total	2,100	1,146	1,098	48
Special accounts	1,040	1,407	1,286	121
Employee benefits	14,435	14,435	14,413	22
Insurance - bonds	2,987	2,987	2,987	-
Total expenditures	128,463	129,998	128,886	1,112
Other financing uses:				
Transfers out	14,730	14,730	14,730	-
Total	\$ 143,193	\$ 144,728	143,616	\$ 1,112

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Retirement System for City teachers are not budgeted	6,515
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	(172)

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 149,959

**CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**  
**(In Thousands)**

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 6,840	\$ 6,577
Interest	23,472	22,384
Changes of benefit terms		
Differences between expected and actual experience	(2,268)	
Changes of assumptions	(692)	
Benefit payments, including refunds of member contributions	<u>(15,195)</u>	<u>(14,626)</u>
Net change in total pension liability	12,157	14,335
Total pension liability - beginning	<u>309,463</u>	<u>295,129</u>
Total pension liability - ending	<u>321,620</u>	<u>309,464</u>
Plan fiduciary net position:		
Contributions - employer	2,794	2,418
Contributions - member	2,282	2,269
Net investment income	10,260	53,223
Benefit payments, including refunds of member contributions	(15,195)	(14,626)
Administrative expense	<u>(10)</u>	<u>(1)</u>
Net change in plan fiduciary net position	131	43,283
Plan fiduciary net position - beginning	<u>377,839</u>	<u>334,556</u>
Plan fiduciary net position - ending	<u>377,970</u>	<u>377,839</u>
Net Pension Liability (Asset) - Ending	<u>\$ (56,350)</u>	<u>\$ (68,375)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	117.52%	122.09%
Covered-employee payroll	\$ 36,908	\$ 34,606
Net pension liability (asset) as a percentage of covered-employee payroll	-152.68%	-197.58%

**CITY OF MIDDLETOWN, CONNECTICUT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
LAST TEN FISCAL YEARS  
(In Thousands)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 2,794	\$ 2,418	\$ 2,205	\$ 22,777	\$ 1,933	\$ 1,066	\$ 585	\$ 722	\$ 525	\$ 200
Contributions in relation to the actuarially determined contribution	<u>2,794</u>	<u>2,418</u>	<u>1,388</u>	<u>22,777</u>	<u>1,933</u>	<u>1,066</u>	<u>585</u>	<u>722</u>	<u>525</u>	<u>200</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>817</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered-employee payroll	\$ 36,908	\$ 34,606	\$ 35,560	\$ 35,327	\$ 34,256	\$ 33,664	\$ 30,629	\$ 29,625	\$ 28,430	\$ 25,951
Contributions as a percentage of covered-employee payroll	7.57%	6.99%	3.90%	64.47%	5.64%	3.17%	1.91%	2.44%	1.85%	0.77%

**Notes to Schedule**

Valuation date:	July 1, 2014
Measurement date:	June 30, 2015
Valuation timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Cost Method
Amortization method	Level dollar, open
Remaining amortization period	15 years
Asset valuation method	Over 4 year period, at 25% per year
Inflation	2.80%
Salary increases	Graded salary growth with an ultimate rate of 3.0%
Investment rate of return	7.40%
Cost of living adjustment	2.5% per year
Retirement age	Rates based on age and service
Turnover	Rates based on age
Mortality	RP-2000 Mortality for Employees and Healthy Annuitant Mortality Table with generational projection per Scale AA

**CITY OF MIDDLETOWN, CONNECTICUT  
SCHEDULE OF INVESTMENT RETURNS  
LAST TWO FISCAL YEARS**

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	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.74%	16.09%

**CITY OF MIDDLETOWN, CONNECTICUT  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
TEACHERS' RETIREMENT PLAN  
LAST FISCAL YEAR**

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	<u>2015</u>
City's proportion of the net pension liability	0.00%
City's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the City	<u>86,839</u>
Total	<u>\$ 86,839</u>
City's covered-employee payroll	\$ 34,168
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%

**Notes to Schedule**

Changes in benefit terms	None
Changes of assumptions	During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4-year smoothed market

# **Combining and Individual Fund Statements and Schedules**

**General Fund**

## **GENERAL FUND**

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City (i.e., education, police, recreation, public works, general government, etc.). These activities are funded principally by property taxes on individuals and businesses and grants from other governmental units.

**CITY OF MIDDLETOWN, CONNECTICUT  
GENERAL FUND  
COMPARATIVE BALANCE SHEET  
JUNE 30, 2015 AND 2014  
(In Thousands)**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 22,583	\$ 2,585
Taxes receivable	4,903	4,264
Accounts receivable	200	116
Due from other funds	<u>8,166</u>	<u>21,774</u>
Total Assets	<u>\$ 35,852</u>	<u>\$ 28,739</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Vouchers and other payables	\$ <u>4,915</u>	\$ <u>5,169</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	<u>4,370</u>	<u>3,706</u>
Fund Balances:		
Assigned	4,741	3,068
Unassigned	<u>21,826</u>	<u>16,796</u>
Total fund balances	<u>26,567</u>	<u>19,864</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 35,852</u>	<u>\$ 28,739</u>

**CITY OF MIDDLETOWN, CONNECTICUT  
GENERAL FUND  
REPORT OF TAX COLLECTOR  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

Grand List	Uncollected Taxes July 1, 2013	Lawful Corrections		Abatements	Transfers To Suspense	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2015	
		Additions	Deductions				Taxes	Interest	Lien Fees	Suspense		Total
2013	\$ 116,604	\$ 566	\$ 1,617	\$ 90	\$	\$ 115,463	\$ 112,779	\$ 388	\$ 4	\$	\$ 113,171	\$ 2,684
2012	2,378	169	183		4	2,360	1,242	243	4		1,489	1,118
2011	969	121	119		20	951	286	116	1		403	665
2010	516		1		26	489	102	68		5	175	387
2009	318	1			33	286	52	36		10	98	234
2008	188		1		30	157	19	24		10	53	138
2007	269				30	239	7	26		10	43	232
2006	111				26	85	7	21		13	41	78
2005	42				16	26	7	28		12	47	19
2004	15				5	10	4	17		7	28	6
2003	20				2	18	10	7		3	20	8
2002	8				2	6		6		3	9	6
2001	6				1	5		6		2	8	5
2000	2					2		3		1	4	2
1999	1					1		2		1	3	1
1998	1					1		1			1	1
<b>Total</b>	<b>\$ 121,448</b>	<b>\$ 857</b>	<b>\$ 1,921</b>	<b>\$ 90</b>	<b>\$ 195</b>	<b>\$ 120,099</b>	<b>\$ 114,515</b>	<b>\$ 992</b>	<b>\$ 9</b>	<b>\$ 77</b>	<b>\$ 115,593</b>	<b>\$ 5,584</b>

Applicable to:	
General Fund	\$ 5,023
Fire District Fund	561
<b>Total</b>	<b>\$ 5,584</b>

**Nonmajor  
Governmental Funds**

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

The Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes. These activities are funded principally by property taxes on individuals and businesses, grants from other governmental units and user fees.

Fund	Funding Source	Function
Fire District	Taxes - central district	Fire protection
Sanitary Disposal District	User fees	Collection of refuse from both residents and businesses in the central City area
Dog Fund	Licensing of dogs, contributions of the General Fund, fines, fees and a State Grant	Operation of a dog pound and a portion of the salary of a dog warden
Economic Development	Grants and contributions	Community development programs and activities
Middletown Business Improvement	Taxes-special services district	Economic revitalization and development of Central Business District
Water	Charges for services	Water distribution operations
Educational Grants	State and federal grants	Special education programs
Health Grants	State, Federal and contributions	Health programs
Landfill, Waste and Recycling	User fees	Bulky waste operation
School Cafeteria	Sale of food and grants	School lunch programs
General Sewer Improvement	User fees	Operation of sewer system
Parking District	Fees from parking	Parking improvements
Librarian's	Fees and trust income	Library support services
Special Grants	Intergovernmental and other grants	Various special purpose programs
Sewage Disposal	User fees	Operation and maintain the sewerage disposal system
Police Benevolence	Trust income	Relief of sick, injured and disabled policemen
Community Development Block Grant	Federal grant	Community improvements
Walter C. Jones Trust	Trust income	Care and support of the poor

### Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Walter B. Hubbard Trust	Contributions and trust income	Maintain parks and cemeteries
Luther S. Hull Trust	Contributions and trust income	Education
Frank B. Weeks Trust	Contributions and trust income	City parks
Russell Library Fund	Contributions and trust income	City library uses

## Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for acquisition or construction of major capital facilities.

General Government	General Fund budget and special revenue funds	Capital improvements and equipment purchase for General Government
School District	General Fund budget and special revenue funds	Capital improvements and equipment purchase for School District
Fire	General Fund budget and special revenue funds	Capital improvements and equipment purchase for Fire Department
Sanitation	General Fund budget and special revenue funds	Capital improvements and equipment purchase for Sanitation Department
Sewer	General Fund budget and special revenue funds	Capital improvements and equipment purchase for Sewer Department
Water	General Fund budget and special revenue funds	Capital improvements and equipment purchase for Water Department
Kleen Water	General Fund budget and special revenue funds	Capital improvements and equipment purchase for Kleen Water Plant

**CITY OF MIDDLETOWN, CONNECTICUT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2015  
(In Thousands)**

	Special Revenue Funds										
	Fire District	Sanitary Disposal District	Kleen Water Fund	Dog Fund	Economic Development Fund	Middletown Business Improvement Fund	Water Fund	Educational Grants	Health Grants Fund	Landfill, Waste, Recycling Fund	School Cafeteria Fund
<b>ASSETS</b>											
Cash and cash equivalents	\$ 1,084	\$ 1,127	\$ 799	\$ 24	\$ 309	\$ 12	\$ 3,321	\$ 1,719	\$ 11	\$ 403	\$ 1
Investments											
Receivables:											
Accounts receivable		247					1,476				
Taxes receivable - delinquent	530										
Intergovernmental								618			418
Due from other funds								565			
Inventories, at cost											32
<b>Total Assets</b>	<b>\$ 1,614</b>	<b>\$ 1,374</b>	<b>\$ 799</b>	<b>\$ 24</b>	<b>\$ 309</b>	<b>\$ 12</b>	<b>\$ 4,797</b>	<b>\$ 2,902</b>	<b>\$ 11</b>	<b>\$ 403</b>	<b>\$ 451</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>											
Liabilities:											
Vouchers and other payables	\$ 16	\$ 28	\$ 55	\$ 23	\$ -	\$ 12	\$ 43	\$ 1,334	\$ 2	\$ 19	\$ -
Due to other funds											565
Deferred revenue								995			
Total liabilities	16	28	55	23	-	12	43	2,329	2	19	565
Deferred Inflows of Resources:											
Unavailable revenue - property taxes	469										
Fund Balances:											
Nonspendable											32
Restricted					309				9		
Committed	1,129	1,346	744	1			4,754			384	
Unassigned											(146)
Total fund balances	1,129	1,346	744	1	309	-	4,754	573	9	384	(114)
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,614</b>	<b>\$ 1,374</b>	<b>\$ 799</b>	<b>\$ 24</b>	<b>\$ 309</b>	<b>\$ 12</b>	<b>\$ 4,797</b>	<b>\$ 2,902</b>	<b>\$ 11</b>	<b>\$ 403</b>	<b>\$ 451</b>

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**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015  
 (In Thousands)**

	Special Revenue Funds							Permanent Funds		
	General Sewer Improvement Fund	Parking District	Librarian's Fund	Special Grants	Sewage Disposal Fund	Police Benevolence Fund	Community Development Block Grant Fund	Walter C. Jones Fund	Walter B. Hubbard Trust Fund	Luther S. Hull Trust Fund
<b>ASSETS</b>										
Cash and cash equivalents	\$ 3,006	\$ 238	\$ 17	\$ 3,155	\$ 3,607	\$ 3	\$ 262	\$ 173	\$ 10	\$ 1
Investments										
Receivables:										
Accounts receivable	183				1,227					
Taxes receivable - delinquent										
Intergovernmental				456			100			
Due from other funds										
Inventories, at cost										
<b>Total Assets</b>	<b>\$ 3,189</b>	<b>\$ 238</b>	<b>\$ 17</b>	<b>\$ 3,611</b>	<b>\$ 4,834</b>	<b>\$ 3</b>	<b>\$ 362</b>	<b>\$ 173</b>	<b>\$ 10</b>	<b>\$ 1</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>										
Liabilities:										
Vouchers and other payables	\$ 3	\$	\$	\$ 652	\$ 90	\$	\$ 100	\$	\$	
Due to other funds				356						
Deferred revenue				1,494						
Total liabilities	3	-	-	2,502	90	-	100	-	-	-
Deferred Inflows of Resources:										
Unavailable revenue - property taxes										
Fund Balances:										
Nonspendable										
Restricted				1,109			262	173	10	1
Committed	3,186	238	17		4,744	3				
Unassigned										
Total fund balances	3,186	238	17	1,109	4,744	3	262	173	10	1
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,189</b>	<b>\$ 238</b>	<b>\$ 17</b>	<b>\$ 3,611</b>	<b>\$ 4,834</b>	<b>\$ 3</b>	<b>\$ 362</b>	<b>\$ 173</b>	<b>\$ 10</b>	<b>\$ 1</b>

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**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING BALANCE SHEET (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2015  
 (In Thousands)**

	Permanent Funds		Capital Project Funds							Interfund Eliminations	Total Nonmajor Governmental Funds
	Frank B. Weeks Fund	Russell Library Fund	General Government	School District	Fire	Sanitation	Sewer	Kleen Water	Water		
<b>ASSETS</b>											
Cash and cash equivalents	\$ 64	\$	\$ 360	\$ 37	\$ 59	\$ 100	\$ 558	\$ 274	\$ 1,137	\$	\$ 21,871
Investments		1,215									1,215
Receivables:											
Accounts receivable											3,133
Taxes receivable - delinquent											530
Intergovernmental											1,592
Due from other funds										(565)	-
Inventories, at cost											32
<b>Total Assets</b>	<b>\$ 64</b>	<b>\$ 1,215</b>	<b>\$ 360</b>	<b>\$ 37</b>	<b>\$ 59</b>	<b>\$ 100</b>	<b>\$ 558</b>	<b>\$ 274</b>	<b>\$ 1,137</b>	<b>\$ (565)</b>	<b>\$ 28,373</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>											
<b>Liabilities:</b>											
Vouchers and other payables	\$ 1	\$	\$ 43	\$ 21	\$	\$	\$ 11	\$	\$ 24	\$	\$ 2,477
Due to other funds										(565)	356
Deferred revenue											2,489
Total liabilities	1	-	43	21	-	-	11	-	24	(565)	5,322
<b>Deferred Inflows of Resources:</b>											
Unavailable revenue - property taxes											469
<b>Fund Balances:</b>											
Nonspendable											32
Restricted	63	1,215									3,724
Committed			317	16	59	100	547	274	1,113		18,972
Unassigned											(146)
Total fund balances	63	1,215	317	16	59	100	547	274	1,113	-	22,582
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 64</b>	<b>\$ 1,215</b>	<b>\$ 360</b>	<b>\$ 37</b>	<b>\$ 59</b>	<b>\$ 100</b>	<b>\$ 558</b>	<b>\$ 274</b>	<b>\$ 1,137</b>	<b>\$ (565)</b>	<b>\$ 28,373</b>

**CITY OF MIDDLETOWN, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
**(In Thousands)**

	<b>Special Revenue Funds</b>										
	<b>Fire District</b>	<b>Sanitary Disposal District</b>	<b>Kleen Water Fund</b>	<b>Dog Fund</b>	<b>Economic Development Fund</b>	<b>Middletown Business Improvement Fund</b>	<b>Water Fund</b>	<b>Educational Grants</b>	<b>Health Grants Fund</b>	<b>Landfill, Waste, Recycling Fund</b>	<b>School Cafeteria Fund</b>
Revenues:											
Taxes	\$ 9,105	\$	\$	\$	\$	\$ 150	\$	\$	\$	\$	
Intergovernmental revenues	868						18,356	83		1,470	
Investment income	3	62				7			1		
Charges for services		1,761		25		6,371			314	619	
Miscellaneous	180	9			312	92		9		189	
Total revenues	<u>10,156</u>	<u>1,832</u>	<u>-</u>	<u>25</u>	<u>312</u>	<u>150</u>	<u>6,470</u>	<u>18,356</u>	<u>92</u>	<u>315</u>	<u>2,278</u>
Expenditures:											
Current:											
General government					36				366		
Public safety	9,868			16		155		51			
Health and human services								48			
Culture and recreation											
Education							16,914			2,280	
Sewer, water and sanitation		1,672	564			3,450					
Capital outlay					128						
Total expenditures	<u>9,868</u>	<u>1,672</u>	<u>564</u>	<u>16</u>	<u>164</u>	<u>155</u>	<u>3,450</u>	<u>16,914</u>	<u>99</u>	<u>366</u>	<u>2,280</u>
Excess (Deficiency) of Revenues over Expenditures	<u>288</u>	<u>160</u>	<u>(564)</u>	<u>9</u>	<u>148</u>	<u>(5)</u>	<u>3,020</u>	<u>1,442</u>	<u>(7)</u>	<u>(51)</u>	<u>(2)</u>
Other Financing Sources (Uses):											
Transfers in		17	1,582							30	
Transfers out	(358)	(154)	(274)	(8)		(3,236)		(22)			
Total other financing sources	<u>(358)</u>	<u>(137)</u>	<u>1,308</u>	<u>(8)</u>	<u>-</u>	<u>(3,236)</u>	<u>-</u>	<u>(22)</u>	<u>30</u>	<u>-</u>	
Net Change in Fund Balances	(70)	23	744	1	148	(5)	(216)	1,442	(29)	(21)	(2)
Fund Balances at Beginning of Year	<u>1,199</u>	<u>1,323</u>	<u>-</u>	<u>-</u>	<u>161</u>	<u>5</u>	<u>4,970</u>	<u>(869)</u>	<u>38</u>	<u>405</u>	<u>(112)</u>
Fund Balances at End of Year	<u>\$ 1,129</u>	<u>\$ 1,346</u>	<u>\$ 744</u>	<u>\$ 1</u>	<u>\$ 309</u>	<u>\$ -</u>	<u>\$ 4,754</u>	<u>\$ 573</u>	<u>\$ 9</u>	<u>\$ 384</u>	<u>\$ (114)</u>

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (In Thousands)**

	Special Revenue Funds							Permanent Funds		
	General Sewer Improvement Fund	Parking District	Librarian's Fund	Special Grants	Sewage Disposal Fund	Police Benevolence Fund	Community Development Block Grant Fund	Walter Jones Fund	Walter B. Hubbard Trust Fund	Luther S. Hull Trust Fund
Revenues:										
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Intergovernmental revenues			56	2,948			673			
Investment income	27				4					
Charges for services			82		5,770					
Miscellaneous			23	427	186		16	65		
Total revenues	<u>27</u>	<u>-</u>	<u>161</u>	<u>3,375</u>	<u>5,960</u>	<u>-</u>	<u>689</u>	<u>65</u>	<u>-</u>	
Expenditures:										
Current:										
General government		102		31			419	72		
Public safety				288						
Health and human services										
Culture and recreation			198	220						
Education				1,794						
Sewer, water and sanitation	147				4,729					
Capital outlay				1,476			302			
Total expenditures	<u>147</u>	<u>102</u>	<u>198</u>	<u>3,809</u>	<u>4,729</u>	<u>-</u>	<u>721</u>	<u>72</u>	<u>-</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>(120)</u>	<u>(102)</u>	<u>(37)</u>	<u>(434)</u>	<u>1,231</u>	<u>-</u>	<u>(32)</u>	<u>(7)</u>	<u>-</u>	
Other Financing Sources (Uses):										
Transfers in	31		49	602						
Transfers out				(36)	(989)					
Total other financing sources	<u>31</u>	<u>-</u>	<u>49</u>	<u>566</u>	<u>(989)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Net Change in Fund Balances	(89)	(102)	12	132	242	-	(32)	(7)	-	
Fund Balances at Beginning of Year	<u>3,275</u>	<u>340</u>	<u>5</u>	<u>977</u>	<u>4,502</u>	<u>3</u>	<u>294</u>	<u>180</u>	<u>10</u>	<u>1</u>
Fund Balances at End of Year	<u>\$ 3,186</u>	<u>\$ 238</u>	<u>\$ 17</u>	<u>\$ 1,109</u>	<u>\$ 4,744</u>	<u>\$ 3</u>	<u>\$ 262</u>	<u>\$ 173</u>	<u>\$ 10</u>	<u>\$ 1</u>

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (In Thousands)**

	Permanent Funds		Capital Project Funds							Interfund Eliminations	Total Nonmajor Governmental Funds	
	Frank B. Weeks Fund	Russell Library Fund	General Government	School District	Fire	Sanitation	Sewer	Kleen Water	Water			
Revenues:												
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	9,255
Intergovernmental revenues												24,454
Investment income		16	1				1		2			124
Charges for services												14,942
Miscellaneous												1,508
Total revenues	<u>-</u>	<u>16</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>50,283</u>
Expenditures:												
Current:												
General government												1,026
Public safety												10,378
Health and human services												48
Culture and recreation												418
Education												20,988
Sewer, water and sanitation												10,562
Capital outlay			617	77	67	66	235		644			3,612
Total expenditures	<u>-</u>	<u>-</u>	<u>617</u>	<u>77</u>	<u>67</u>	<u>66</u>	<u>235</u>	<u>-</u>	<u>644</u>	<u>-</u>	<u>-</u>	<u>47,032</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>16</u>	<u>(616)</u>	<u>(77)</u>	<u>(67)</u>	<u>(66)</u>	<u>(234)</u>	<u>-</u>	<u>(642)</u>	<u>-</u>	<u>-</u>	<u>3,251</u>
Other Financing Sources (Uses):												
Transfers in			450	56	76	70	300	274	565	(2,947)		1,155
Transfers out	(1)	(49)								2,947		(2,180)
Total other financing sources	<u>(1)</u>	<u>(49)</u>	<u>450</u>	<u>56</u>	<u>76</u>	<u>70</u>	<u>300</u>	<u>274</u>	<u>565</u>	<u>-</u>	<u>-</u>	<u>(1,025)</u>
Net Change in Fund Balances	(1)	(33)	(166)	(21)	9	4	66	274	(77)	-	-	2,226
Fund Balances at Beginning of Year	64	1,248	483	37	50	96	481	-	1,190	-	-	20,356
Fund Balances at End of Year	<u>\$ 63</u>	<u>\$ 1,215</u>	<u>\$ 317</u>	<u>\$ 16</u>	<u>\$ 59</u>	<u>\$ 100</u>	<u>\$ 547</u>	<u>\$ 274</u>	<u>\$ 1,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,582</u>

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - ACTUAL AND BUDGET  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (In Thousands)**

	Fire District Fund					Sanitary Disposal District Fund				
	Actual on a GAAP Basis	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance Favorable (Unfavorable)	Actual on a GAAP Basis	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance Favorable (Unfavorable)
Revenues:										
Property taxes	\$ 9,105	\$	\$ 9,105	\$ 9,155	\$ (50)	\$	\$	\$	\$	\$
Intergovernmental	868		868	834	34					
Charges for services					-	1,761		1,761	1,735	26
Interest	3		3	7	(4)	62		62	10	52
Miscellaneous	180		180	70	110	9		9	1	8
Total revenues	<u>10,156</u>	<u>-</u>	<u>10,156</u>	<u>10,066</u>	<u>90</u>	<u>1,832</u>	<u>-</u>	<u>1,832</u>	<u>1,746</u>	<u>86</u>
Expenditures:										
Public safety	9,868	5	9,873	9,881	8					
Sewer, water and sanitation						1,672	(101)	1,571	1,786	215
Total expenditures	<u>9,868</u>	<u>5</u>	<u>9,873</u>	<u>9,881</u>	<u>8</u>	<u>1,672</u>	<u>(101)</u>	<u>1,571</u>	<u>1,786</u>	<u>215</u>
Excess (Deficiency) of Revenues Over Expenditures	288	(5)	283	185	98	160	101	261	(40)	301
Transfers In (Out)	<u>(358)</u>		<u>(358)</u>	<u>(358)</u>	<u>-</u>	<u>(137)</u>		<u>(137)</u>	<u>(137)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ (70)</u>	<u>\$ (5)</u>	<u>\$ (75)</u>	<u>\$ (173)</u>	<u>\$ 98</u>	<u>\$ 23</u>	<u>\$ 101</u>	<u>\$ 124</u>	<u>\$ (177)</u>	<u>\$ 301</u>

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**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (In Thousands)**

	Water Fund					Sewage Disposal Fund				
	Actual on a GAAP Basis	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance Favorable (Unfavorable)	Actual on a GAAP Basis	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance Favorable (Unfavorable)
Revenues:										
Property taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental										
Charges for services	6,371		6,371	5,078	1,293	5,770		5,770	5,155	615
Interest	7		7	25	(18)	4		4	10	(6)
Miscellaneous	92		92	133	(41)	186		186	7	179
Total revenues	<u>6,470</u>	<u>-</u>	<u>6,470</u>	<u>5,236</u>	<u>1,234</u>	<u>5,960</u>	<u>-</u>	<u>5,960</u>	<u>5,172</u>	<u>788</u>
Expenditures:										
Public safety										
Sewer, water and sanitation	3,450	74	3,524	4,413	889	4,729	125	4,854	5,161	307
Total expenditures	<u>3,450</u>	<u>74</u>	<u>3,524</u>	<u>4,413</u>	<u>889</u>	<u>4,729</u>	<u>125</u>	<u>4,854</u>	<u>5,161</u>	<u>307</u>
Excess (Deficiency) of Revenues Over Expenditures	3,020	(74)	2,946	823	2,123	1,231	(125)	1,106	11	1,095
Transfers In (Out)	<u>(3,236)</u>		<u>(3,236)</u>	<u>(3,236)</u>	<u>-</u>	<u>(989)</u>		<u>(989)</u>	<u>(989)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ (216)</u>	<u>\$ (74)</u>	<u>\$ (290)</u>	<u>\$ (2,413)</u>	<u>\$ 2,123</u>	<u>\$ 242</u>	<u>\$ (125)</u>	<u>\$ 117</u>	<u>\$ (978)</u>	<u>\$ 1,095</u>

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**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)  
 SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (In Thousands)**

	<b>Totals</b>				
	<b>Actual on a GAAP Basis</b>	<b>Adjustment to Budgetary Basis</b>	<b>Actual on a Budgetary Basis</b>	<b>Budget</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues:					
Property taxes	\$ 9,105	\$ -	\$ 9,105	\$ 9,155	\$ (50)
Intergovernmental	868	-	868	834	34
Charges for services	13,902	-	13,902	11,968	1,934
Interest	76	-	76	52	24
Miscellaneous	467	-	467	211	256
Total revenues	<u>24,418</u>	<u>-</u>	<u>24,418</u>	<u>22,220</u>	<u>2,198</u>
Expenditures:					
Public safety	9,868	5	9,873	9,881	8
Sewer, water and sanitation	9,851	98	9,949	11,360	1,411
Total expenditures	<u>19,719</u>	<u>103</u>	<u>19,822</u>	<u>21,241</u>	<u>1,419</u>
Excess (Deficiency) of Revenues Over Expenditures	4,699	(103)	4,596	979	3,617
Transfers In (Out)	<u>(4,720)</u>	<u>-</u>	<u>(4,720)</u>	<u>(4,720)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ (21)</u>	<u>\$ (103)</u>	<u>\$ (124)</u>	<u>\$ (3,741)</u>	<u>\$ 3,617</u>

## **Capital Projects Fund**

## **CAPITAL PROJECTS FUND**

This fund accounts for the purchase, construction or renovation of major capital assets.

These activities are funded principally by bond issues and intergovernmental revenues.

**CITY OF MIDDLETOWN, CONNECTICUT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT AUTHORIZATIONS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2015  
(In Thousands)**

<b>Project Number</b>	<b>Project Description</b>	<b>Amended Budget</b>	<b>Cumulative Expenditures</b>	<b>Encumbrances</b>	<b>Available Budget</b>
4010	Technology Systems Land Records	\$ 123	\$ 123	\$	\$
4016	City Public Parking Improvements	740	731	1	8
4017	Water Wellfield Shoreline Protection	700	694		6
4018	City Pub Parking Imp, Const & Infastruct	599	23	3	573
4019	Parking Public Safety/Security Improve	600	85		515
4021	Plan, Design, Cons, Portable Water Infrastr	750	557	1	192
4025	MDTWN Youth Soccer	355	353		2
4044	Fire Truck & Related Equipment	494	489		5
4049	Eckersley Hall	750	683	48	19
4105	Rehab Main St. Water Main N of Wash	1,930	1,406	312	212
4150	CSO 2007 BI Sewer/Separation	8,620	4,771	601	3,248
4159	Remediation of OMO Manuf. Site	3,000	2,826		174
4164	Acquire Propy/Constr Park King & Clinton	550	448	5	97
4165	Design Acquire/Constr W/Mattabassett	37,000	9,621	13,065	14,314
4166	Eckersley Hall-Plan, Impr,Const, Restore	4,850	3,874	289	687
4180	2007 Road Improv. Bond	9,975	8,369	148	1,458
4250	Water and Sewer Improvements	4,500	3,745	7	748
4271	Water Planning Improvements	250	198	49	3
4272	Installation of Water System (SCADA)	250	142	98	10
4273	John S. Roth Treatment Plant Improvements	310	50	19	241
4274	Sewer System Pump Station	470	220	151	99
4275	Charles Bacon Plant Improvements Water	725	420	17	288
4276	Integrated Public Safety Software	745	665	78	2
4277	Information Technology Infrastructure	745	741		4
4279	Acquisition/Implement Technology Project	456	225	237	(6)
4281	Information Technology System & Devices	625	528	16	81
4282	Pur/Install Telephone System City BLDGS	685	634		51
4283	City Info Technology Storage Infrastructure	736	558	32	146
4284	CNR Ordinance 2012-2013	585	494	33	58
4285	CNR Ordinance 13/14	750	735	12	3
4286	CNR Ordinance 2014-2015	723	327	139	257
4458	Citywide Streets Poles & Equip	1,150	1,083	15	52
4459	2013 Road, Sidewalk & PW Facilities	15,200	807	859	13,534
4463	Standby Generator for City Hall	495	133		362
4464	Keigwin Middle Sch Parking Lot	450	357	3	90
4465	Keigwin Middle Sch Fire Alarm System	165	152	8	5
4466	Asbestos Abatement/Woodrow Wilson Middle	435	64	1	370
4467	Woodrow Wilson Middle	749	6	1	742
4468	Wired & Wireless Network MHS	343	295		48
4469	Powerschool Info Sys Mdtwn Schools	135	134		1
4510	Jackson Street Bridge	280	122		158
4562	Renovation & Improve Russell Library	749	622	9	118
4563	Physical Inspect & Reval Real Property	750	529	147	74
4570	Sanitary Sewers	2,500	1,663	57	780
4580	Road Improvement Bond 2005	9,850	8,851	120	879
4600	Mill Street Bridge	1,737	1,386	90	261
4615	2011 Road Improvement Bond	14,170	8,000	1,001	5,169
4617	Mdtwn Mattabassett District Membership	13,200	13,178		22
4618	Plan, Design, Const, Repl, Sani Sewer Infrs	500	272		228
4619	BI Force Main & Pump Station w/Mattabasset	3,000	3		2,997
4621	Combined Sewer Overflow Separation	7,750	2		7,748
4654	Waterline Improv. Arrigoni Bridge	350	311	44	(5)
4700	CSO Road Improvement	9,900	7,334	17	2,549
4710	2001 Road Improvement Bond	6,800	6,594	156	50
4730	Open Space	3,000	2,983		17
4740	Middletown High School BI	106,650	106,347	177	126
4746	Security Measures at City Hall	750	53	328	369
4747	Web Base Security Sys School Citywide	750	2		748
4750	2003 Road Improvement Bond	8,100	8,030		70
	<b>Total</b>	<b>\$ 293,499</b>	<b>\$ 214,048</b>	<b>\$ 18,394</b>	<b>\$ 61,057</b>

## **Internal Service Funds**

## **INTERNAL SERVICE FUNDS**

Internal Service Funds are used for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost reimbursement basis. The City has three such funds.

Health Benefits Fund - established on July 1, 1991 to account for self-insurance activity of the City relating to providing health benefits to current and retired employees.

Property and Casualty Fund - to account for self-insurance activity relating to providing property and casualty insurance benefits to the City of Middletown.

Workers' Compensation Fund - to account for self-insurance activity relating to providing workmen's compensation benefits to eligible recipients.

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014  
 (In Thousands)**

	Health Benefits Fund	Property and Casualty Fund	Workers' Compensation Fund	Totals	
				2015	2014
<b>Assets:</b>					
Cash and cash equivalents	\$ 8,042	\$ 2,782	\$ 5,273	\$ 16,097	\$ 13,239
<b>Liabilities:</b>					
<b>Current liabilities</b>					
Accounts and other payables	1	10	3	14	29
Unpaid claims - current	2,877			2,877	2,120
Total current liabilities	2,878	10	3	2,891	2,149
<b>Noncurrent liabilities:</b>					
Unpaid claims - noncurrent		1,100	3,662	4,762	5,094
Total liabilities	2,878	1,110	3,665	7,653	7,243
<b>Net Position</b>	<b>\$ 5,164</b>	<b>\$ 1,672</b>	<b>\$ 1,608</b>	<b>\$ 8,444</b>	<b>\$ 5,996</b>

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014  
 (In Thousands)**

	Health Benefits Fund	Property and Casualty Fund	Workers' Compensation Fund	Totals	
				2015	2014
Operating revenues:					
Charges for services	\$ 24,568	\$ 2,505	\$ 2,049	\$ 29,122	\$ 13,405
Other	<u>2,196</u>	<u>6</u>	<u>77</u>	<u>2,279</u>	<u>2,311</u>
Total operating revenues	<u>26,764</u>	<u>2,511</u>	<u>2,126</u>	<u>31,401</u>	<u>15,716</u>
Operating expenses:					
Benefit payments	5,431	447	1,507	7,385	6,697
Administration	875	21	159	1,055	737
Insurance	<u>18,781</u>	<u>1,529</u>	<u>150</u>	<u>20,460</u>	<u>9,973</u>
Total operating expenses	<u>25,087</u>	<u>1,997</u>	<u>1,816</u>	<u>28,900</u>	<u>17,407</u>
Operating Income (Loss)	1,677	514	310	2,501	(1,691)
Nonoperating revenue:					
Interest income	<u>14</u>	<u>4</u>	<u>8</u>	<u>26</u>	<u>19</u>
Income (Loss) Before Transfers	1,691	518	318	2,527	(1,672)
Transfers Out	<u>          </u>	<u>(79)</u>	<u>          </u>	<u>(79)</u>	<u>(38)</u>
Net Income (Loss)	1,691	439	318	2,448	(1,710)
Net Position at Beginning of Year	<u>3,473</u>	<u>1,233</u>	<u>1,290</u>	<u>5,996</u>	<u>7,706</u>
Net Position at End of Year	<u>\$ 5,164</u>	<u>\$ 1,672</u>	<u>\$ 1,608</u>	<u>\$ 8,444</u>	<u>\$ 5,996</u>

**CITY OF MIDDLETOWN, CONNECTICUT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014  
 (In Thousands)**

	Health Benefits Fund	Property and Casualty Fund	Workers' Compensation Fund	Totals	
				2015	2014
Cash Flows from Operating Activities:					
Interfund services provided or used	\$ 24,568	\$ 2,505	\$ 2,049	\$ 29,122	\$ 13,405
Cash received from insurance reimbursements	2,196	6	77	2,279	2,311
Cash paid to vendors	(24,357)	(2,028)	(2,105)	(28,490)	(16,940)
Net cash provided by (used in) operating activities	<u>2,407</u>	<u>483</u>	<u>21</u>	<u>2,911</u>	<u>(1,224)</u>
Cash Flows from Noncapital Financing Activities:					
Transfers to other funds		(79)		(79)	(38)
Cash Flows from Investing Activities:					
Interest income	<u>14</u>	<u>4</u>	<u>8</u>	<u>26</u>	<u>19</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,421	408	29	2,858	(1,243)
Cash and Cash Equivalents at Beginning of Year	<u>5,621</u>	<u>2,374</u>	<u>5,244</u>	<u>13,239</u>	<u>14,482</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,042</u>	<u>\$ 2,782</u>	<u>\$ 5,273</u>	<u>\$ 16,097</u>	<u>\$ 13,239</u>
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 1,677	\$ 514	\$ 310	\$ 2,501	\$ (1,691)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Decrease (Increase) in vouchers and other payable	<u>730</u>	<u>(31)</u>	<u>(289)</u>	<u>410</u>	<u>467</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,407</u>	<u>\$ 483</u>	<u>\$ 21</u>	<u>\$ 2,911</u>	<u>\$ (1,224)</u>

## **Fiduciary Funds**

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

Agency Funds are custodial in nature and are used to account for various school activities, and escrow accounts.

**CITY OF MIDDLETOWN, CONNECTICUT  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE YEAR ENDED JUNE 30, 2015  
 (In Thousands)**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Board of Education Activity Fund</b>				
Assets:				
Cash and cash equivalents	\$ 410	\$ 1,116	\$ 1,054	\$ 472
Investments	<u>37</u>			<u>37</u>
Total	<u>\$ 447</u>	<u>\$ 1,116</u>	<u>\$ 1,054</u>	<u>\$ 509</u>
Liabilities:				
Due to student groups	<u>\$ 447</u>	<u>\$ 1,116</u>	<u>\$ 1,054</u>	<u>\$ 509</u>
<b>Escrow Account Fund</b>				
Assets:				
Cash and cash equivalents	<u>\$ 1,913</u>	<u>\$ 998</u>	<u>\$ 727</u>	<u>\$ 2,184</u>
Liabilities:				
Due to contract liabilities	<u>\$ 1,913</u>	<u>\$ 998</u>	<u>\$ 727</u>	<u>\$ 2,184</u>
<b>Total All Funds</b>				
Assets:				
Cash and cash equivalents	\$ 2,323	\$ 2,114	\$ 1,781	\$ 2,656
Investments	<u>37</u>			<u>37</u>
Total	<u>\$ 2,360</u>	<u>\$ 2,114</u>	<u>\$ 1,781</u>	<u>\$ 2,693</u>
Liabilities:				
Due to student and other groups	<u>\$ 2,360</u>	<u>\$ 2,114</u>	<u>\$ 1,781</u>	<u>\$ 2,693</u>

## **Statistical Section**

## Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF MIDDLETOWN, CONNECTICUT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(In Thousands)**

	FISCAL YEAR									
	2015	2014*	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Activities:										
Net investment in capital assets	\$ 267,645	\$ 289,881	\$ 284,417	\$ 297,304	\$ 285,332	\$ 287,765	\$ 284,755	\$ 261,139	\$ 236,816	\$ 211,186
Restricted	1,289	1,323	1,217	1,120	1,143	1,089	996	821	895	891
Unrestricted	83,008	56,523	9,309	3,040	13,887	19,626	19,138	31,177	35,386	33,312
Total Governmental Activities Net Position	<u>\$ 351,942</u>	<u>\$ 347,727</u>	<u>\$ 294,943</u>	<u>\$ 301,464</u>	<u>\$ 300,362</u>	<u>\$ 308,480</u>	<u>\$ 304,889</u>	<u>\$ 293,137</u>	<u>\$ 273,097</u>	<u>\$ 245,389</u>

\*Restated for the implementation of GASB 68

Notes:

(1) Schedule prepared on the accrual basis of accounting

**CITY OF MIDDLETOWN, CONNECTICUT**  
**CHANGE IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses:										
Governmental activities:										
General government	\$ 18,740	\$ 19,747	\$ 18,308	\$ 17,088	\$ 14,690	\$ 15,572	\$ 16,449	\$ 23,392	\$ 10,447	\$ 11,164
Public safety	26,917	29,048	26,064	24,013	22,667	22,483	23,518	14,236	18,434	17,794
Public works	10,128	11,758	11,166	9,041	11,980	10,562	12,566	10,638	8,718	8,334
Health and human services	1,502	802	803	683	744	724	745	1,214	620	687
Culture and recreation	5,740	5,809	6,115	5,359	5,301	5,328	5,096	5,728	5,625	5,383
Employee benefits and insurance	14,908	16,586	15,115	14,037	17,879	9,443	10,184	10,760	12,989	9,563
Education	109,091	106,256	99,317	97,737	101,084	96,996	92,346	106,334	82,002	76,775
Sewer	4,885	4,778	4,432	3,810	3,556	3,523	3,702	3,593	3,752	3,914
Water	4,038	4,445	4,274	3,468	3,771	4,020	4,677	5,461	4,360	4,305
Sanitation	1,685	1,857	1,814	1,527	1,588	1,583	1,864	1,801	1,639	1,527
Interest on long-term debt	2,168	2,347	2,152	2,442	2,703	2,471	2,837	2,871	2,412	2,523
Total governmental activities expenses	<u>199,802</u>	<u>203,433</u>	<u>189,560</u>	<u>179,205</u>	<u>185,963</u>	<u>172,705</u>	<u>173,984</u>	<u>186,028</u>	<u>150,998</u>	<u>141,969</u>
Program revenues:										
Governmental activities:										
Charges for services										
General government	3,011	2,887	3,075	2,666	1,494	1,437	1,606	1,793	1,889	2,144
Public safety	2,013	1,379	1,528	1,604	1,804	2,223	1,440	1,613	1,450	1,049
Public works	320	341	309	323	908	908	1,338	1,865	1,383	1,440
Health and human resources				50	152	194	157	160	108	109
Culture and recreation	703	474	368	349	259	400	451	335	228	373
Education	619	698	753	763	592	1,623	3,151	1,945	1,514	1,216
Sewer	5,994	5,114	5,411	5,244	4,870	4,435	4,495	4,174	3,806	3,719
Water	6,430	5,172	5,297	5,193	4,921	4,615	4,826	4,467	4,113	4,392
Sanitation and other	1,825	1,840	1,823	1,847	1,940	1,935	1,678	1,698	1,838	2,509
Operating grants and contributions	48,566	44,949	42,591	42,487	41,723	40,194	39,951	58,951	35,985	34,843
Capital grants and contributions	3,101	1,965	1,828	2,651	2,851	5,709	15,765	20,782	19,880	6,958
Total governmental activities program revenues	<u>72,582</u>	<u>64,819</u>	<u>62,983</u>	<u>63,177</u>	<u>61,514</u>	<u>63,673</u>	<u>74,858</u>	<u>97,783</u>	<u>72,194</u>	<u>58,752</u>
Net expense:										
Governmental activities	<u>(127,220)</u>	<u>(138,614)</u>	<u>(126,577)</u>	<u>(116,028)</u>	<u>(124,449)</u>	<u>(109,032)</u>	<u>(99,126)</u>	<u>(88,245)</u>	<u>(78,804)</u>	<u>(83,217)</u>
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	116,763	106,714	104,253	101,495	102,329	96,453	96,059	90,931	91,109	84,160
Grants and contributions not restricted to specific purposes	9,828	9,284	9,703	10,370	10,085	10,656	12,458	12,660	11,782	11,166
Unrestricted investment earnings	143	302	403	295	606	631	1,529	3,049	3,423	2,823
Miscellaneous	4,701	5,932	5,697	4,970	3,311	4,883	832	185	198	20
Total governmental activities	<u>131,435</u>	<u>122,232</u>	<u>120,056</u>	<u>117,130</u>	<u>116,331</u>	<u>112,623</u>	<u>110,878</u>	<u>106,825</u>	<u>106,512</u>	<u>98,169</u>
Changes in net position:										
Governmental activities	\$ <u>4,215</u>	\$ <u>(16,382)</u>	\$ <u>(6,521)</u>	\$ <u>1,102</u>	\$ <u>(8,118)</u>	\$ <u>3,591</u>	\$ <u>11,752</u>	\$ <u>18,580</u>	\$ <u>27,708</u>	\$ <u>14,952</u>

## Notes:

(1) Schedule prepared on the accrual basis of accounting

TABLE 3

**CITY OF MIDDLETOWN, CONNECTICUT  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(In Thousands)**

	<b>FISCAL YEAR</b>									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund:										
Reserved	\$	\$	\$	\$	\$	\$ 2,111	\$ 2,108	\$ 1,435	\$ 1,667	\$ 1,033
Unreserved						13,849	13,742	17,491	16,656	12,169
Assigned	4,741	3,068	6,363	2,649	2,675					
Unassigned	<u>21,826</u>	<u>16,796</u>	<u>15,055</u>	<u>14,209</u>	<u>12,772</u>					
Total General Fund	\$ <u>26,567</u>	\$ <u>19,864</u>	\$ <u>21,418</u>	\$ <u>16,858</u>	\$ <u>15,447</u>	\$ <u>15,960</u>	\$ <u>15,850</u>	\$ <u>18,926</u>	\$ <u>18,323</u>	\$ <u>13,202</u>
All Other Governmental Funds:										
Reserved	\$	\$	\$	\$	\$	\$ 4,777	\$ 7,802	\$ 23,342	\$ 44,330	\$ 40,636
Unreserved, reported in:										
Special revenue funds						14,326	12,939	12,967	12,723	10,498
Capital projects funds						1,831	(8,748)	(17,511)	(36,208)	(32,614)
Permanent funds						979	897	717	792	739
Nonspendable	32	32	32	32	32					
Restricted	3,805	3,051	2,945	2,882	2,901					
Committed	18,972	18,364	18,380	16,715	18,357					
Unassigned	<u>(3,557)</u>	<u>(19,344)</u>	<u>(4,424)</u>	<u>(6,485)</u>	<u>(1,024)</u>					
Total all other governmental funds	\$ <u>19,252</u>	\$ <u>2,103</u>	\$ <u>16,933</u>	\$ <u>13,144</u>	\$ <u>20,266</u>	\$ <u>21,913</u>	\$ <u>12,890</u>	\$ <u>19,515</u>	\$ <u>21,637</u>	\$ <u>19,259</u>

Note 1: Schedule prepared on the modified accrual basis of accounting

**CITY OF MIDDLETOWN, CONNECTICUT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(In Thousands)**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Property taxes	\$ 115,731	\$ 106,818	\$ 103,727	\$ 100,932	\$ 101,808	\$ 96,401	\$ 95,323	\$ 89,396	\$ 90,188	\$ 83,027
Licenses and permits	652	659	769	586	557	667	574	1,313	973	994
Intergovernmental	60,931	56,197	54,122	55,558	54,485	53,456	67,214	91,764	67,221	52,506
Charges for services	19,711	17,204	17,701	17,416	16,608	16,978	17,652	14,563	13,977	14,469
Investment income	176	283	371	244	527	479	1,201	2,463	2,848	2,359
Miscellaneous	5,720	5,933	5,697	4,970	3,309	8,239	2,952	4,298	2,970	2,692
Total revenues	<u>202,921</u>	<u>187,094</u>	<u>182,387</u>	<u>179,706</u>	<u>177,294</u>	<u>176,220</u>	<u>184,916</u>	<u>203,797</u>	<u>178,177</u>	<u>156,047</u>
Expenditures:										
General government	10,364	8,651	8,390	8,252	8,174	7,330	7,456	12,804	5,303	4,990
Public safety	24,715	23,415	22,673	21,646	21,140	19,990	20,851	11,158	17,858	17,093
Public works	5,020	4,552	4,515	4,299	4,556	4,226	4,269	5,068	4,746	4,568
Health and human services	1,543	694	702	720	734	707	722	1,177	683	657
Culture and recreation	5,701	4,976	5,317	5,415	5,270	5,276	5,079	5,233	5,018	4,840
Employee benefits and insurance	17,380	14,895	13,550	12,970	13,757	13,231	12,763	11,612	10,885	9,590
Education	103,519	100,511	93,683	93,225	93,445	90,688	88,441	103,590	79,977	74,558
Sewer	4,876	4,050	3,855	3,808	3,556	3,522	3,477	3,367	3,106	3,692
Water	4,014	3,855	3,586	3,463	3,764	3,688	3,569	3,516	3,363	3,252
Sanitation	1,672	1,596	1,577	1,545	1,593	1,575	1,819	1,663	1,553	1,520
Other	4,042	4,042	5,363	3,383	4,112	3,555	4,435	5,491	4,145	5,485
Capital outlay	22,743	21,406	29,263	13,840	15,646	10,616	28,348	40,405	49,415	23,206
Debt service:										
Principal retirement	12,647	9,908	10,850	10,085	10,064	11,724	12,169	10,292	10,426	9,069
Interest and fiscal charges	2,543	2,958	2,299	2,804	3,001	2,741	3,228	3,144	2,482	2,878
Total expenditures	<u>216,737</u>	<u>205,509</u>	<u>205,623</u>	<u>185,455</u>	<u>188,812</u>	<u>178,869</u>	<u>196,626</u>	<u>218,520</u>	<u>198,960</u>	<u>165,398</u>
Excess of Revenue Under Expenditures	<u>(13,816)</u>	<u>(18,415)</u>	<u>(23,236)</u>	<u>(5,749)</u>	<u>(11,518)</u>	<u>(2,649)</u>	<u>(11,710)</u>	<u>(14,723)</u>	<u>(20,783)</u>	<u>(9,351)</u>
Other financing sources (uses):										
Bonds and serial notes	32,302	1,993	27,900		8,900	10,900	1,975	13,050	27,700	1,574
Transfers in	17,006	14,685	14,526	14,288	14,617	16,047	17,082	15,773	15,211	13,929
Transfers out	(16,927)	(14,647)	(14,488)	(14,250)	(14,579)	(16,010)	(17,048)	(15,742)	(15,180)	(13,909)
Premium on bonds	5,287		3,647		420	845		122	551	
Total Other Financing Sources	<u>37,668</u>	<u>2,031</u>	<u>31,585</u>	<u>38</u>	<u>9,358</u>	<u>11,782</u>	<u>2,009</u>	<u>13,203</u>	<u>28,282</u>	<u>1,594</u>
Net Change in Fund Balances	<u>\$ 23,852</u>	<u>\$ (16,384)</u>	<u>\$ 8,349</u>	<u>\$ (5,711)</u>	<u>\$ (2,160)</u>	<u>\$ 9,133</u>	<u>\$ (9,701)</u>	<u>\$ (1,520)</u>	<u>\$ 7,499</u>	<u>\$ (7,757)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>7.74%</u>	<u>6.68%</u>	<u>7.17%</u>	<u>7.49%</u>	<u>7.45%</u>	<u>8.48%</u>	<u>8.99%</u>	<u>7.50%</u>	<u>8.60%</u>	<u>8.40%</u>

## Notes:

(1) Schedule prepared on the modified accrual basis of accounting

**CITY OF MIDDLETOWN, CONNECTICUT  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS  
 (In Thousands)**

Fiscal Year	Real Property			Personal Property	Motor Vehicle	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value As a Percentage of Actual Taxable Value
	Residential	Commercial	Industrial							
2015	\$ 1,787,946	\$ 649,062	\$ 222,798	\$ 557,213	\$ 279,664	\$ 200,859	\$ 3,295,824	32.6	\$ 4,708,318	70.00%
2014	2,063,276	708,280	171,978	550,100	280,619	176,613	3,314,642	32.7	4,735,202	70.00%
2013	2,168,527	594,807	178,193	526,227	270,335	165,054	3,573,042	26.9	5,104,345	70.00%
2012	2,163,664	592,993	177,581	531,480	273,174	156,839	3,740,746	26.1	5,343,923	70.00%
2011	2,156,261	674,531	160,305	495,696	257,351	165,498	3,578,647	26.4	5,112,353	70.00%
2010	2,133,848	675,127	158,153	471,796	250,561	182,522	3,506,963	25.5	5,009,947	70.00%
2009	2,124,835	680,546	125,966	447,513	249,295	125,555	3,502,601	25.5	5,003,716	70.00%
2008	2,105,671	676,704	112,077	427,347	259,633	103,494	3,477,939	31.8	4,968,484	70.00%
2007	1,450,553	495,840	88,577	426,008	255,437	82,351	2,634,065	31.8	3,762,950	70.00%
2006	1,430,443	492,756	86,300	423,674	255,519	63,277	2,625,415	29.8	3,840,988	68.35%

Source: City of Middletown Office of Tax Assessor

Notes:

- (1) The latest revaluation as completed and became effective October 1, 2013 for fiscal year 2014-2015.
- (2) Exemptions now include new machinery.
- (3) Assessed value of Kleen Energy Systems LLC power plant as per PILOT agreement is included in total assessment

**CITY OF MIDDLETOWN, CONNECTICUT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
(rate per \$1,000 of assessed value)**

	FISCAL YEAR									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
City:										
General	32.6	32.7	26.9	26.1	26.4	25.5	25.5	31.8	31.8	29.8
Districts:										
Fire Fund	7	7.3	5.8	5.5	5.5	5	5	6.4	5.9	5.9
Westfield Fire	1.416	1.326	1.237	1.237	1.179	1.145	0.99	1.15	1.15	0.99
South Fire	4.468	3.648	3.648	3.574	3.486	3.486	3.38	4.381	4.38	3.57
Middletown Business	2.41	2.41	2.4	2.4	2.4	2.4	2.4	3	3	3

TABLE 7

**CITY OF MIDDLETOWN, CONNECTICUT  
PRINCIPAL PROPERTY TAX PAYERS  
2014 and 2004  
(In Thousands)**

Taxpayer	October 1, 2014			October 1, 2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Aetna Life and Casualty	\$ 114,506	1	3.53%	\$ 199,263	1	8.20%
Connecticut Light & Power Co.	104,102	2	3.21%	25,332	4	1.06%
Kleen Energy Systems, LLC	65,367	3	2.02%			
Middletown Power LLC	42,433	4	1.31%	86,237	3	5.48%
United Technologies	34,733	5	1.07%	133,057	2	4.01%
Northwood Apt Assoc LLC	26,398	6	0.81%			
Chestnut Hill Apt Assoc LLC	25,448	7	0.79%			
Fairfield Midtown Brook LP	20,281	8	0.63%			
Fairfield Midtown Ridge LP	20,085	9	0.62%			
Yankee Gas Service Company	17,975	10	0.55%			
Carabetta Enterprises				22,275	5	0.89%
Windsor Brooke, LLC				14,175	8	0.63%
Midfield Corporation				14,539	7	0.58%
Middletown-Oxford				15,763	6	0.53%
Conn-Colony				13,421	9	0.54%
Windsor Ridge, LLC				12,871	10	0.49%
	<u>\$ 471,328</u>		<u>14.54%</u>	<u>\$ 536,933</u>		<u>22.41%</u>

Source: City of Middletown, Office of Tax Assessor

TABLE 8

**CITY OF MIDDLETOWN, CONNECTICUT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(In Thousands)**

Fiscal Year Ended June 30,	Tax Rate In Mills	Taxes Levied For This Fiscal Year	Collected Within the Fiscal Year of Levy		Collections In Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2015	32.6	\$ 116,604	\$ 112,779	96.72 %	\$ 1,738	\$ 114,517	98.21 %
2014	32.7	106,360	103,804	97.60 %	1,904	105,708	99.39
2013	32.7	105,112	100,977	96.07	1,586	102,563	97.57
2012	31.6	101,532	99,672	98.17	1,797	101,469	99.94
2011	31.9	101,860	99,118	97.31	1,829	100,947	99.10
2010	30.5	96,320	93,394	96.96	1,878	95,272	98.91
2009	30.5	95,637	92,382	96.60	1,669	94,051	98.34
2008	31.8	90,838	88,446	97.37	752	89,198	98.19
2007	31.8	89,919	87,601	97.42	1,732	89,333	99.35
2006	29.8	83,661	81,151	97.00	1,269	82,420	98.52

Source: Tax Collector's Report; Comprehensive Annual Financial Report

**CITY OF MIDDLETOWN, CONNECTICUT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(In Thousands, except per capita ratio)**

Fiscal Year	Governmental Activities		Total Primary Government	Ratio of Debt to Taxable Assessed Value	Bonded Debt as Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Capital Leases				
2015	\$ 99,401	\$ -	\$ 99,401	3.02	5.94	\$ 1,927
2014	75,085	-	75,085	2.27	4.65	1,509
2013	83,534	-	83,534	2.21	5.21	1,677
2012	61,770	-	61,770	1.72	4.96	1,287
2011	71,855	-	71,855	2.01	5.77	1,497
2010	73,024	-	73,024	2.08	5.91	1,520
2009	73,846	-	73,846	2.11	6.04	1,554
2008	84,039	-	84,039	2.42	6.87	1,768
2007	81,280	-	81,280	3.09	6.68	1,718
2006	64,054	-	64,054	2.40	5.28	1,359

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**JUNE 30, 2015**  
**(In Thousands)**

Total tax collections, including interest and lien fees, received during last completed fiscal year (taxes are levied for General Fund, Fire Districts and Special Parking District Fund)	\$ 121,569
Reimbursement for loss of revenue:	
Tax relief for elderly - freeze	<u>4</u>
Base	<u>\$ 121,573</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 273,538	\$	\$	\$	\$
4-1/2 times base		547,076			
3-3/4 times base			455,897		
3-1/4 times base				395,111	
3 times base					364,718
Total debt limitation	<u>273,538</u>	<u>547,076</u>	<u>455,897</u>	<u>395,111</u>	<u>364,718</u>
Indebtedness:					
Bonds payable	58,253	13,186	5,698		
Bonds authorized and unissued	25,979	834	10,296		
Clean water fund loans			5,154		
Grant commitments					
Total indebtedness	<u>84,232</u>	<u>14,020</u>	<u>21,148</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 189,306</u>	<u>\$ 533,056</u>	<u>\$ 434,749</u>	<u>\$ 395,111</u>	<u>\$ 364,718</u>

Note 1: In no case shall total indebtedness exceed seven times annual receipts from taxation.  
The maximum amount permitted would be \$851 million.

Note 2: Bonds authorized and unissued represent bond authorizations for which bonds have been issued to partially finance the project or bond anticipation notes have been issued.

Note 3: Bonds payable do not include Water bonds of \$8,268,275.  
which are considered to be self-funding. Additionally, water  
bonds authorized and unissued of \$1,798,200 are not included.

**CITY OF MIDDLETOWN, CONNECTICUT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
(In Thousands)**

	FISCAL YEAR									
	2015	2014	2012	2011	2010	2009	2008	2007	2006	2005
Debt limitation	\$ 851,007	\$ 787,112	\$ 763,993	\$ 755,189	\$ 750,305	\$ 707,027	\$ 698,295	\$ 662,716	\$ 664,004	\$ 607,623
Total net debt applicable to limit	<u>119,401</u>	<u>165,234</u>	<u>151,352</u>	<u>119,238</u>	<u>91,891</u>	<u>97,928</u>	<u>105,728</u>	<u>103,651</u>	<u>97,263</u>	<u>122,950</u>
Legal debt margin	<u>\$ 731,606</u>	<u>\$ 621,878</u>	<u>\$ 612,641</u>	<u>\$ 635,951</u>	<u>\$ 658,414</u>	<u>\$ 609,099</u>	<u>\$ 592,567</u>	<u>\$ 559,065</u>	<u>\$ 566,741</u>	<u>\$ 484,673</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>14%</u>	<u>21%</u>	<u>20%</u>	<u>16%</u>	<u>12%</u>	<u>14%</u>	<u>15%</u>	<u>16%</u>	<u>15%</u>	<u>20%</u>

Source: Comprehensive Annual Financial Report - Schedule of Debt Limitation

Note: See Table 10 for calculation of current year debt limitation

**CITY OF MIDDLETOWN, CONNECTICUT  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Year</b>	<b>Population(1)</b>	<b>Total Personal Income (in thousands)</b>	<b>Per Capita Income (1)</b>	<b>Median Age (2)</b>	<b>Public School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2015	47,489	\$ 1,590,454	\$ 33,491	37.2	4,827	5.7%
2014	47,333	1,524,359	32,205	37.0	4,773	6.6%
2013	47,510	1,513,193	31,850	36.6	5,107	8.2%
2012	48,383	1,244,411	25,720	36.3	4,967	8.3%
2011	48,383	1,244,411	25,720	36.3	5,263	8.9%
2010	48,030	1,235,332	25,720	36.3	5,190	8.8%
2009	47,528	1,222,420	25,720	36.3	5,146	7.0%
2008	47,528	1,222,420	25,720	36.3	4,984	4.3%
2007	47,302	1,216,607	25,720	36.3	5,156	4.2%
2006	47,141	1,212,467	25,720	36.3	5,078	4.2%

## Sources:

- (1) State of Connecticut Department of Health
- (2) U.S. Census Bureau, Census 2000
- (3) Middletown Board of Education
- (4) State of Connecticut, Department of Labor

TABLE 13

**CITY OF MIDDLETOWN, CONNECTICUT  
PRINCIPAL EMPLOYERS  
2015 AND 2005**

<u>Employer</u>	<u>Nature of Business</u>	<u>2015</u>			<u>2005</u>		
		<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
United Technologies	Aircraft Engines	2,400	1	9.78%	2,700	2	11.97%
Middlesex Hospital	Private Hospital	1,000	2	4.08%	2,543	3	11.27%
Connecticut Valley Hospital	State Hospital	1,000	3	4.08%	1,340	4	5.94%
Middletown Board of Education	Education	803	4	3.27%			
Wesleyan University	Higher Education	800	5	3.26%	900	6	3.99%
Liberty Bank	Financial Banking	600	6	2.45%			
City of Middletown	Government	567	7	2.31%	1,186	5	5.26%
Kamen Aerospace	Electronics System	400	8	1.63%	200	9	0.89%
Jarvis Products	Power Tool Manufacturer	300	9	1.22%	200	10	0.89%
Dattco	Transportation	150	10	0.61%			
Citizens Bank	Financial Banking						
Aetna	Insurance				4,300	1	19.06%
Mortgage Lenders	Mortgage Company				400	7	1.77%
Middlesex Mutual Assurance Co.	Insurance				243	8	1.08%
		<u>8,020</u>			<u>14,012</u>		

Source: City of Middletown, Chamber of Commerce. Department of Labor, State of Connecticut

**CITY OF MIDDLETOWN, CONNECTICUT  
MISCELLANEOUS STATISTICAL DATA  
JUNE 30, 2015**

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Date of incorporation	1651
Date City Charter adopted	1874
Date present Charter adopted	2000
Form of government	Council-Mayor
Area of City	42.9 square miles
Population:	
1930	25,143
1940	27,214
1950	29,711
1960	33,250
1970	36,924
1980	39,040
1990	42,762
2000	43,217
2010	47,510
Public education:	
Schools:	
High	1
Middle school complex	2
Elementary	8
Administrative personnel	29
Teachers	438
Other	234
Local enrollment	4,827
Municipal employees:	
(Permanent-exclusive of library)	
Education	701
Police and Fire	175
Municipal and other	256
Fire volunteers	40
Fire protection:	
Fire stations	4
Employees:	
Fire fighting	106
Civilian	8
Volunteer	40
Number of hydrants	1,479

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**CITY OF MIDDLETOWN, CONNECTICUT  
MISCELLANEOUS STATISTICAL DATA (CONTINUED)  
JUNE 30, 2015**

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Police protection:	
Police station	1
Employees:	
Law enforcement	108
Civilian	16
School crossing guards	10
Elections:	
Number of registered voters	21,214
Number of votes cast in:	
Last general election	12,528
Last municipal election	7,172
Percentage of registered voters voting in:	
Last general election	64%
Last municipal election	34%
Municipal parking:	
Metered	530
Municipal garage	360
Other	386
Library:	
Main building	1
Employees:	
Regular	36
Part-time	45
Number of items owned	201,968
Registered borrowers	26,158
Total annual circulation	433,600
Total annual visits	275,542
Miles of streets and alleys:	
Streets - paved	196.9
Streets - unpaved	6.19
Alleys	2.1
Sidewalks	91.5

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT  
MISCELLANEOUS STATISTICAL DATA (CONTINUED)  
JUNE 30, 2015**

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Miles of sewers:	
Storm sewers	219.36
Sanitary sewers	179
Water Department:	
Gallons of water per day	3,740,000
Number of meters	11,624
Miles of water mains	194
Building permits:	
Permits issued	2,058
Permits value	32,570,889
Number of street lights	5,200
Parks and recreation:	
Number of parks	30
Acres of parks	727.51
Number of playgrounds	5
Number of swimming pools:	
Indoor	-
Outdoor:	
Olympic-size	1
Wading pool	1
Lake	1
Ponds	5
Skating facilities - outdoor	4
Tennis courts	4
Ball diamonds (3 lighted)	23
Basketball courts - outdoor (1 lighted)	1
Skateboard/BMX Bike Park	1
Soccer Fields	25
Football Fields	1