

Annual Comprehensive Financial Report

City of Middletown Connecticut

Fiscal Year Ended June 30, 2021



Office of the Director of Finance

Annual Comprehensive Financial Report

of the

City of Middletown Connecticut

FISCAL YEAR ENDED JUNE 30, 2021

Carl Erlacher, CPA
Director of Finance and
Revenue Services

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

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PRINCIPAL OFFICIALS

City of Middletown, Connecticut

ELECTED OFFICIALS

Benjamin D. Florsheim, Mayor
Steven Kovach, Treasurer

Elizabeth Santangelo (D)
Registrar of Voters

David Bauer (R)
Registrar of Voters

COMMON COUNCIL

Jeanette Blackwell
Meghan Carta
Grady Faulkner, Jr.,
Darnell Ford
Edward Ford, Jr.
Anthony Gennaro, Sr.

Vincent Loffredo
Anthony Mangiafico
Edward McKeon
Eugene Nocera
Philip Pessina
Linda Salafia

BOARD OF EDUCATION

Deborah Cain
Anita Dempsey-White
Dina Ford
Sean T. King
Lisa Loomis

Jonathan Pulino
Delita Rose-Daniels
Christopher Sugar
Justin Taylor

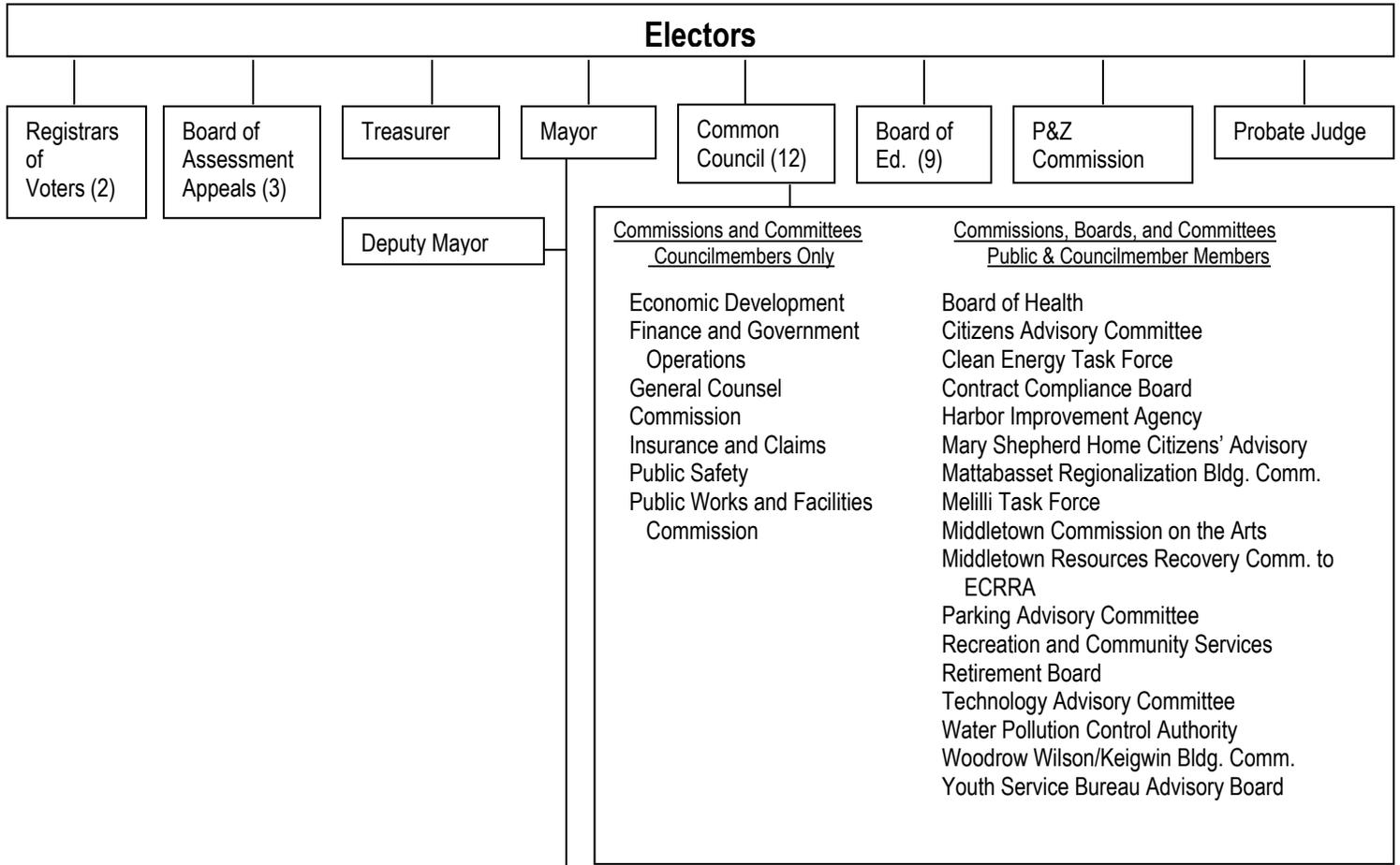
Dr. Michael T. Conner, Superintendent of Schools

DIRECTORS

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

Ashley Flynn-Natale
Carl Erlacher
Robert Kronenberger
Michael Timbro
Kevin Elak
Catherine Lechowicz
William Russo
Joseph Fazzino
Justin Richardson
Faith M. Jackson
Roger Beliveau
Brigham Smith
Damon Braasch
Joseph Samolis
Ramona Burkey

Org Chart City of Middletown Organization of Governance



<u>Departments/Divisions</u>		
Arts & Culture – Division of Mayor's Office Central Communications Finance and Revenue Services <ul style="list-style-type: none"> • Payroll, Purchasing, Tax Collector Fire <ul style="list-style-type: none"> • Emergency Management Health <ul style="list-style-type: none"> • Sanitation, Vital Stats. 	Office of Equal Opportunity and Diversity Management Office of the General Counsel <ul style="list-style-type: none"> • Human Resources, Risk Mgt. Parking Department Planning, Conservation, & Development Police Public Works <ul style="list-style-type: none"> • Building, Parks 	Recreation & Community Services <ul style="list-style-type: none"> • Recreation, Senior Svs. Tax Assessor Technology Services Town Clerk Water and Sewer Youth Services – Division of Mayor's Office

<u>Agencies, Boards, Commissions, & Committees*</u>		
21 st Century Parks Committee Anti-Racism Task Force Affirmative Action Monitoring Committee Board of Ethics Boathouse Building Committee Cable Advisory Committee Charter Revision Committee Code Enforcement Committee Commission on Conservation and Agriculture Committee Concerning People with Disabilities Complete Streets Committee CT River Valley Planning Commission Connecticut Valley Hospital Advisory Council Enterprise Zone Advisory Committee	Housing Authority Housing Code Citation Hearing Officer Human Relations Commission Inland/Wetlands & Watercourses Agency Juvenile Review Board Long Hill Estate Authority LGBTQ+ Advisory Committee Mattabasset District Board Middletown Housing Partnership Trust Middletown Preservation and Design Review Middletown Resource Recovery Comm. to ECRRA Middletown Riverfront Redevelopment Comm. Middletown School Readiness Council Military Museum Building Committee Municipal Agent for the Elderly Parking Violation Hearing Officers	Planning & Zoning Citation Hearing Officer Police Firing Range Building Comm. Public Safety Telecommunications Records Management Commission Redevelopment Agency Resource Recycling Advisory Council Russell Library Board of Trustees Sanitary Disposal District Commission South Fire District Building Comm. Standardization & Specification Comm. Transit District Urban Forestry Commission Walter C. Jones Fund Committee Woodrow Wilson Building Committee Zoning Board of Appeals

* The agencies, boards, commissions, and committees listed here **do not** include those with council members, which are listed in the section above.



City of Middletown

FINANCE DEPARTMENT

245 DeKoven Drive Middletown, CT 06457

Tel: (860) 638-4880 Fax: (860) 638-1980

June 29, 2022

Honorable Mayor and Common Council
City of Middletown
Middletown, Connecticut

I am pleased to submit the Annual Comprehensive Financial Report (ACFR) of the City of Middletown (the City) for the fiscal year ended June 30, 2021. 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 ACFR 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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) has been included as a discretely presented component unit in the City's report in accordance with generally accepted accounting principles. As more fully explained in Note 11, ECRRA is a regional authority formed to provide solid waste disposal and resource recovery system. At June 30, 2021, Middletown is the only member.

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's Department of Economic and Community Development drives the City's development initiatives. Its mission is to stimulate economic development in the City by assisting existing businesses, helping them expand, and attracting businesses and talent from outside the City. The division's goals are to grow the tax base, facilitate job creation, attract talent and generally improve the quality of life for Middletown residents and businesses. We do this by making it easy for them to either stay, grow or locate in Middletown.

Approach

Economic development is built on the three-legged stool of business development, talent attraction and place making. The foundation is strong relationships and partnerships. This is a partial list of organizations with which we partner:

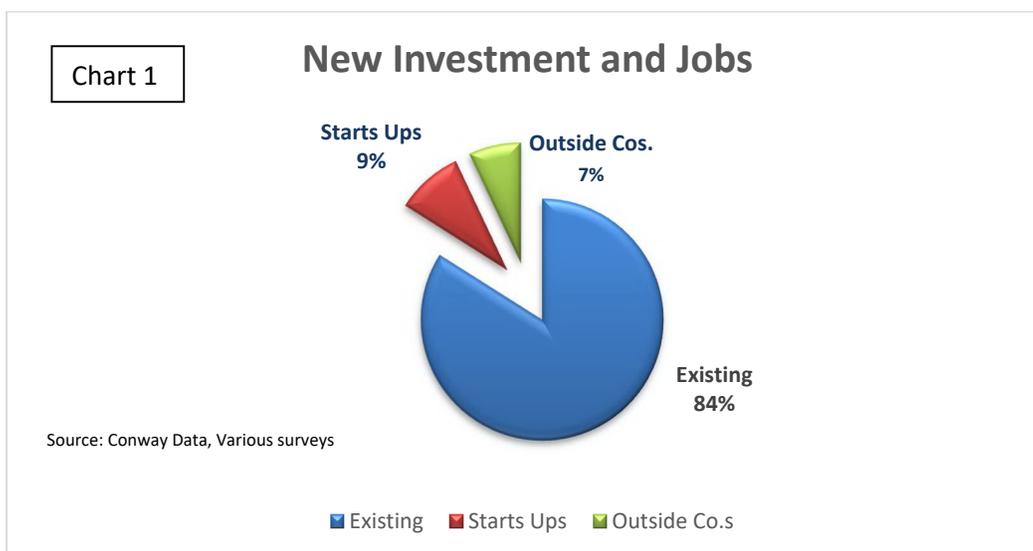
- The Middlesex County Chamber of Commerce - Connecticut's largest
- Middletown Small Business Development Center
- Connecticut Department of Economic and Community Development
- Connecticut Department of Labor
- Workforce Alliance
- Wesleyan University
- Middlesex Community College
- Eversource Energy
- Downtown Business District
- United States Small Business Administration
- Commercial Brokers, Property Owners and Developers
- AdvanceCT – The State's marketing partner
- Statewide and Regional Professional Associations

These partnerships provide services to help businesses grow. They also extend our reach to businesses and investors in Connecticut and nationwide.

The City builds relationships via memberships in professional groups such as the Middlesex County Chamber of Commerce, Connecticut Planning Association, Connecticut Economic Developers Association, International Council of Shopping Centers and CCIM, among others. These relationships help the Department's staff build a network of contacts which include real estate investors, commercial brokers, subject matter experts, site selection consultants and other professionals engaged in development and planning from whom we can learn best practices and make contacts with business and property owners and potential investors across the country.

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, entrepreneurs and start-ups. Staff visits existing businesses on a continual basis to determine how the City can address local issues or to help them grow, find space and/or talent. 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 real estate, training, financing opportunities, utility issues, among others.

The Middlesex County Chamber opened the MEWS+ co-working space in partnership with the City, Wesleyan University, Pratt & Whitney, Liberty Bank, Middlesex Health and the State of Connecticut. It has been on has been successful in giving start-ups, young companies and local entrepreneurs a place to plant and grow their businesses. The space at the Chamber allows these companies to connect with each other and access support services through Chamber members.

This past year, the MEWS' entrepreneur-in-residence held virtual presentations where entrepreneurs presented their business ideas to an audience. City, Chamber and MEWS+ staff gave the presenters the opportunity to meet to discuss their companies, business plans and exchange ideas on growing their businesses. This activity has generated interest in companies moving to Middletown. The larger impact is a growing network of entrepreneurs at the MEWS+ and the Chamber.

The City Middletown invests in the small business and entrepreneurial community. Middletown owns a former factory building which serves as a low-cost center for small businesses. The 185,000 sf building houses 20 businesses which, taken together, have more than 100 employees. Middletown collects on average, more than \$400,000 in rent annually. The business mix includes craft breweries, a cidery, LED distributor, various contractors, athletic and training facilities and other small businesses. The department routinely receives calls from interested small businesses and has a waiting list of companies wishing to locate there.

Business Recruitment

The City engages in recruiting businesses from outside the region. Our partners like the Chamber of Commerce, State agencies, commercial brokers and property owners bring businesses and developers to the City where staff actively tries 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 commercial brokers, businesses, corporate real estate professionals and property owners to inform them of development opportunities in Middletown.

The COVID pandemic has caused companies all across the world to reconsider how they operate, so recruitment activity has slowed considerably, especially for office space. The department, however, continues to receive inquiries from companies considering Middletown for a new location. The industrial and warehousing sectors are very strong right now.

Opportunity Zone

Middletown has two downtown census tracts designated by the U.S Treasury Department as Opportunity Zones (OZ). The two contiguous tracts cover most of downtown. The City owns a 2.5-acre surface parking lot in our OZ. It is contiguous to a privately held 1-acre lot that houses an automotive business. Taken together, the lots comprise 3+ acres. It represents the only major development site in the OZ. The City is working with a developer on the property as detailed below. The other opportunities are buildings needing extensive rehabilitation. We are working with these building owners on rehabilitation plans and expect their plans to go forward late this year and into 2022.

Response to COVID

Middletown continues to grow through the pandemic. Very few Middletown companies closed their doors for good and many new businesses have opened. For example, the Chamber and Mayor have hosted 40 Grand Openings since 2020. The Secretary of the State's office reported 349 business starts in 2020 and 271 so far this year.

Middletown continues to respond to the challenges businesses faced with the pandemic. The City allocated funds from its CDBG program to offer \$5,000 grants to businesses to either keep or hire low-moderate income staff. Forty-seven companies have taken advantage of these grants. They have been instrumental in keeping businesses operating and people employed. Staff continues to monitor and visit businesses to get updates and hear concerns.

Easy Development Processes

Middletown has built a reputation across the State for being a community which has an easy approval process. To that end, on our website, for example, we have:

- Nearly all development related applications and procedures
- The City's GIS system
- Tax Assessor's database
- A history of studies and reports on the City of Middletown
- 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 review projects meet as a team with major project developers prior to their submitting applications to eliminate issues and concerns so that projects get approved in a swift and certain manner.

Transformative Projects

The City is working on two projects that will transform the City and position it for future growth. First, the Economic Development Department issued an RFQ last year for companies interested in developing the 3-acre site mentioned above. We received proposals that included apartments, offices, mixed use and a public plaza that would overlook the Connecticut River. We chose a developer for the site, and are negotiating with the company.

This development will transform downtown by adding as many as 300 apartments, retail and office space all wrapped around a plaza overlooking the Connecticut River. We expect the development will attract visitors from all around the region. The residents there will support our downtown businesses and bring more vibrancy to our already vibrant city. The City has proposed to construct a 500-space garage on the same site to support the development. The funds will come from the \$55 million bond authorization passed last year. Any project on this site will add significantly to Middletown's tax base.

The second project is to expand and redevelop the City's riverfront. Middletown hired an experienced consulting firm and two partner firms to develop a master plan for the area. The result will be an expanded riverfront open to the public. Some of these areas had not been accessible to the public since the 1800's as until this year as they were privately held, and the major portion of it was taken by the City's wastewater treatment plant. Middletown acquired key parcels along the river to allow the riverfront's expansion. We are taking public input until late this year to understand what they would want in an expanded riverfront park.

The City's has studied its riverfront several times since the 1970's. However, before the City decommissioned our wastewater treatment plant in 2019, it could not realistically expand the park. Now the City can expand the park because the plant can be demolished or reused which will free up 7 acres in the middle of the study area.

Financing Development

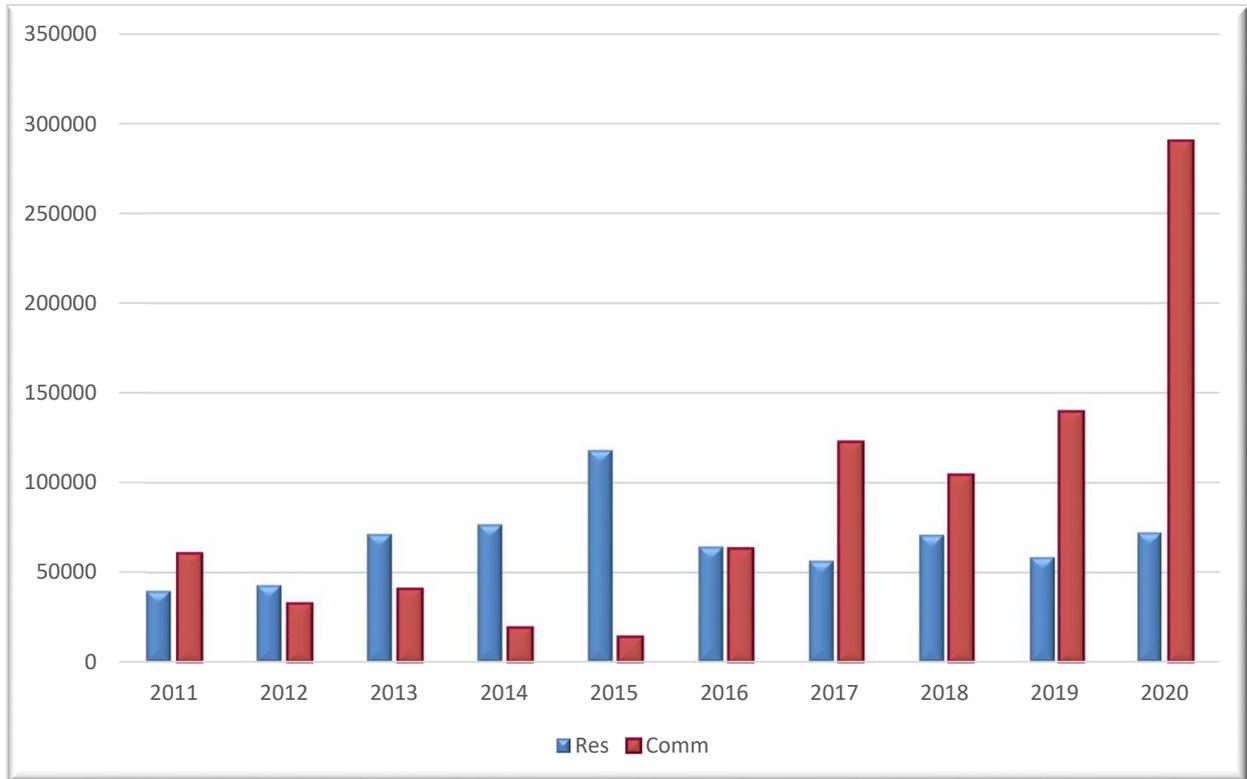
The City of Middletown continues to grow the tax base through marketing available land and buildings and reclaiming brownfields for redevelopment. The City of Middletown leverages Federal, State and Foundation grants with City and private sector financing to fund various economic development initiatives such as environmental assessments, brownfield clean-ups and open space purchases, which enhance the quality of life. Middletown has been awarded and invested nearly \$37 Million since 2000. Most are for planning, environmental assessment and remediation.

Results

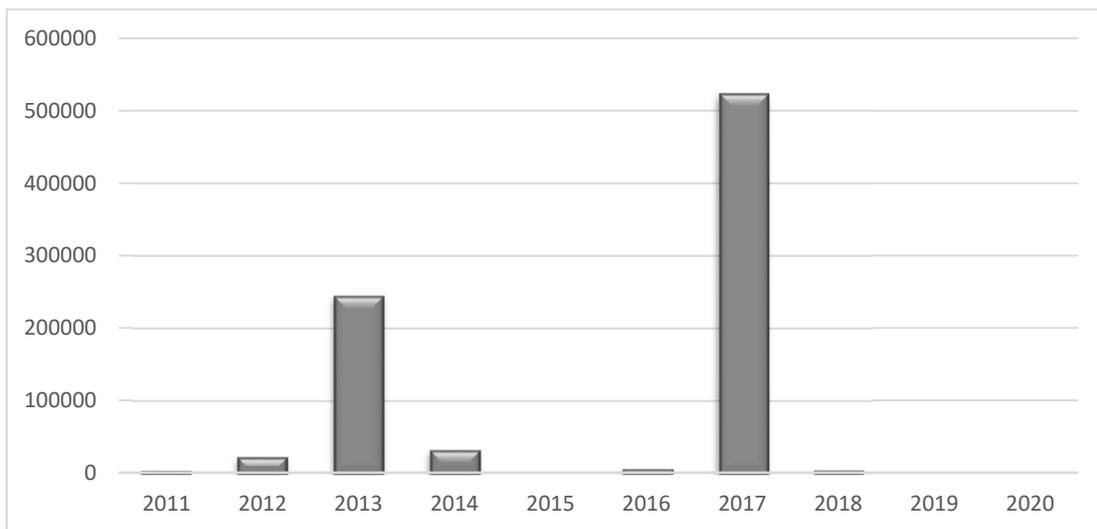
The City's economic development efforts have yielded positive results over the last 10 years as seen in the following charts.

New Residential and Commercial Construction (Sq Ft) by Year

Source: Tax Assessor's Office



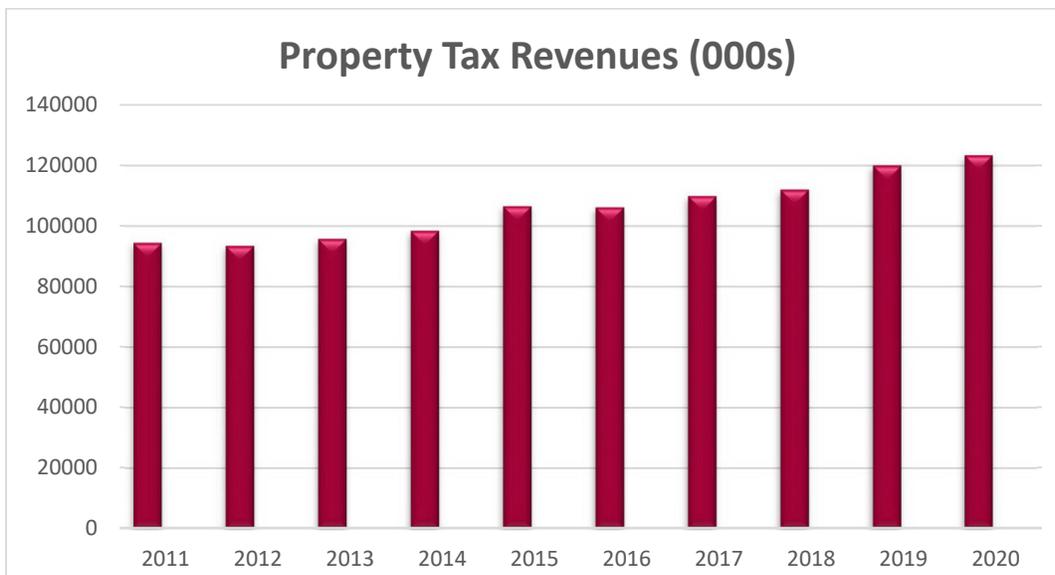
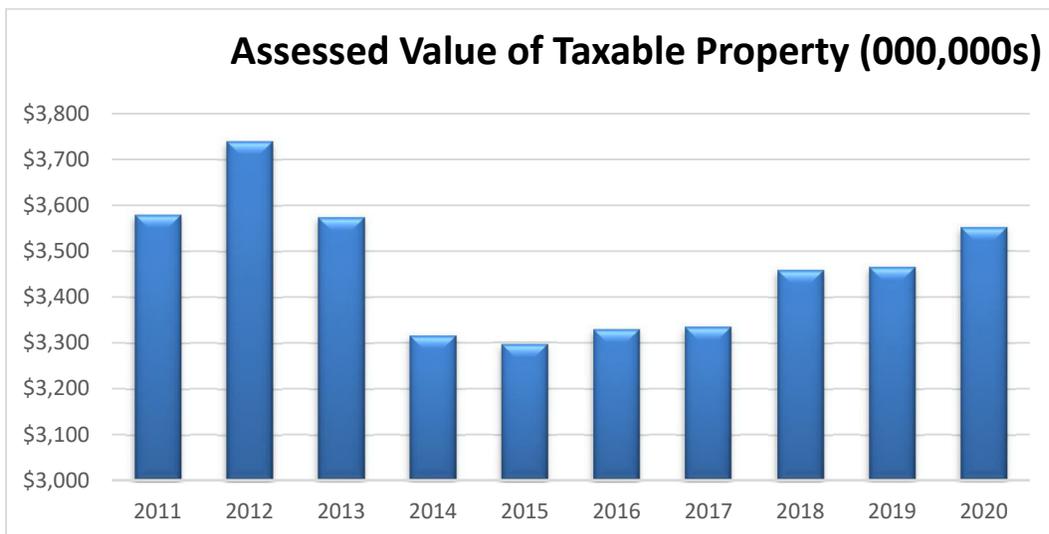
New Industrial Construction (Sq Ft) by Year



Residential has grown at a steady pace, commercial has trended up since 2014. The City of Middletown completed a new middle school this year. Industrial has shown major swings due to large projects such as FedEx’s 535,000 sq. ft. distribution hub built in 2017. There has been no new industrial construction since 2018; but, companies have filled nearly all of the vacant industrial space.

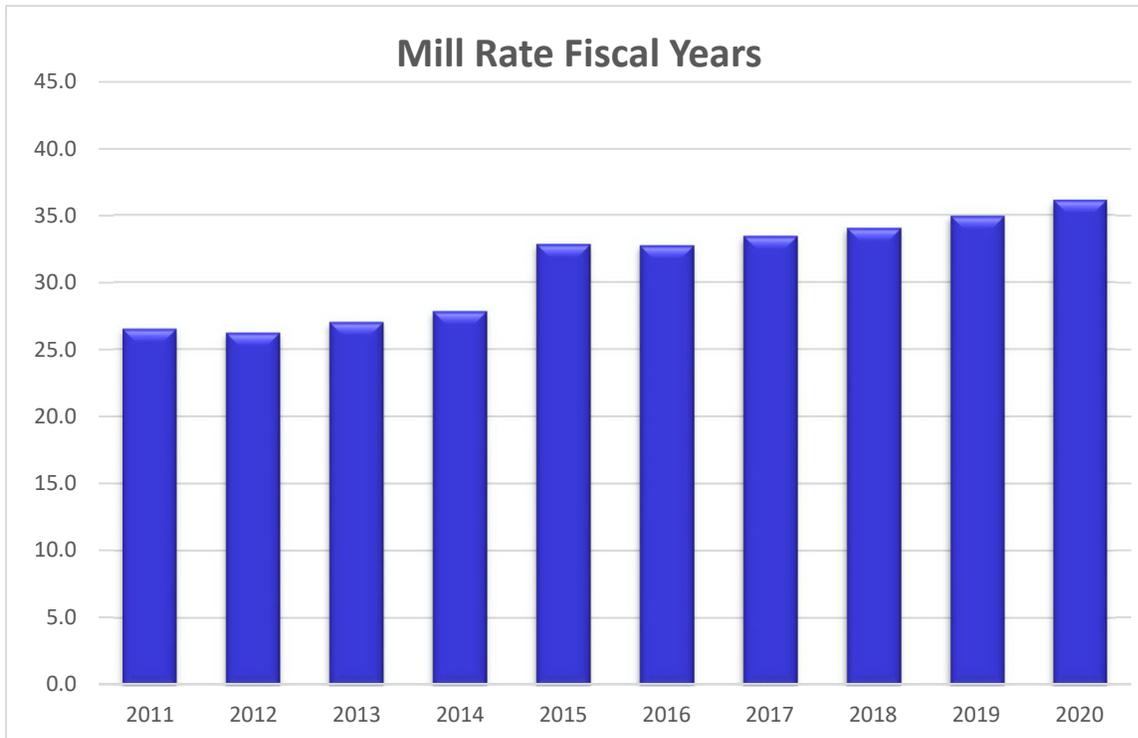
Major projects in the works include two residential projects, the one mentioned above and another which comprises 414 units. The potential residential projects together comprise 600+ units and more than close to \$100 million in new investment.

The City’s continuous efforts have resulted in consistent growth in the Assessed Value of Taxable Property and property tax revenues, especially since the 2013 revaluation.



Note: These data do not include Nonmajor Governmental Funds. Source: Finance Department

The steady growth in the value of taxable property has kept mill rate increases to a minimum.



Note: The rates do not include Fire District Mill Rates. Source: Finance Department

Other Projects/Studies

The City of Middletown has on-going projects and continues to uncover new development opportunities.

They include:

- **Riverfront:** The City of Middletown, as stated above, has hired a consultant to develop a master plan for the riverfront as noted above. They are getting input on the plan from residents and businesses all across the City in multiple ways. A new vision can now be realized as the City has decommissioned its wastewater treatment plant in 2019 that stands in the center of the project area. The plant was always a detriment to the plans the City developed in years passed.
- **Downtown Businesses:** Several new restaurants and retailers opened downtown to bring the total restaurant and retailer counts in downtown to 60+ and 50+ respectively.
- **Opportunity Zone:** Staff continues to facilitate discussions between developers and owners of underutilized properties downtown, which are in Middletown's Opportunity Zone. The City's plan is to create more housing, expand the population and increase income downtown.

- **Recruiting:** Businesses and developers continue to find Middletown an attractive place to invest. Staff continues to get calls from businesses looking for space in the City of Middletown. Underway are multiple commercial projects including office, medical, commercial and industrial uses.

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 restricted, committed or assigned fund balance at June 30, 2021.

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, 2020. 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,

A handwritten signature in blue ink that reads "Carl R. Erlacher, CPA". The signature is cursive and includes the letters "CPA" at the end.

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

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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, 2020

Christopher P. Morrill

Executive Director/CEO

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Financial Section

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INDEPENDENT AUDITORS' REPORT

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 unit, each major fund and the aggregate remaining fund information of the City of Middletown, Connecticut, as of and for the year ended June 30, 2021, 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 from 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 unit, each major fund and the aggregate remaining fund information of the City of Middletown, Connecticut, as of June 30, 2021 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.

Emphasis of a Matter

During fiscal year ended June 30, 2021, the City of Middletown, Connecticut adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the City of Middletown, Connecticut reported a restatement for the change in accounting principle (See Note 13). Our auditors' opinion was not modified with respect to the restatements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, and the pension and OPEB schedules, as listed in the table of contents, 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 who 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.

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

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.

Blum, Shapiro & Company, P.C. (Blumshapiro), whose practice became part of CliftonLarsonAllen LLP as of January 1, 2021, previously audited, in accordance with auditing standards generally accepted in the United States of America, the City of Middletown, Connecticut's basic financial statements for the year ended June 30, 2020, which are not presented with the accompanying financial statements and expressed 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. That 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 as a whole. The 2020 actual amounts in the General Fund balance sheet and Internal Service Funds statements of net position, revenues, expenses and changes in net position and cash flows as of and for the year ended June 30, 2020 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 relates directly to the underlying accounting and other records used to prepare used to prepare the 2020 basic financial statements. The report of Blumshapiro stated that the information has been subjected to the auditing procedures applied in the audit of those 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 their opinion, the 2020 actual amounts in the General Fund balance sheet and Internal Service Funds statements of net position, revenues, expenses and changes in net position and cash flows as of and for the year ended June 30, 2020 were fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Middletown, Connecticut's 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
June 29, 2022

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CITY OF MIDDLETOWN, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

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, 2021. 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 \$43.7 million, or 53.6%.
- During the year, the City had expenses that were \$43.7 million less than the \$279.7 million generated in tax and other revenues for governmental programs.
- Total cost of all of the City's programs was \$236.0 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$50.0 million.
- The resources available for appropriation exceeded budgetary estimates by \$4.8 million for the General Fund. Expenditures were kept within spending limits by \$1.8 million.

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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 a separate legal entity in its report; the Eastern Connecticut Resource Recovery Authority (ECRRA). Although legally separate, this "component unit" is 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 \$82.0 million to \$125.8 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)

	Governmental Activities	
	2021	2020
Current assets	\$ 243,735	\$ 147,650
Capital assets, net of accumulated depreciation	503,631	460,808
Total assets	<u>747,366</u>	<u>608,458</u>
Deferred outflows of resources	<u>59,081</u>	<u>66,222</u>
Long-term liabilities outstanding	455,919	489,814
Other liabilities	32,656	43,537
Total liabilities	<u>488,575</u>	<u>533,351</u>
Deferred inflows of resources	<u>192,107</u>	<u>59,766</u>
Net Position:		
Net investment in capital assets	307,895	307,649
Restricted	113,000	1,262
Unrestricted	<u>(295,130)</u>	<u>(227,348)</u>
Total Net Position	<u>\$ 125,765</u>	<u>\$ 81,563</u>

Net position of the City's governmental activities increased by 53.6% (\$125.8 million compared to \$82.0 million). Increase in net position is mainly attributable to the increase in net pension asset and capitalizing of capital assets. Capital assets increased by \$42.8 million while long-term liabilities decreased by \$33.9 million. The City's has an aggressive debt repayment philosophy which results in the rapid payment for capital asset additions.

TABLE 2
CHANGE IN NET POSITION
(In Thousands)

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 26,580	\$ 25,365
Operating grants and contributions	71,419	58,081
Capital grants and contributions	20,366	10,904
General revenues:		
Property taxes	138,266	136,364
Grants and contributions not restricted to specific programs	17,293	15,072
Unrestricted investment earnings	429	1,692
Other general revenues	5,367	5,555
Total revenues	<u>279,720</u>	<u>253,033</u>
Program expenses:		
General government	7,565	15,627
Public safety	24,141	35,961
Public works	12,120	4,561
Health and human services	1,873	1,690
Culture and recreation	6,241	6,315
Employee benefits and insurance	20,496	19,619
Education	148,797	128,814
Sewer	7,401	6,413
Water	4,487	4,453
Sanitation	1,509	1,516
Interest on long-term debt	1,344	2,900
Total program expenses	<u>235,974</u>	<u>227,869</u>
Increase (Decrease) in Net Position	43,746	25,164
Net Position at Beginning of Year	<u>81,563</u>	<u>56,399</u>
Restatement	456	
Net Position at End of Year	<u>\$ 125,765</u>	<u>\$ 81,563</u>

The City's total revenues were \$279.7 million. The total cost of all programs and services was \$236.0 million. Our analysis below considers the operations of governmental activities.

Governmental Activities

More than 49.4% of the revenues were derived from property taxes, followed by 25.5% from operating grants, then 9.5% from charges for services.

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2021 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 \$13.3 million mainly attributable to increased education grants (ESSER) and COVID (CRF) related funds received.
- Capital grants increased by \$9.5 million, which is mainly due to the Clean Water Projects under construction and construction of the new middle school which is being partially reimbursed from the State of Connecticut.

For governmental activities, more than 63.1% of the City's expenses relate to education, 10.2% relate to public safety, general government (3.2%), employee benefits and insurance (20.5%), and public works (12.1%).

Major expense factors include:

- Decrease in public safety expenses mainly due to a decrease in accruals for various liabilities including pension and OPEB.
- Increases in total program expenses is attributable to an increase in educational related expenses, including pension and OPEB related items.

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 \$64.0 million, which is a increase from last year's total of \$30.7 million. The fund balance for the Capital Project's Fund increased by \$25.1 million dollars mainly due to the issuance of bonds and notes in the current year, along with construction related to construction of new middle school and ongoing clean water fund projects.

General Fund Budgetary Highlights

Tax collections were favorable by \$.9 million primarily due to continued increase in delinquent tax collections. Charges for services were favorable by \$.8 million with the majority of this coming from activity with police extra duty.

Under the intergovernmental section, the City experienced a favorable revenue variance of \$2.4 million which is mainly due COVID related revenues.

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, 2021 year with an unassigned fund balance of \$40.2 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:

	(in thousands)	
General government	\$	344
Public safety		175
Public works		53
Parks and recreation		192
Other		<u>378</u>
Total	\$	<u><u>1,142</u></u>

The City's General Fund balance of \$40.2 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$42.8 million. This is principally because budgetary fund balance includes \$2.6 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, 2021, the City had \$503.6 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)

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Land	\$ 20.7	\$ 18.7
Infrastructure	220.7	195.9
Buildings and improvements	122.6	127.2
Machinery, equipment and building contents	16.3	16.8
Construction in progress	<u>123.3</u>	<u>102.2</u>
Total	<u><u>\$ 503.6</u></u>	<u><u>\$ 460.8</u></u>

The City capital assets increase for 2021 is mainly attributable to continued clean water projects, new middle school project 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, 2021, the City had \$164.3 million in bonds outstanding versus \$114.6 million last year, an increase of 43.4% - as shown in Table 4.

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

	Governmental Activities	
	2021	2020
General Obligation Bonds and Notes	\$ 164.3	\$ 114.6

The City's general obligation bond rating continues to carry a AAA 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 \$940.2 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 7.3% compared with the prior year of 3.9%.

The appropriation for expenditures totaled \$178.5 million in the adopted budget for the 2021-2022 fiscal year representing an increase of 1.6% compared to the final amended budget for fiscal year ended June 30, 2021. The City is anticipating using \$7.3 million of assigned General Fund fund balance to balance budgeted operations for the 2021-2022 fiscal year.

The City's elected and appointed officials considered many factors when establishing the tax mill rate of 44.0 for the adopted budget for the 2021-2022 fiscal year. There was a decrease of .2 mills from the mill rate established for the 2020-2021 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.

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%. Any State reduction over \$750,000 would result in a budget revenue shortfall and would reduce the City's unassigned General Fund fund balance and/or increase the property tax rate in fiscal year 2022.

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

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CITY OF MIDDLETOWN, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2021
(In Thousands)

	<u>Primary Government Governmental Activities</u>	<u>Component Unit ECRRA</u>
Assets:		
Cash and cash equivalents	\$ 115,930	\$ 255
Investments	1,419	
Receivables, net	22,577	24
Inventories	55	
Net pension asset	103,754	
Capital assets:		
Assets not being depreciated	144,066	
Assets being depreciated, net	<u>359,565</u>	<u>29,859</u>
Total assets	<u>747,366</u>	<u>30,138</u>
Deferred Outflows of Resources:		
Deferred outflows related to pension	11,566	
Deferred outflows related to OPEB	<u>47,515</u>	
Total deferred outflows of resources	<u>59,081</u>	<u>-</u>
Liabilities:		
Accounts and other payables	19,274	
Unearned revenue	11,712	
Note payable	1,670	
Noncurrent liabilities:		
Due within one year	22,351	
Due in more than one year	<u>433,568</u>	
Total liabilities	<u>488,575</u>	<u>-</u>
Deferred Inflows of Resources:		
Deferred inflows related to pension	65,211	
Deferred inflows related to OPEB	<u>126,896</u>	
Total deferred inflows of resources	<u>192,107</u>	<u>-</u>
Net Position:		
Net investment in capital assets	307,895	29,859
Restricted for:		
Debt service	6,518	
Pensions	103,754	
Grants	867	
Other	410	
Trust purposes:		
Expendable	72	
Nonexpendable	1,379	
Unrestricted	<u>(295,130)</u>	<u>279</u>
Total Net Position	<u>\$ 125,765</u>	<u>\$ 30,138</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(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	Component Unit
					Governmental Activities	ECRRA
Primary Government:						
Governmental activities:						
General government	\$ 7,565	\$ 4,086	\$ 1,098	\$	\$ (2,381)	\$
Public safety	24,141	2,252	2,073	123	(19,693)	
Public works	12,120	610	195	3,408	(7,907)	
Health and human resources	1,873	194	258	(12)	(1,433)	
Culture and recreation	6,241	257	195		(5,789)	
Employee benefits and insurance	20,496				(20,496)	
Education	148,797	509	67,600	16,847	(63,841)	
Sewer	7,401	10,700			3,299	
Water	4,487	6,073			1,586	
Sanitation	1,509	1,899			390	
Interest on long-term debt	1,344				(1,344)	
Total Primary Government - Governmental Activities	\$ <u>235,974</u>	\$ <u>26,580</u>	\$ <u>71,419</u>	\$ <u>20,366</u>	<u>(117,609)</u>	<u>-</u>
Component Units:						
ECRRA	\$ <u>11,345</u>	\$ <u>8,380</u>	\$ <u></u>	\$ <u></u>		<u>(2,965)</u>
General revenues:						
Property taxes					138,266	
Grants and contributions not restricted to specific programs					17,293	
Unrestricted investment earnings					429	
Miscellaneous					5,367	
Total general revenues					<u>161,355</u>	
Change in net position					43,746	(2,965)
Net Position at Beginning of Year, as restated					<u>82,019</u>	<u>33,103</u>
Net Position at End of Year					\$ <u>125,765</u>	\$ <u>30,138</u>

The accompanying notes are an integral part of the financial statements

CITY OF MIDDLETOWN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 47,892	\$ 6,518	\$ 1,549	\$ 12,708	\$ 18,039	\$ 86,706
Investments					1,419	1,419
Receivables, net	8,545		57	2,912	6,509	18,023
Due from other funds	9,573					9,573
Inventories					55	55
Total Assets	\$ 66,010	\$ 6,518	\$ 1,606	\$ 15,620	\$ 26,022	\$ 115,776
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 8,586	\$	\$ 7,398	\$ 680	\$ 868	\$ 17,532
Due to other funds			6,057	2,286	1,230	9,573
Note payable			1,670			1,670
Unearned revenue				11,545	167	11,712
Total liabilities	8,586	-	15,125	14,511	2,265	40,487
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	7,437				959	8,396
Unavailable revenue - grants				2,874		2,874
Total deferred inflows of resources	7,437			2,874	959	11,270
Fund Balances:						
Nonspendable					55	55
Restricted		6,518			2,728	9,246
Committed					20,725	20,725
Assigned	9,835					9,835
Unassigned	40,152		(13,519)	(1,765)	(710)	24,158
Total fund balances	49,987	6,518	(13,519)	(1,765)	22,798	64,019
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 66,010	\$ 6,518	\$ 1,606	\$ 15,620	\$ 26,022	\$ 115,776

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021
(In Thousands)**

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 \$ 64,019

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets \$ 825,735
Less accumulated depreciation (322,104)
Net capital assets 503,631

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 103,754
Property tax receivables greater than 60 days 8,396
Interest receivable on property taxes 4,017
Interest receivable on water, sewer and sanitation 537
Grants 2,874
Deferred outflows related to pension 11,566
Deferred outflows related to OPEB 47,515

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.

22,795

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 (164,334)
Interest payable on bonds and notes (1,620)
Compensated absences (9,262)
Total OPEB liability (20,168)
Net OPEB liability (231,965)
Bond premium (23,883)
Deferred inflows related to pension (65,211)
Deferred inflows related to OPEB (126,896)

Net Position of Governmental Activities (Exhibit I) \$ 125,765

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, 2021
(In Thousands)**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Special Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 126,045	\$	\$	\$	\$ 11,692	\$ 137,737
Licenses and permits	1,383					1,383
Intergovernmental	46,411		17,276	2,188	25,609	91,484
Charges for services	5,274			84	19,797	25,155
Investment income	101	2			283	386
Miscellaneous	4,623	2	(2)	440	299	5,362
Total revenues	<u>183,837</u>	<u>4</u>	<u>17,274</u>	<u>2,712</u>	<u>57,680</u>	<u>261,507</u>
Expenditures:						
Current:						
General government	10,451			594	1,794	12,839
Public safety	17,922			394	12,865	31,181
Public works	5,711					5,711
Health and human resources	1,742				176	1,918
Culture and recreation	5,849			100	243	6,192
Employee benefits and insurance	21,132					21,132
Education	99,303			1,958	25,822	127,083
Sewer					7,364	7,364
Water					4,444	4,444
Sanitation					1,504	1,504
Capital outlay			60,650	3,278	2,316	66,244
Debt service:						
Principal retirement		18,075				18,075
Interest and fiscal charges		4,485				4,485
Total expenditures	<u>162,110</u>	<u>22,560</u>	<u>60,650</u>	<u>6,324</u>	<u>56,528</u>	<u>308,172</u>
Excess (Deficiency) of Revenues over Expenditures	<u>21,727</u>	<u>(22,556)</u>	<u>(43,376)</u>	<u>(3,612)</u>	<u>1,152</u>	<u>(46,665)</u>
Other Financing Sources (Uses):						
Bond and serial notes			68,531			68,531
Refunding bonds issued		10,955				10,955
Bond premium	4,900	9,105				14,005
Payment to escrow agent		(13,520)				(13,520)
Transfers in	479	22,449		678	5,116	28,722
Transfers out	(21,946)		(91)	(11)	(6,625)	(28,673)
Total other financing sources (uses)	<u>(16,567)</u>	<u>28,989</u>	<u>68,440</u>	<u>667</u>	<u>(1,509)</u>	<u>80,020</u>
Net Change in Fund Balances	5,160	6,433	25,064	(2,945)	(357)	33,355
Fund Balances at Beginning of Year, as restated	<u>44,827</u>	<u>85</u>	<u>(38,583)</u>	<u>1,180</u>	<u>23,155</u>	<u>30,664</u>
Fund Balances at End of Year	<u>\$ 49,987</u>	<u>\$ 6,518</u>	<u>\$ (13,519)</u>	<u>\$ (1,765)</u>	<u>\$ 22,798</u>	<u>\$ 64,019</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, 2021
(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)	\$ 33,355
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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	57,007
Depreciation expense	(14,033)

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.	(151)
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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:

Net pension asset	69,882
Property tax receivable - accrual basis change	412
Property tax interest and lien revenue - accrual basis change	116
Water, sewer, sanitation interest receivable - accrual change	43
Grants	2,874
Change in deferred outflows related to pension	2,965
Change in deferred outflows related to OPEB	(10,106)

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:

Bonds and notes principal payments	16,191
Issuance of refunding bonds	(10,955)
Issuance of bonds and notes	(68,531)
Premium on bonds	(14,005)
Payment to escrow agent	13,520

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	36
Total OPEB liability	3,765
Net OPEB liability	88,041
Bond premium amortization	5,500
Accrued interest	(474)
Change in deferred inflows related to pension	(57,237)
Change in deferred inflows related to OPEB	(75,104)

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>635</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 43,746</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 FUNDS
JUNE 30, 2021
(In Thousands)

	Governmental Activities
	Internal Service Funds
Assets:	
Cash and cash equivalents	\$ <u>29,225</u>
Liabilities:	
Current liabilities:	
Accounts and other payables	123
Unpaid claims - current	<u>2,189</u>
Total current liabilities	2,312
Noncurrent liabilities:	
Unpaid claims - noncurrent	<u>4,118</u>
Total liabilities	<u>6,430</u>
Net Position:	
Unrestricted	\$ <u><u>22,795</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 FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)**

	Governmental Activities Internal Service Funds
Operating Revenues:	
Charges for services	\$ 19,138
Other	3,658
Total operating revenues	<u>22,796</u>
Operating Expenses:	
Benefit payments	7,637
Administration	637
Insurance	13,884
Total operating expenses	<u>22,158</u>
Operating Income	638
Nonoperating Revenue:	
Income on investments	<u>46</u>
Income Before Transfers	684
Transfers Out	<u>(49)</u>
Change in Net Position	635
Net Position at Beginning of Year	<u>22,160</u>
Net Position at End of Year	<u>\$ 22,795</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)**

	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:	
Interfund services provided or used	\$ 19,138
Cash received for insurance reimbursements	3,658
Cash paid to vendors	<u>(22,460)</u>
Net cash provided by operating activities	336
Cash Flows from Noncapital Financing Activities:	
Transfers to other funds	(49)
Cash Flows from Investing Activities:	
Income on investments	<u>46</u>
Net Increase in Cash and Cash Equivalents	333
Cash and Cash Equivalents at Beginning of Year	<u>28,892</u>
Cash and Cash Equivalents at End of Year	<u>\$ 29,225</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating income	\$ 638
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in vouchers and other payables	<u>(302)</u>
Net Cash Provided by Operating Activities	<u>\$ 336</u>

The accompanying notes are an integral part of the financial statements

CITY OF MIDDLETOWN, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2021
(In Thousands)

	Pension and Other Employee Benefit Trust Funds
Assets:	
Cash and cash equivalents	\$ 10,373
Investments:	
U.S. government securities	23,387
Corporate bonds	175,387
Common stock	107,519
Mutual funds	254,339
Receivables:	
Accrued investment income	<u>1,503</u>
Total assets	<u>572,508</u>
Liabilities:	
Vouchers and other payables	<u>222</u>
Net Position:	
Net position restricted for pension benefits	546,662
Net position restricted for OPEB benefits	<u>25,624</u>
Total net position	<u>\$ <u>572,286</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF MIDDLETOWN, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)

	Pension and Other Employee Benefit Trust Funds
Additions:	
Contributions:	
Employer	\$ 15,547
Plan members	2,885
Other	1,151
Total contributions	<u>19,583</u>
Investment income (loss):	
Net change in fair value of investments	102,054
Interest and dividends	13,008
Total investment gain	<u>115,062</u>
Investment fees	<u>(949)</u>
Net investment income (loss)	<u>114,113</u>
Total additions	<u>133,696</u>
Deductions:	
Benefits	<u>29,819</u>
Change in Net Position	103,877
Net Position at Beginning of Year	<u>468,409</u>
Net Position at End of Year	<u>\$ 572,286</u>

The accompanying notes are an integral part of the financial statements

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CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)

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 2014. 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 10, ECRRA is a regional authority formed to provide solid waste disposal and a resource recovery system. At June 30, 2021, 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.

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.

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.

CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)

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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered available if they are collected within 180 days 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.

The Special Grants Fund accounts for financial resources to be used for state and federal grant related projects.

Additionally, the City reports the following fund types:

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

The Pension and Other Employee Benefit Trust Funds account for the activities of the defined benefit pension plans and Other Postemployment Benefits Trust Fund, which accumulate resources for pension and health benefit payments to qualified employees upon retirement.

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.

CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)

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 and ECRRA 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 unit, are reported at fair value.

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 1.7% of outstanding amounts.

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.

**CITY OF MIDDLETOWN, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (IN THOUSANDS)**

E. 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.

F. 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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.

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

G. 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 asset 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 and OPEB. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB 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 and OPEB plans (active employees and inactive employees).

**CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)**

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 asset 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 pension and OPEB. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs and net difference between projected and actual earnings on investments. These amounts are deferred and included in pension and OPEB 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 and OPEB 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.

H. 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.

I. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

J. Net OPEB Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability 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 \$9,262. 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).

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.

**CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)**

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.

N. Accounting Estimates

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

O. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 29, 2022.

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 \$456. All budget amendments were processed in accordance with Charter provisions.

**CITY OF MIDDLETOWN, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (IN THOUSANDS)**

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

B. Deficit Fund Equity

The City has the following fund deficits at June 30, 2021:

	<u>Amount</u>
Capital Projects Fund*	\$ 13,519
Special Grants Fund***	1,765
Nonmajor Governmental Funds:	
Special Revenue Funds:	
School Cafeteria Fund **	650
Middletown Business Improvement Fund **	5

- * Deficit will be eliminated with future bond proceeds
- ** Deficit will be eliminated through future appropriations
- *** Deficit will be eliminated through future grants proceeds

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.

**CITY OF MIDDLETOWN, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (IN THOUSANDS)**

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 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*, \$119,910 of the City’s bank balance of \$121,237 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 107,790
Uninsured and collateral held by the pledging bank’s trust department, not in the City’s name	<u>12,120</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 119,910</u>

Cash Equivalents

City

At June 30, 2021, the City’s cash equivalents amounted to \$12,120. 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 & Poor’s</u>
State Short-Term Investment Fund (STIF) Fidelity*	AAAm

*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, 2021, ECRRA’s cash equivalents amounted to \$255. 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, 2021
(IN THOUSANDS)

Investments

City

As of June 30, 2021, the City had the following investments:

<u>Investment Type</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 *	\$ 47	\$ 47	\$	\$
U.S. government securities	29,605		163	29,442
U.S. government agencies	760			760
Corporate bonds	<u>175,830</u>	<u>2,406</u>	<u>104,992</u>	<u>68,432</u>
Total	206,242	\$ <u>2,453</u>	\$ <u>105,155</u>	\$ <u>98,634</u>
Other Investments:				
Mutual funds	248,245			
Common stock	<u>107,564</u>			
Total Investments	\$ <u>562,051</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.

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City

<u>Average Rating</u>	<u>Corporate Bonds</u>
Aaa	\$ 4,164
Aa1	5,811
Aa2	11,494
Aa3	5,550
A1	21,998
A2	26,207
A3	29,431
Baa1	18,280
Baa2	16,383
Baa3	5,211
Ba1	205
Ba2	2,016
Ba3	3,121
B1	4,913
B2	3,371
B3	3,662
Caa1	2,779
Caa2	965
Ca	170
Unrated	<u>10,099</u>
	<u>\$ 175,830</u>

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, 2021, 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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2021:

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	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
U.S. Government Securities	\$ 29,605	\$ 29,605	\$	\$
U.S. Government Agencies	760	760		
Corporate Bonds	175,830	175,830		
Common Stock	107,564	107,564		
Mutual Funds	248,245	248,245		
Total Investments by Fair Value Level	<u>\$ 562,004</u>	<u>\$ 562,004</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not included above				
Certificates of Deposit	<u>47</u>			
Total Investments	<u>562,051</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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>Special Grants</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 8,518	\$	\$	\$ 1,072	\$ 9,590
Interest*				1,503	1,503
Accounts and other	147			3,558	3,705
Intergovernmental		57	2,912	1,879	4,848
Gross receivables	<u>8,665</u>	<u>57</u>	<u>2,912</u>	<u>8,012</u>	<u>19,646</u>
Less allowance for uncollectibles	<u>120</u>				<u>120</u>
Total Net Receivables	<u>\$ 8,545</u>	<u>\$ 57</u>	<u>\$ 2,912</u>	<u>\$ 8,012</u>	<u>\$ 19,526</u>

* Does not include interest on property taxes of \$4,017 and interest on water, sewer and sanitation receivables of \$537.

**CITY OF MIDDLETOWN, CONNECTICUT
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5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 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	\$ 18,746	\$ 1,934	\$	\$ 20,680
Construction in progress	102,237	54,536	(33,387)	123,386
Total capital assets not being depreciated	<u>120,983</u>	<u>56,470</u>	<u>(33,387)</u>	<u>144,066</u>
Capital assets being depreciated:				
Buildings	244,954	75		245,029
Machinery, equipment and building contents	44,104	1,832	(909)	45,027
Infrastructure	359,596	32,017		391,613
Total capital assets being depreciated	<u>648,654</u>	<u>33,924</u>	<u>(909)</u>	<u>681,669</u>
Less accumulated depreciation for:				
Buildings	(117,756)	(4,703)		(122,459)
Machinery, equipment and building contents	(27,343)	(2,142)	758	(28,727)
Infrastructure	(163,730)	(7,188)		(170,918)
Total accumulated depreciation	<u>(308,829)</u>	<u>(14,033)</u>	<u>758</u>	<u>(322,104)</u>
Total capital assets being depreciated, net	<u>339,825</u>	<u>19,891</u>	<u>(151)</u>	<u>359,565</u>
Governmental Activities Capital Assets, Net	<u>\$ 460,808</u>	<u>\$ 76,361</u>	<u>\$ (33,538)</u>	<u>\$ 503,631</u>

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

Governmental activities:	
General government	\$ 3,082
Public safety	2,030
Public works	2,465
Education	<u>6,456</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 14,033</u>

Construction Commitments

The City has active construction projects as of June 30, 2021 which include roads, bridges, water and sewer lines, and school building improvements. At June 30, 2021, the City's commitments with contractors is \$91,327.

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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, 2021 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>(76,899)</u>	<u>(3,143)</u>	<u></u>	<u>(80,042)</u>
ECRRA Capital Assets, Net	<u>\$ 33,002</u>	<u>\$ (3,143)</u>	<u>\$ -</u>	<u>\$ 29,859</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2021, 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	\$ 9,573	\$
Capital Projects Fund		6,057
Special Grants		2,286
Nonmajor Governmental Funds		<u>1,230</u>
Total	<u>\$ 9,573</u>	<u>\$ 9,573</u>

The above balances represent temporary advances for operating cash requirements.

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Interfund transfers:

	Transfers In				Total
	General Fund	Debt Service Fund	Special Grants	Nonmajor Governmental	
Transfers out:					
General Fund	\$	\$ 16,152	\$ 678	\$ 5,116	\$ 21,946
Nonmajor Governmental	419	6,206			6,625
Capital Projects		91			91
Special Grants	11				11
Internal Service Funds	49				49
Total Transfers Out	\$ 479	\$ 22,449	\$ 678	\$ 5,116	\$ 28,722

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 City Council.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and notes payable:					
General obligation bonds	\$ 100,000	\$ 54,955	\$ 13,400	\$ 141,555	\$ 15,265
Clean water notes	14,559	24,531	16,311	22,779	1,260
Unamortized bond premium	15,378	14,005	5,500	23,883	
Total bonds and notes payable	129,937	93,491	35,211	188,217	16,525
Compensated absences	9,298	3,218	3,254	9,262	3,242
Net OPEB liability	320,006		88,041	231,965	
Total OPEB liability	23,933		3,765	20,168	395
Risk management	6,640	13,246	13,579	6,307	2,189
Total Governmental Activities					
Long-Term Liabilities	\$ 489,814	\$ 109,955	\$ 143,850	\$ 455,919	\$ 22,351

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Governmental fund liabilities for bonds are liquidated by the Debt Service Fund, which is funded primarily from the General Fund. Compensated absences and other post-employment benefits of the governmental activities are liquidated primarily by the General Fund. Claims are liquidated by the Internal Service Funds, but primarily funded by the General Fund.

The annual requirements to amortize bonds payable as of June 30, 2021 are as follows:

Bonds Payable Due Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 15,265	\$ 6,573	\$ 21,838
2023	18,565	6,104	24,669
2024	18,585	5,210	23,795
2025	15,820	4,322	20,142
2026	15,640	3,549	19,189
2027-2031	50,010	8,511	58,521
2032-2036	<u>7,670</u>	<u>590</u>	<u>8,260</u>
Total	<u>\$ 141,555</u>	<u>\$ 34,859</u>	<u>\$ 176,414</u>

The annual requirements to amortize the clean water note payables as of June 30, 2021 are as follows:

Clean Water Notes Payable Due Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,260	\$ 444	\$ 1,704
2023	1,260	419	1,679
2024	1,260	394	1,654
2025	1,260	368	1,628
2026	1,260	343	1,603
2027-2031	6,298	1,339	7,637
2032-2036	6,298	708	7,006
2037-2041	<u>3,883</u>	<u>123</u>	<u>4,006</u>
Total	<u>\$ 22,779</u>	<u>\$ 4,138</u>	<u>\$ 26,917</u>

**CITY OF MIDDLETOWN, CONNECTICUT
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Bonds payable at June 30, 2021 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>
4/1/2011	General Purpose	2-4%	\$ 7,712	\$ 771	2022
4/1/2011	Water	2-4%	1,056	106	2022
4/1/2011	Sewer	2-4%	132	13	2022
4/10/2013	General Purpose	2-4%	24,323	7,293	2024
4/10/2013	Water	2-4%	1,787	530	2024
4/10/2013	Sewer	2-4%	1,030	309	2024
4/10/2013	Schools	2-4%	760	228	2024
4/2/2015	General Purpose	2-5%	22,837	11,420	2026
4/2/2015	Water	2-5%	4,013	2,005	2026
4/2/2015	Sewer	2-5%	2,992	1,495	2026
4/2/2015	Schools	2-5%	2,459	1,230	2026
4/14/2016	General Purpose	3-4%	7,000	4,200	2027
4/12/2017	General Purpose	3-5%	19,000	13,300	2028
4/12/2018	General Purpose	2-5%	10,000	8,000	2029
4/11/2019	General Purpose	5%	13,760	12,384	2030
4/11/2019	Schools	5%	2,700	2,430	2030
4/11/2019	Sewer	5%	1,087	978	2030
4/11/2019	Water	5%	453	408	2030
4/16/2020	General Purpose	5%	8,006	8,006	2031
4/16/2020	Schools	5%	9,052	9,052	2031
4/16/2020	Sewer	5%	1,650	1,650	2031
4/16/2020	Water	5%	792	792	2031
5/13/2021	Water	4-5%	10,955	10,955	2036
3/30/2021	General Purpose	5%	14,225	14,225	2032
3/30/2021	Schools	5%	24,058	24,058	2032
3/30/2021	Sewer	5%	3,648	3,648	2032
3/30/2021	Water	5%	2,069	2,069	2032
			<u>\$ 197,556</u>	<u>\$ 141,555</u>	

Notes payable at June 30, 2021 are comprised of the following:

Principal Amount of Debt Indebtedness

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding</u>	<u>Date of Fiscal Year Maturity</u>
1/29/2021	Clean Water Fund	2%	\$ <u>24,531</u>	\$ <u>22,779</u>	2040

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General Obligation Refunding Bonds

On May 13, 2021, the City issued \$10,955 of general obligation refunding bonds with an interest rate between 4%-5%. The bonds were issued to refund \$13,520 aggregate principal amounts outstanding of certain City outstanding project loan obligations with the State of Connecticut. The net proceeds of \$13,520 (after an original issue premium of \$2,675 and payment of \$110 in underwriter's fees and other issuance costs) were paid directly to the State of Connecticut. The City refunded the above bonds to reduce total debt service payments over 15 years by \$926 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$818. As of June 30, 2021, there is no defeased debt outstanding from this refunding. This amount is removed from the governmental activities column of the statement of net position.

Bonds authorized and unissued amounted to \$124.6 million at June 30, 2021.

The total of the City's indebtedness does not exceed the legal debt limitation of \$940.2 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	\$ 302,220	\$ 125,452	\$ 176,768
Schools	604,440	63,500	540,940
Sewer	503,700	20,184	483,516
Urban Renewal	436,540		436,540
Pension deficit	402,960		402,960

Note Payable

The City has a note payable at June 30, 2021 of \$1,670, 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.

**CITY OF MIDDLETOWN, CONNECTICUT
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8. FUND BALANCE

The component of fund balance for the governmental funds at June 30, 2021 are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Special Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 55	\$ 55
Restricted for:						
Grants					1,277	1,277
Permanent funds					1,451	1,451
Debt service		6,518				6,518
Committed to:						
Fire District					872	872
Sanitary Disposal District					1,635	1,635
Water distribution operations					3,299	3,299
Landfill waste and recycling					534	534
Sewer operations					2,752	2,752
Sewage disposal					7,212	7,212
Police benevolence					3	3
Library					55	55
Parking district					103	103
Student activities					500	500
Capital projects					3,760	3,760
Assigned to:						
General government	1,387					1,387
Public safety	229					229
Public works	260					260
Health and human resources	2					2
Culture and recreation	118					118
Education	589					589
Assigned for subsequent year's budget	7,250					7,250
Unassigned	40,152		(13,519)	(1,765)	(710)	24,158
Total Fund Balances	<u>\$ 49,987</u>	<u>\$ 6,518</u>	<u>\$ (13,519)</u>	<u>\$ (1,765)</u>	<u>\$ 22,798</u>	<u>\$ 64,019</u>

Significant encumbrances at June 30, 2021 are contained in the above table. General Fund encumbrances amounted to \$2,585. Capital Projects encumbrances amounted to 25,829, Special Grants encumbrances amounted to \$771 and Nonmajor Governmental Funds encumbrances amounted to \$1,673 at June 30, 2021.

9. RISK MANAGEMENT

The City is exposed to various risks of loss including, but not limited to claims for personal injury and property damage; theft, damage to City property; errors and omissions claims; employee injuries and illnesses, both work-related and nonwork-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 (not rounded)

The City maintains property coverage as listed below:

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

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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, 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; \$1,000,000 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 (occurrence) 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 and for the Superintendent of Highways in the amount of \$50,000.

Workers' Compensation Insurance (not rounded)

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, subject to a self-insured retention limit of \$650,000 for all employees, for each accident and each employee for disease with statutory limits for Workers' Compensation and \$1,000,000 Employers Liability.

Employee Health Benefits (not rounded)

The City's current employee/retiree medical benefit program is self-insured with stop-loss insurance limits of \$200,000 per individual and 120% aggregate. The City further provides employees and retirees with dental and prescription drug coverage, both of which are self-insured. The City maintains prescription drug excess loss coverage with an annual attachment point of \$9,000,000 (rounded). There is no stop-loss insurance for dental coverage. Employees and retirees also receive life insurance which is fully insured.

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Outstanding Liabilities

Property and Liability

At the close of June 30, 2021, the City reported an outstanding liability of \$900 for claims incurred during the 2020-21 fiscal year, as well as prior years' claims within the deductible and self-insured retentions.

Workers' Compensation

At the close of June 30, 2021, the City reported an outstanding liability of \$3,218 for claims incurred during the 2020-21 fiscal year, as well as claims pending from prior years.

Employee Health Benefits

At the close of June 30, 2021, the City reported an outstanding liability of \$2,189 (medical/dental/prescription drug) for claims incurred but not reported during the 2020-21 fiscal year.

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>
<u>Health Benefits Fund:</u>				
2019-20	\$ 2,580	\$ 9,390	\$ 9,628	\$ 2,342
2020-21	2,342	11,045	11,198	2,189
<u>Property and Casualty Fund:</u>				
2019-20	900	289	289	900
2020-21	900	457	457	900
<u>Workers' Compensation Fund:</u>				
2019-20	3,422	1,981	2,005	3,398
2020-21	3,398	1,744	1,924	3,218

10. 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, 2021, 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.

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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 any 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.

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.

11. POSTEMPLOYMENT BENEFITS

City and Board of Education

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.

The postemployment benefits plan is a single-employer plan, and is administered by the Retirement Board consisting of eight members: two (2) members of the Common Council (with one (1) member from each political party); the City's Director of Finance; three (3) citizens of the City of Middletown, provided that one such seat shall be held by a former finance director, until his resignation, death or expiration of his term without reappointment; one (1) citizen of the City of Middletown who is also a member of the Plan; and the Mayor, ex officio. In no event shall more than five (5) of the Retirement Board's members belong to any one political party, as determined based upon each member's registered party affiliation, excluding from consideration the City's Director of Finance.

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.

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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.

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.

At July 1, 2018, plan membership consisted of the following:

	<u>City</u>	<u>BOE</u>	<u>Total</u>
Active plan members	577	484	1,061
Retired and spouses members	<u>456</u>	<u>53</u>	<u>509</u>
Total Participants	<u><u>1,033</u></u>	<u><u>537</u></u>	<u><u>1,570</u></u>

C. Investments

Investment Policy

OPEB Benefits Plan’s policy in regard to the allocation of invested assets is established and may be amended by the retirement board by a majority vote of its members.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 28.34% for the City. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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D. Net OPEB Liability - City

The City's net OPEB liability was measured as of June 30, 2021. The components of the Net OPEB liability of the City at June 30, 2021 were as follows:

Total OPEB liability	\$	257,589
Plan fiduciary net position		<u>25,624</u>
 Net OPEB Liability	 \$	 <u><u>231,965</u></u>
 Plan fiduciary net position as a percentage of the total OPEB liability		 9.95%

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

City

Inflation	2.40% (Prior 2.50%)
Salary increases	3.00%-8.00%
Investment rate of return	4.16%
Healthcare cost trend rates	6.5% for 2020, decreasing 0.20% per year to an ultimate rate of 4.0% for 2031 and later years

BOE

Inflation	2.50%
Salary increases	4.00%
Discount rate	2.21% (Prior: 3.51%)
Healthcare cost trend rates	7.0% for 2019, decreasing 0.50% per year to an ultimate rate of 4.50% for 2024 and later years
Retirees' share of benefit- Related costs	There is no retiree cost for medical and dental prior to age 65. Retirees pay 20% at age 65 and over.

City

Mortality Tables were based on Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), projected to the valuation date with Scale MP-2020. Prior: Mortality rates were based on the RP-2000 Combined Mortality Table with separate male and female rates, with Total Dataset adjustment, separate tables for nonannuitants and annuitants, projected to the valuation date with Scale AA.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through July 1, 2015.

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BOE

Mortality Tables were based on Pub-2010 Public Retirement Plans Amount-Weighted Mortality Table for Teachers with separate tables for annuitants and nonannuitants, projected to the valuation date with Scale MP-2020. Prior: Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2019.

No actuarial experience study was completed.

The long-term expected rate of return on OPEB 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 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 allocation and best estimates of arithmetic real rates of return for each major asset as of June 30, 2021 are summarized in the following table:

City

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap	24.50 %	5.25 %
Mid Cap	7.50	5.75
Small Cap	7.00	5.75
International Developed Equities	16.50	5.75
International Emerging Market	5.50	7.75
Real Estate	4.00	5.75
U.S. Investment Grade Bonds	30.50	1.25
U.S. High Yield Bonds	4.50	4.00
	<u>100.00</u>	
Total		

Discount Rate

The discount rate used to measure the City net OPEB liability was 4.16%, prior 2.72%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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E. Changes in the Net OPEB Liability - City

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2020	\$ 338,231	\$ 18,225	\$ 320,006
Changes for the year:			
Service cost	13,367		13,367
Interest on total OPEB liability	9,428		9,428
Difference between expected and actual experience	(55,831)		(55,831)
Changes in assumptions	(37,530)		(37,530)
Employer contributions		11,276	(11,276)
Employee contributions		18	(18)
Other revenue		1,151	(1,151)
Net investment income (loss)		5,030	(5,030)
Benefit payments	(10,076)	(10,076)	-
Net changes	<u>(80,642)</u>	<u>7,399</u>	<u>(88,041)</u>
Balances as of June 30, 2021	\$ <u>257,589</u>	\$ <u>25,624</u>	\$ <u>231,965</u>

Changes in the Total OPEB Liability - BOE

	Total OPEB Liability
Balances as of July 1, 2020	\$ <u>23,933</u>
Changes for the year:	
Service cost	407
Interest on total OPEB liability	534
Difference between expected and actual experience	(6,051)
Changes in assumptions or other inputs	1,740
Benefit payments	<u>(395)</u>
Net changes	<u>(3,765)</u>
Balances as of June 30, 2021	\$ <u>20,168</u>

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Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

City

	1% Decrease (3.16%)	Current Discount Rate (4.16%)	1% Increase (5.16%)
Net OPEB Liability	\$ <u>275,638</u>	\$ <u>231,965</u>	\$ <u>197,422</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the BOE, as well as what the BOE's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

BOE

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB Liability	\$ <u>22,955</u>	\$ <u>20,168</u>	\$ <u>17,849</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

City

	1% Decrease (5.50% Decreasing to 3.40%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.40%)	1% Increase (7.50% Decreasing to 5.40%)
Net OPEB Liability	\$ <u>196,440</u>	\$ <u>231,965</u>	\$ <u>277,359</u>

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Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the BOE, as well as what the BOE's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

BOE

	1% Decrease (5.50% Decreasing to 3.40%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.40%)	1% Increase (7.50% Decreasing to 5.40%)
Total OPEB Liability	\$ <u>17,591</u>	\$ <u>20,168</u>	\$ <u>23,263</u>

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$5,003, of which \$5,017 was reported for the City plan and \$(14) was reported for the BOE plan. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>City</u>		<u>BOE</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 556	\$ 76,872	\$ 9,931	\$ 556	\$ 556	\$ 86,803
Changes of assumptions	42,177	31,058	4,782	5,418	46,959	36,476
Net difference between projected and actual earning on pension plan investments		<u>3,617</u>			<u>-</u>	<u>3,617</u>
Total	<u>\$ 42,733</u>	<u>\$ 111,547</u>	<u>\$ 4,782</u>	<u>\$ 15,349</u>	<u>\$ 47,515</u>	<u>\$ 126,896</u>

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

<u>Year Ending June 30</u>	<u>City</u>	<u>BOE</u>	<u>Total</u>
2022	\$ (16,080)	\$ (881)	\$ (16,961)
2023	(16,168)	(881)	(17,049)
2024	(15,192)	(881)	(16,073)
2025	(8,497)	(881)	(9,378)
2026	(12,877)	(881)	(13,758)
Thereafter	<u> </u>	<u>(6,162)</u>	<u>(6,162)</u>
Total	<u>\$ (68,814)</u>	<u>\$ (10,567)</u>	<u>\$ (79,381)</u>

Connecticut Teachers Retirement Plan - Other Post Employment Benefit

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by the Teachers’ Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

B. Benefit Provisions (not in thousands)

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplement Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree’s share of the cost of coverage, and any remaining portion is used to offset the district’s cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost and contributes at least \$220 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

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If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option, must wait two years to re-enroll.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplement or Medicare Advantage Plan options, as long as they do not remarry.

C. Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

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.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of Credited Service.

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

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D. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, 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. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

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

For the year ended June 30, 2021, the amount of "on-behalf" contributions made by the State was \$270 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees/Retirees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one-third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one-third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the City reports no amounts for its proportionate share of the net OPEB 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 OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the City was as follows:

City's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the City	<u>25,994</u>
Total	<u>\$ 25,994</u>

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2020. At June 30, 2021, the City has no proportionate share of the net OPEB liability.

For the year ended June 30, 2021, the City recognized OPEB expense and revenue of \$1,201 in Exhibit II for on-behalf amounts for the benefits provided by the State.

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F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Healthcare costs trend rate	5.125% for 2020, decreasing to an ultimate rate of 4.50% by 2023
Salary increases	3.00-6.50%, including inflation
Investment rate of return	2.21%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2021

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.42%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%; employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. Annual State contributions were assumed to be equal to the most recent five-year average of State contributions to the fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination.

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

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

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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. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Annual Comprehensive Financial Report at www.ct.gov.

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Middletown Retirement System Fund

A. Plan Description and Benefits Provided (not in thousands)

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 nonteacher 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, 2020, PERS membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	498
Terminated employees entitled to benefits but not yet receiving them	24
Active plan members	<u>577</u>
 Total	 <u><u>1,099</u></u>

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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.

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.

Rate of Return

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2021 were as follows:

Total pension liability	\$	442,908
Plan fiduciary net position		<u>546,662</u>
Net Pension Asset	\$	<u>(103,754)</u>
Plan fiduciary net position as a percentage of the total pension liability		123.43%

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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation and measurement date as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Rates vary by age
Investment rate of return	7.00%

Mortality rates were based Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees and Public Safety), projected to the valuation date with Scale MP 2020. Prior: Mortality rates were based on the RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2019.

The plan does not have sufficiently credible data to perform an experience study.

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, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap	20.5 %	4.6 %
Mid Cap	7.0	5.1
Small Cap	7.0	5.6
International Developed Equities	16.0	5.6
International Emerging Market Equities	5.5	9.1
Real Estate	4.0	6.0
U.S. Investment Grade Bonds	35.5	1.8
U.S. High Yield Bonds	4.5	4.1
Total	100.0 %	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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.

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	Employees' Pension Plan		
		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a)-(b)
Balances as of July 1, 2020	\$ 416,313	\$ 450,184	\$ (33,871)
Changes for the year:			
Service cost	9,381		9,381
Interest on total pension liability	29,119		29,119
Differences between expected and actual experience	1,659		1,659
Effect of assumptions changes or inputs	6,179		6,179
Benefit payments	(19,743)	(19,743)	-
Employer contributions		4,271	(4,271)
Member contributions		2,867	(2,867)
Net investment income		109,083	(109,083)
Net changes	<u>26,595</u>	<u>96,478</u>	<u>(69,883)</u>
Balances as of June 30, 2021	\$ <u>442,908</u>	\$ <u>546,662</u>	\$ <u>(103,754)</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 current discount rate, 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 or 1 percentage point higher than the current rate:

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate	8.00%
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Net Pension (Asset) Liability	\$ <u>(44,692)</u>	\$ <u>(103,754)</u>	\$ <u>(152,302)</u>

**CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)**

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

For the year ended June 30, 2021, the City recognized pension expense of \$11,339. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Employees' Pension Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,170	\$ 3,859
Changes of assumptions	9,396	
Net difference between projected and actual earning on pension plan investments		61,352
	<hr/>	<hr/>
Total	\$ 11,566	\$ 65,211

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

<u>Year Ending June 30,</u>	
2022	\$ (12,949)
2023	(13,518)
2024	(13,479)
2025	(14,001)
2026	<hr/> 302
Total	\$ <u>(53,645)</u>

CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)

Trust Fund Financial Statements

	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 7,762	\$ 2,611	\$ 10,373
Investments:			
U.S. government securities	23,387		23,387
Corporate bonds	175,387		175,387
Common stock	96,854	10,665	107,519
Mutual funds	241,988	12,351	254,339
Receivables:			
Accrued investment income	<u>1,503</u>		<u>1,503</u>
Total assets	546,881	25,627	572,508
Liabilities:			
Vouchers and other payables	<u>219</u>	<u>3</u>	<u>222</u>
Net Position:			
Net Position Restricted for Pension and OPEB Benefits	<u>\$ 546,662</u>	<u>\$ 25,624</u>	<u>\$ 572,286</u>
	<u>Pension Trust Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
Additions:			
Contributions:			
Employer	\$ 4,271	\$ 11,276	\$ 15,547
Plan members	2,867	18	2,885
Other		1,151	1,151
Total contributions	<u>7,138</u>	<u>12,445</u>	<u>19,583</u>
Investment income:			
Net change in fair value of investments	102,054		102,054
Interest and dividends	7,964	5,044	13,008
Total investment gain	<u>110,018</u>	<u>5,044</u>	<u>115,062</u>
Investment fees	(935)	(14)	(949)
Net investment income	<u>109,083</u>	<u>5,030</u>	<u>114,113</u>
Total additions	116,221	17,475	133,696
Deductions:			
Benefits	<u>19,743</u>	<u>10,076</u>	<u>29,819</u>
Change in Net Position	96,478	7,399	103,877
Net Position at Beginning of Year	<u>450,184</u>	<u>18,225</u>	<u>468,409</u>
Net Position at End of Year	<u>\$ 546,662</u>	<u>\$ 25,624</u>	<u>\$ 572,286</u>

**CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)**

Connecticut Teachers Retirement System - Pension

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.

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.

For the year ended June 30, 2021, the amount of "on-behalf" contributions made by the State was \$11,178 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

**CITY OF MIDDLETOWN, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021
 (IN THOUSANDS)**

Employees

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

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, 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>174,279</u>
Total	\$	<u><u>174,279</u></u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2021, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2021, the City recognized pension expense and revenue of \$24,965 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, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2019.

Cost-of-Living Allowance

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

**CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)**

For teachers who were members of the Teachers’ Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers’ Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

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 current capital market assumptions and the target asset allocation as provided by the State of Connecticut Treasurer’s Office are summarized in the following table:

<u>Asset Class</u>	<u>Expected Return</u>	<u>Target Allocation</u>
Domestic Equity Fund	5.60	20.00
Developed Market Intl. Stock Fund	6.00	11.00
Emerging Market Intl. Stock Fund	7.90	9.00
Core Fixed Income Fund	2.10	16.00
Inflation Linked Bond Fund	1.10	5.00
Emerging Market Debt Fund	2.70	5.00
High Yield Bond Fund	4.00	6.00
Real Estate Fund	4.50	10.00
Private Equity	7.30	10.00
Alternative Investments	2.90	7.00
Liquidity Fund	0.40	1.00
Total		<u><u>100.00</u></u> %

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

CITY OF MIDDLETOWN, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021
(IN THOUSANDS)

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. 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.

I. 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.

13. GASB 84 – RESTATEMENT

The City previously reported the activities of the Student Activity Agency Fund and the Escrow Fund as fiduciary funds. As a result of implementation of GASB No. 84, *Fiduciary Activities*, as of July 1, 2020, the City made the following reporting changes: The activities of the Escrow Funds are reported with the general fund activities, and the Student Activity Fund are reported as special revenue funds. Accordingly, the City increased the beginning assets and liabilities of the General Fund by \$456, and thus no effect to the beginning fund balance. The City created new special revenue funds for the Student Activity Fund, thus increasing assets and fund balance of \$2,531. Accordingly, the City restated beginning balances of the assets, liabilities, fund balance and net position as follows:

	Governmental Activities Net Position	Nonmajor Governmental Funds Fund Balance	Agency Funds
Governmental Funds:			
Balance as previously reported June 30, 2020	\$ 81,563	\$ 22,699	\$ 2,987
Adjustment:			
Student Activity Fund now reported as a Special Revenue Fund	456	456	(456)
Escrow Fund now reported in the General Fund			(2,531)
Balance as restated July 1, 2020	<u>\$ 82,019</u>	<u>\$ 23,155</u>	<u>\$ -</u>

**Required
Supplementary
Information**

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**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, 2021
(In Thousands)**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes:				
General property taxes	\$ 124,515	\$ 124,515	\$ 124,832	\$ 317
Penalties and interest on delinquent taxes	607	607	1,213	606
Total	<u>125,122</u>	<u>125,122</u>	<u>126,045</u>	<u>923</u>
Licenses and permits:				
Business licenses and permits	160	160	249	89
Non-business licenses and permits	445	445	1,134	689
Total	<u>605</u>	<u>605</u>	<u>1,383</u>	<u>778</u>
Intergovernmental revenues	<u>32,570</u>	<u>32,570</u>	<u>34,962</u>	<u>2,392</u>
Charges for services:				
General government	2,568	2,568	2,703	135
Public safety	1,597	1,597	2,225	628
Culture and recreation	323	323	346	23
Total	<u>4,488</u>	<u>4,488</u>	<u>5,274</u>	<u>786</u>
Miscellaneous revenue:				
Interest	350	350	101	(249)
Other	4,437	4,437	4,623	186
Total	<u>4,787</u>	<u>4,787</u>	<u>4,724</u>	<u>(63)</u>
Total revenues	<u>167,572</u>	<u>167,572</u>	<u>172,388</u>	<u>4,816</u>
Other financing sources:				
Transfers in	<u>528</u>	<u>528</u>	<u>479</u>	<u>(49)</u>
Total	<u>\$ 168,100</u>	<u>\$ 168,100</u>	172,867	<u>\$ 4,767</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

Pension	11,179
OPEB	270
Premium on bonds not budgeted	<u>4,900</u>

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

\$ 189,216

**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, 2021
(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	\$ 783	\$ 812	\$ 585	\$ 227
Finance	2,739	2,772	2,730	42
Town Clerk	333	374	369	5
City Attorney	809	863	858	5
Tax Collector	435	502	483	19
Registrar of Voters	267	231	229	2
Tax Assessor	428	457	451	6
Councilmen	203	246	244	2
Planning Conservation and Development	956	963	952	11
Personnel Department	257	277	254	23
Municipal Building	238	252	250	2
Treasurer	4	4	4	-
P.C. Network	1,567	1,623	1,623	-
Total	<u>9,019</u>	<u>9,376</u>	<u>9,032</u>	<u>344</u>
Public safety:				
Police	14,824	15,228	15,208	20
Office of Emergency Management	87	87	54	33
Canine Control	243	247	246	1
Parking Authority	834	754	639	115
Fire Alarms	219	228	222	6
Central Communications	2,241	2,260	2,260	-
Total	<u>18,448</u>	<u>18,804</u>	<u>18,629</u>	<u>175</u>
Public works:				
Administration	428	451	449	2
Inspections and permits	339	366	364	2
Garage, highway and engineering	3,709	3,885	3,853	32
Building	225	270	261	9
Sanitation landfill	194	154	152	2
Traffic paint	185	174	169	5
Recycling	181	180	179	1
Total	<u>5,261</u>	<u>5,480</u>	<u>5,427</u>	<u>53</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, 2021
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Health	\$ 825	\$ 861	\$ 861	\$ -
Parks and recreation	2,629	2,594	2,402	192
Russell Library	3,208	3,230	3,224	6
Education	90,149	89,069	89,069	-
Sundry municipal services:				
Transit District	298	298	298	-
Senior affairs	558	594	575	19
Youth services	282	246	244	2
Human relations	218	229	200	29
Reserve for salaries	725	182		182
Total	2,081	1,549	1,317	232
Special accounts	1,276	1,294	1,154	140
Employee benefits	18,139	18,154	18,154	-
Insurance - bonds	2,993	2,993	2,993	-
Total expenditures	154,028	153,404	152,262	1,142
Other financing uses:				
Transfers out	21,484	22,564	21,946	618
Total	\$ 175,512	\$ 175,968	174,208	\$ 1,760

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:

Pension	11,179
OPEB	270

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

(1,601)

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

\$ 184,056

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:								
Service cost	\$ 9,381	\$ 8,903	\$ 8,864	\$ 8,452	\$ 8,184	\$ 7,434	\$ 6,840	\$ 6,577
Interest	29,119	27,705	26,706	25,332	24,146	23,780	23,472	22,384
Changes of benefit terms					726			
Differences between expected and actual experience	1,659	(4,242)	(2,950)	3,084	995	(6,518)	(2,268)	
Changes of assumptions	6,179	6,639			4,305	9,310	(692)	
Benefit payments, including refunds of member contributions	<u>(19,743)</u>	<u>(18,823)</u>	<u>(17,978)</u>	<u>(17,344)</u>	<u>(16,314)</u>	<u>(15,704)</u>	<u>(15,195)</u>	<u>(14,626)</u>
Net change in total pension liability	26,595	20,182	14,642	19,524	22,042	18,302	12,157	14,335
Total pension liability - beginning	<u>416,313</u>	<u>396,131</u>	<u>381,489</u>	<u>361,965</u>	<u>339,923</u>	<u>321,621</u>	<u>309,464</u>	<u>295,129</u>
Total pension liability - ending	<u>442,908</u>	<u>416,313</u>	<u>396,131</u>	<u>381,489</u>	<u>361,965</u>	<u>339,923</u>	<u>321,621</u>	<u>309,464</u>
Plan fiduciary net position:								
Contributions - employer	4,271	4,192	4,008	3,401	2,807	2,630	2,794	2,418
Contributions - member	2,867	2,841	2,621	2,674	2,488	2,410	2,282	2,269
Net investment income (loss)	109,083	28,598	27,604	28,738	44,095	(758)	10,260	53,223
Benefit payments, including refunds of member contributions	<u>(19,743)</u>	<u>(18,823)</u>	<u>(17,977)</u>	<u>(17,344)</u>	<u>(16,314)</u>	<u>(15,704)</u>	<u>(15,195)</u>	<u>(14,626)</u>
Administrative expense						(4)	(10)	(1)
Other			21		10			
Net change in plan fiduciary net position	<u>96,478</u>	<u>16,808</u>	<u>16,277</u>	<u>17,469</u>	<u>33,086</u>	<u>(11,426)</u>	<u>131</u>	<u>43,283</u>
Plan fiduciary net position - beginning	<u>450,184</u>	<u>433,376</u>	<u>417,099</u>	<u>399,630</u>	<u>366,544</u>	<u>377,970</u>	<u>377,839</u>	<u>334,556</u>
Plan fiduciary net position - ending	<u>546,662</u>	<u>450,184</u>	<u>433,376</u>	<u>417,099</u>	<u>399,630</u>	<u>366,544</u>	<u>377,970</u>	<u>377,839</u>
Net Pension Liability (Asset) - Ending	\$ <u>(103,754)</u>	\$ <u>(33,871)</u>	\$ <u>(37,245)</u>	\$ <u>(35,610)</u>	\$ <u>(37,665)</u>	\$ <u>(26,621)</u>	\$ <u>(56,349)</u>	\$ <u>(68,375)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	123.43%	108.14%	109.40%	109.33%	110.41%	107.83%	117.52%	122.09%
Covered payroll	\$ 45,652	\$ 43,056	\$ 41,535	\$ 41,276	\$ 39,021	\$ 38,802	\$ 36,908	\$ 34,606
Net pension liability (asset) as a percentage of covered payroll	-227.27%	-78.67%	-89.67%	-86.27%	-96.53%	-68.61%	-152.68%	-197.58%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 4,271	\$ 4,192	\$ 4,008	\$ 3,401	\$ 2,807	\$ 2,630	\$ 2,794	\$ 2,418	\$ 2,205	\$ 22,777
Contributions in relation to the actuarially determined contribution	<u>4,271</u>	<u>4,192</u>	<u>4,008</u>	<u>3,401</u>	<u>2,807</u>	<u>2,630</u>	<u>2,794</u>	<u>2,418</u>	<u>1,388</u>	<u>22,777</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>817</u>	\$ <u>-</u>							
Covered payroll	\$ 45,652	\$ 43,056	\$ 41,535	\$ 41,276	\$ 39,021	\$ 38,802	\$ 36,908	\$ 34,606	\$ 35,560	\$ 35,327
Contributions as a percentage of Covered payroll	9.36%	9.74%	9.65%	8.24%	7.19%	6.78%	7.57%	6.99%	3.90%	64.47%

Notes to Schedule

Valuation date: July 1, 2020
 Measurement date: June 30, 2021
 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 Normal Actuarial Cost Method
- Amortization method: Level dollar, open
- Remaining amortization period: 15 years
- Asset valuation method: Market Value over 4-year period, at 25% per year
- Inflation: 2.50%
- Salary increases: Graded salary growth with an ultimate rate of 3.0%
- Investment rate of return: 7.00%
- Cost of living adjustment: 3.00% per year
- Retirement age: Rates based on age and service
- Turnover: Rates based on age
- Mortality: Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees and Public Safety), projected to the valuation date with Scale MP 2020.

**CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
PENSION PLAN
LAST EIGHT FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	24.48%	6.67%	6.69%	7.27%	12.18%	-0.20%	2.74%	16.09%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN
LAST SEVEN FISCAL YEARS*
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	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>174,279</u>	<u>151,698</u>	<u>116,968</u>	<u>117,815</u>	<u>124,296</u>	<u>93,951</u>	<u>86,839</u>
Total	<u>\$ 174,279</u>	<u>\$ 151,698</u>	<u>\$ 116,968</u>	<u>\$ 117,815</u>	<u>\$ 124,296</u>	<u>\$ 93,951</u>	<u>\$ 86,839</u>
City's Covered payroll	\$ 41,393	\$ 39,504	\$ 37,897	\$ 36,153	\$ 35,727	\$ 34,804	\$ 34,168
City's proportionate share of the net pension liability as a percentage of its Covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	The Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019: - Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%. - Decrease payroll growth assumption from 3.25% to 3.00%. - Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increase	3.25%-6.50%, including inflation
Investment rate of return	6.90%, net of investment related expense

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability:					
Service cost	\$ 13,367	\$ 9,370	\$ 11,275	\$ 11,467	\$ 5,045
Interest	9,428	10,662	12,844	11,919	13,352
Changes of benefit terms			831		
Differences between expected and actual experience	(55,831)	840	(62,391)	333	5
Changes of assumptions	(37,530)	54,880	12,004	(14,235)	108,209
Benefit payments	<u>(10,076)</u>	<u>(10,056)</u>	<u>(9,492)</u>	<u>(10,001)</u>	<u>(8,516)</u>
Net change in total OPEB liability	(80,642)	65,696	(34,929)	(517)	118,095
Total OPEB liability - beginning	<u>338,231</u>	<u>272,535</u>	<u>307,464</u>	<u>307,981</u>	<u>189,886</u>
Total OPEB liability - ending	<u>257,589</u>	<u>338,231</u>	<u>272,535</u>	<u>307,464</u>	<u>307,981</u>
Plan fiduciary net position:					
Contributions - employer	11,276	12,156	10,096	10,601	10,124
Contributions - member	18	9			
Other revenue	1,151				
Net investment income	5,030	411	1,195	78	1,041
Benefit payments	(10,076)	(10,056)	(9,492)	(10,001)	(8,516)
Other		(104)			
Net change in plan fiduciary net position	<u>7,399</u>	<u>2,416</u>	<u>1,799</u>	<u>678</u>	<u>2,649</u>
Plan fiduciary net position - beginning	<u>18,225</u>	<u>15,809</u>	<u>14,010</u>	<u>13,332</u>	<u>10,683</u>
Plan fiduciary net position - ending	<u>25,624</u>	<u>18,225</u>	<u>15,809</u>	<u>14,010</u>	<u>13,332</u>
Net OPEB Liability - Ending	<u>\$ 231,965</u>	<u>\$ 320,006</u>	<u>\$ 256,726</u>	<u>\$ 293,454</u>	<u>\$ 294,649</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.95%	5.39%	5.80%	4.56%	4.33%
Covered payroll	\$ 46,672	\$ 43,520	\$ 43,520	\$ 42,459	\$ 40,060
Net OPEB liability as a percentage of covered payroll	497.01%	735.31%	589.90%	691.15%	735.52%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution (1)	\$ 14,233	\$ 13,801	\$ 16,469	\$ 16,253	\$ 13,728	\$ 13,373	\$ 11,808	\$ 11,618	\$ 10,990	\$ 10,682
Contributions in relation to the actuarially determined contribution	<u>11,276</u>	<u>12,156</u>	<u>10,096</u>	<u>10,601</u>	<u>10,124</u>	<u>9,765</u>	<u>8,250</u>	<u>9,238</u>	<u>7,624</u>	<u>6,296</u>
Contribution Deficiency (Excess)	\$ <u>2,957</u>	\$ <u>1,645</u>	\$ <u>6,373</u>	\$ <u>5,652</u>	\$ <u>3,604</u>	\$ <u>3,608</u>	\$ <u>3,558</u>	\$ <u>2,380</u>	\$ <u>3,366</u>	\$ <u>4,386</u>
Covered payroll	\$ 46,672	\$ 43,520	\$ 42,459	\$ 40,060	\$ 39,083	\$ 38,130	\$ 38,130	\$ 34,622	\$ 34,622	\$ 34,145
Contributions as a percentage of covered payroll	24.16%	27.93%	23.78%	26.46%	25.90%	25.61%	21.64%	26.68%	22.02%	18.44%

(1) Actuarially Determined Contributions prior to fiscal year ending June 30, 2017 is based on the Annual Required Contribution (ARC) calculated in accordance with GASB No. 45

Notes to Schedule

Valuation date: July 1, 2020
Measurement date: June 30, 2021

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 Normal
Amortization method	Level percentage of salary, closed
Amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	2.40% (Prior: 2.50%)
Healthcare cost trend rates	6.5% for 2020, decreasing 0.20% per year to an ultimate rate of 4.40% for years 2031 and later. Prior: 7.00% for 2019, decreasing 0.50% per year to 4.50% for years 2023 and later.
Salary increases	3.00%-8.00%
Investment rate of return	4.16%; Prior: 2.72%
Retirement age	Varies
Mortality	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), projected to the valuation date with Scale MP-2020.

**CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
OPEB - CITY
LAST FIVE FISCAL YEARS***

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	28.34%	2.57%	6.11%	6.73%	7.90%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF CHANGES IN BOE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS*
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:				
Service cost	\$ 407	\$ 289	\$ 530	\$ 537
Interest	534	705	1,145	1,068
Differences between expected and actual experience	(6,051)	(291)	(4,800)	(305)
Changes of assumptions and other inputs	1,740	3,659	(5,761)	(1,138)
Benefit payments	<u>(395)</u>	<u>(443)</u>	<u>(289)</u>	<u>(516)</u>
Net change in total OPEB liability	(3,765)	3,919	(9,175)	(354)
Total OPEB liability - beginning	<u>23,933</u>	<u>20,014</u>	<u>29,189</u>	<u>29,543</u>
Total OPEB Liability - Ending	<u>\$ 20,168</u>	<u>\$ 23,933</u>	<u>\$ 20,014</u>	<u>\$ 29,189</u>
Covered payroll	\$ 39,997	\$ 36,195	\$ 34,803	\$ 39,048
Total OPEB liability as a percentage of covered payroll	50.42%	66.12%	57.51%	74.75%

* Schedule is intended to show information for 10 years - additional years will be displayed as they become available.

CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT PLAN
LAST FOUR FISCAL YEARS*
(In Thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net OPEB liability	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the City	<u>25,994</u>	<u>23,658</u>	<u>23,383</u>	<u>30,324</u>
Total	<u>\$ 25,994</u>	<u>\$ 23,658</u>	<u>\$ 23,383</u>	<u>\$ 30,324</u>
City's covered payroll	\$ 41,393	\$ 39,504	\$ 37,897	\$ 36,153
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the net OPEB liability	1.79%	2.08%	1.49%	1.79%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	<p>Based on the procedure described in GASB 75, the discount rate used to measure plan obligations for financial accounting purposes as of June 30, 2020 was updated to equal the Municipal Bond Index Rate as of June 30, 2020;</p> <p>Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience;</p> <p>Long-term health care cost trend rates were updated;</p> <p>The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated based on observed plan experience. Additionally, participants are no longer assumed to migrate from the Medicare Supplement Plan to the Medicare Advantage Plan after selecting an option; and,</p> <p>The Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019. The changes in assumptions are summarized below:</p> <ul style="list-style-type: none"> - Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%. - Decrease payroll growth assumption from 3.25% to 3.00%. - Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
Actuarial cost method	Entry age
Amortization method	Level percent of payroll over an open period
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Investment rate of return	3.00%, net of investment related expense including price inflation
Price inflation	2.75%

* Schedule is intended to show information for ten years - additional years' information will be displayed as it become available.

**Supplemental,
Combining and
Individual Fund
Statements and
Schedules**

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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, 2021 AND 2020
(In Thousands)**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 47,892	\$ 36,656
Investments		1,925
Taxes receivable	8,398	7,976
Accounts receivable	147	260
Due from other funds	<u>9,573</u>	<u>11,445</u>
Total Assets	<u>\$ 66,010</u>	<u>\$ 58,262</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
Liabilities:		
Vouchers and other payables	<u>\$ 8,586</u>	<u>\$ 6,318</u>
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	<u>7,437</u>	<u>7,117</u>
Fund Balances:		
Assigned	9,835	8,784
Unassigned	<u>40,152</u>	<u>36,043</u>
Total fund balances	<u>49,987</u>	<u>44,827</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 66,010</u>	<u>\$ 58,262</u>

**CITY OF MIDDLETOWN, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2021
(In Thousands)**

Grand List	Uncollected Taxes July 1, 2020	Lawful Corrections			Transfers To Suspense	Net Amount Collectible	Collections					Uncollected Taxes June 30, 2021
		Additions	Deductions	Abatements			Taxes	Interest	Lien Fees	Suspense	Total	
2019	\$ 137,326	\$ 513	\$ 1,068	\$	\$	\$ 136,771	\$ 133,236	\$ 347	\$ 2	\$	\$ 133,585	\$ 3,535
2018	3,695	159	154		31	3,669	1,969	356	5		2,330	1,700
2017	1,665	9	22		55	1,597	481	179	1		661	1,116
2016	1,252	203	18		58	1,379	331	251	1	1	584	1,048
2015	871	84	12		38	905	188	128		2	318	717
2014	557		10		22	525	47	43		3	93	478
2013	436		9		8	419	15	20		3	38	404
2012	263		6		3	254	4	10		3	17	250
2011	132		6		3	123	1	4		2	7	122
2010	83		6		1	76		4		2	6	76
2009	67		3		1	63		4		2	6	63
2008	36		3			33		5		2	7	33
2007	40		3			37		6		2	8	37
2006	38		3			35		5		2	7	35
2005	4					4		2		1	3	4
Total	\$ 146,465	\$ 968	\$ 1,323	\$ -	\$ 220	\$ 145,890	\$ 136,272	\$ 1,364	\$ 9	\$ 25	\$ 137,670	\$ 9,618

Applicable to:
General Fund
Fire District Fund

\$ 8,518
1,100

Total

\$ 9,618

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
Student Activity Fund	Charges for Services	Student programs
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
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

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**CITY OF MIDDLETOWN, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021
(In Thousands)**

	Special Revenue Funds									
	Fire District	Sanitary Disposal District	Dog Fund	Economic Development Fund	Middletown Business Improvement Fund	Water Fund	Educational Grants	Health Grants Fund	Landfill, Waste, Recycling Fund	School Cafeteria Fund
ASSETS										
Cash and cash equivalents	\$ 858	\$ 1,423	\$ 16	\$ 324	\$	\$ 2,174	\$	\$ 68	\$ 576	\$ 5
Investments										
Receivables:										
Accounts receivable		264				1,178				
Taxes receivable - delinquent	1,069				3					
Intergovernmental							1,466	29		221
Due from other funds							931			
Supplies										55
Total Assets	\$ 1,927	\$ 1,687	\$ 16	\$ 324	\$ 3	\$ 3,352	\$ 2,397	\$ 97	\$ 576	\$ 281
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Vouchers and other payables	\$ 21	\$ 46	\$ 16	\$ 12	\$	\$ 34	\$ 384	\$ 3	\$ 42	\$
Accrued Liabilities	75	6				19				
Due to other funds					8		1,073	29		931
Unearned revenue							167			
Total liabilities	96	52	16	12	8	53	1,624	32	42	931
Deferred Inflows of Resources:										
Unavailable revenue - property taxes	959									
Fund Balances:										
Nonspendable										55
Restricted				312			773	65		
Committed	872	1,635				3,299			534	
Unassigned					(5)					(705)
Total fund balances	872	1,635	-	312	(5)	3,299	773	65	534	(650)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,927	\$ 1,687	\$ 16	\$ 324	\$ 3	\$ 3,352	\$ 2,397	\$ 97	\$ 576	\$ 281

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021
 (In Thousands)**

	Special Revenue Funds							Permanent Funds		
	General Sewer Improvement Fund	Parking District	Librarian's Fund	Sewage Disposal Fund	Police Benevolence Fund	Community Development Block Grant Fund	Student Activity Fund	Walter C. Jones Fund	Walter B. Hubbard Trust Fund	Luther S. Hull Trust Fund
ASSETS										
Cash and cash equivalents	\$ 2,646	\$ 104	\$ 55	\$ 5,242	\$ 3	\$ 140	\$ 453	\$ 98	\$ 10	\$ 1
Investments							47			
Receivables:										
Accounts receivable	106			2,010						
Taxes receivable - delinquent										
Intergovernmental						163				
Due from other funds										
Supplies										
Total Assets	\$ 2,752	\$ 104	\$ 55	\$ 7,252	\$ 3	\$ 303	\$ 500	\$ 98	\$ 10	\$ 1
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Vouchers and other payables	\$	\$ 1	\$	\$ 25	\$	\$ 154	\$	\$	\$	\$
Accrued Liabilities				15						
Due to other funds						120				
Unearned revenue										
Total liabilities	-	1	-	40	-	274	-	-	-	-
Deferred Inflows of Resources:										
Unavailable revenue - property taxes										
Fund Balances:										
Nonspendable										
Restricted						29		98	10	1
Committed	2,752	103	55	7,212	3		500			
Unassigned										
Total fund balances	2,752	103	55	7,212	3	29	500	98	10	1
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,752	\$ 104	\$ 55	\$ 7,252	\$ 3	\$ 303	\$ 500	\$ 98	\$ 10	\$ 1

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**CITY OF MIDDLETOWN, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021
(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	Water		
ASSETS										
Cash and cash equivalents	\$ 61	\$ 7	\$ 445	\$ 1,080	\$ 91	\$ 179	\$ 1,236	\$ 744	\$	\$ 18,039
Investments		1,372								1,419
Receivables:										
Accounts receivable										3,558
Taxes receivable - delinquent										1,072
Intergovernmental										1,879
Due from other funds								(931)		-
Supplies										55
Total Assets	\$ 61	\$ 1,379	\$ 445	\$ 1,080	\$ 91	\$ 179	\$ 1,236	\$ 744	\$ (931)	\$ 26,022
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Vouchers and other payables	\$	\$	\$	\$	\$	\$	15	\$	\$	\$ 753
Accrued Liabilities										115
Due to other funds								(931)		1,230
Unearned revenue										167
Total liabilities	-	-	-	-	-	-	15	-	(931)	2,265
Deferred Inflows of Resources:										
Unavailable revenue - property taxes										959
Fund Balances:										
Nonspendable										55
Restricted	61	1,379								2,728
Committed			445	1,080	91	179	1,221	744		20,725
Unassigned										(710)
Total fund balances	61	1,379	445	1,080	91	179	1,221	744	-	22,798
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 61	\$ 1,379	\$ 445	\$ 1,080	\$ 91	\$ 179	\$ 1,236	\$ 744	\$ (931)	\$ 26,022

**CITY OF MIDDLETOWN, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (In Thousands)**

	Special Revenue Funds									
	Fire District	Sanitary Disposal District	Dog Fund	Economic Development Fund	Middletown Business Improvement Fund	Water Fund	Educational Grants	Health Grants Fund	Landfill, Waste, Recycling Fund	School Cafeteria Fund
Revenues:										
Taxes	\$ 11,536	\$	\$	\$	\$ 156	\$	\$	\$	\$	\$
Intergovernmental revenues	1,689						21,356	255		1,136
Charges for services		1,883	27			6,058			610	221
Investment income	3	1				7			1	
Miscellaneous	17			74		127				
Total revenues	<u>13,245</u>	<u>1,884</u>	<u>27</u>	<u>74</u>	<u>156</u>	<u>6,192</u>	<u>21,356</u>	<u>255</u>	<u>611</u>	<u>1,357</u>
Expenditures:										
Current:										
General government				182	164				514	
Public safety	12,804		17					44		
Public works										
Health and human services								176		
Culture and recreation										
Education							24,497			1,080
Sewer, water and sanitation		1,504				4,444				
Capital outlay				157						
Total expenditures	<u>12,804</u>	<u>1,504</u>	<u>17</u>	<u>339</u>	<u>164</u>	<u>4,444</u>	<u>24,497</u>	<u>220</u>	<u>514</u>	<u>1,080</u>
Excess (Deficiency) of Revenues over Expenditures	<u>441</u>	<u>380</u>	<u>10</u>	<u>(265)</u>	<u>(8)</u>	<u>1,748</u>	<u>(3,141)</u>	<u>35</u>	<u>97</u>	<u>277</u>
Other Financing Sources (Uses):										
Transfers in		21				1,083	650			
Transfers out	(422)	(195)	(10)			(3,022)				
Total other financing sources (uses)	<u>(422)</u>	<u>(174)</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(1,939)</u>	<u>650</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	19	206	-	(265)	(8)	(191)	(2,491)	35	97	277
Fund Balances at Beginning of Year, as restated	853	1,429	-	577	3	3,490	3,264	30	437	(927)
Fund Balances at End of Year	<u>\$ 872</u>	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ 312</u>	<u>\$ (5)</u>	<u>\$ 3,299</u>	<u>\$ 773</u>	<u>\$ 65</u>	<u>\$ 534</u>	<u>\$ (650)</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, 2021
 (In Thousands)**

	Special Revenue Funds							Permanent Funds		
	General Sewer Improvement Fund	Parking District	Librarian's Fund	Sewage Disposal Fund	Police Benevolence Fund	Community Development Block Grant Fund	Student Activity Fund	Walter C. Jones Fund	Walter B. Hubbard Trust Fund	Luther S. Hull Trust Fund
Revenues:										
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues			187			952				
Charges for services	102		22	10,585			289			
Investment income	12			6						
Miscellaneous			7	19				55		
Total revenues	<u>114</u>	<u>-</u>	<u>216</u>	<u>10,610</u>	<u>-</u>	<u>952</u>	<u>289</u>	<u>55</u>	<u>-</u>	<u>-</u>
Expenditures:										
Current:										
General government		5				860		69		
Public safety										
Public works										
Health and human services										
Culture and recreation			243							
Education							245			
Sewer, water and sanitation	74			7,290						
Capital outlay						194				
Total expenditures	<u>74</u>	<u>5</u>	<u>243</u>	<u>7,290</u>	<u>-</u>	<u>1,054</u>	<u>245</u>	<u>69</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>40</u>	<u>(5)</u>	<u>(27)</u>	<u>3,320</u>	<u>-</u>	<u>(102)</u>	<u>44</u>	<u>(14)</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):										
Transfers in	1,380		56	3,510						
Transfers out				(7,629)		(41)				
Total other financing sources (uses)	<u>1,380</u>	<u>-</u>	<u>56</u>	<u>(4,119)</u>	<u>-</u>	<u>(41)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,420	(5)	29	(799)	-	(143)	44	(14)	-	-
Fund Balances at Beginning of Year, as restated	1,332	108	26	8,011	3	172	456	112	10	1
Fund Balances at End of Year	<u>\$ 2,752</u>	<u>\$ 103</u>	<u>\$ 55</u>	<u>\$ 7,212</u>	<u>\$ 3</u>	<u>\$ 29</u>	<u>\$ 500</u>	<u>\$ 98</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, 2021
 (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	Water		
Revenues:										
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental revenues					34					
Charges for services										
Investment income		246	1			1	2	3		
Miscellaneous										
Total revenues	<u>-</u>	<u>246</u>	<u>1</u>	<u>-</u>	<u>34</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>57,680</u>
Expenditures:										
Current:										
General government										1,794
Public safety										12,865
Public works										-
Health and human services										176
Culture and recreation										243
Education										25,822
Sewer, water and sanitation										13,312
Capital outlay			819		152	55	388	551		2,316
Total expenditures	<u>-</u>	<u>-</u>	<u>819</u>	<u>-</u>	<u>152</u>	<u>55</u>	<u>388</u>	<u>551</u>	<u>-</u>	<u>56,528</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>246</u>	<u>(818)</u>	<u>-</u>	<u>(118)</u>	<u>(54)</u>	<u>(386)</u>	<u>(548)</u>	<u>-</u>	<u>1,152</u>
Other Financing Sources (Uses):										
Transfers in			1,114	1,080	109	100	500	400	(4,887)	5,116
Transfers out	(1)	(56)					(53)	(83)	4,887	(6,625)
Total other financing sources (uses)	<u>(1)</u>	<u>(56)</u>	<u>1,114</u>	<u>1,080</u>	<u>109</u>	<u>100</u>	<u>447</u>	<u>317</u>	<u>-</u>	<u>(1,509)</u>
Net Change in Fund Balances	(1)	190	296	1,080	(9)	46	61	(231)	-	(357)
Fund Balances at Beginning of Year, as restated	62	1,189	149	-	100	133	1,160	975	-	23,155
Fund Balances at End of Year	<u>\$ 61</u>	<u>\$ 1,379</u>	<u>\$ 445</u>	<u>\$ 1,080</u>	<u>\$ 91</u>	<u>\$ 179</u>	<u>\$ 1,221</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 22,798</u>

**CITY OF MIDDLETOWN, CONNECTICUT
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - ACTUAL AND BUDGET
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (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	\$ 11,536	\$	\$ 11,536	\$ 11,340	\$ 196	\$	\$	\$	\$	\$
Intergovernmental	1,689		1,689	1,449	240					
Charges for services					-	1,883		1,883	1,886	(3)
Investment income	3		3	10	(7)	1		1	16	(15)
Miscellaneous	17		17	20	(3)					-
Total revenues	<u>13,245</u>	<u>-</u>	<u>13,245</u>	<u>12,819</u>	<u>426</u>	<u>1,884</u>	<u>-</u>	<u>1,884</u>	<u>1,902</u>	<u>(18)</u>
Expenditures:										
Public safety	12,804	(17)	12,787	12,812	25					
Sewer, water and sanitation						1,504		1,504	1,886	382
Total expenditures	<u>12,804</u>	<u>(17)</u>	<u>12,787</u>	<u>12,812</u>	<u>25</u>	<u>1,504</u>	<u>-</u>	<u>1,504</u>	<u>1,886</u>	<u>382</u>
Excess (Deficiency) of Revenues Over Expenditures	441	17	458	7	451	380	-	380	16	364
Transfers In (Out)	(422)		(422)	(422)	-	(174)		(174)	(174)	-
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ 19</u>	<u>\$ 17</u>	<u>\$ 36</u>	<u>\$ (415)</u>	<u>\$ 451</u>	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ 206</u>	<u>\$ (158)</u>	<u>\$ 364</u>

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - ACTUAL AND BUDGET (CONTINUED)
 SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (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	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance Favorable (Unfavorable)
Revenues:										
Property taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Intergovernmental										
Charges for services	6,058		6,058	5,479	579	10,585		10,585	10,554	31
Investment income	7		7	10	(3)	6		6	28	(22)
Miscellaneous	127		127	78	49	19		19	20	(1)
Total revenues	<u>6,192</u>	<u>-</u>	<u>6,192</u>	<u>5,567</u>	<u>625</u>	<u>10,610</u>	<u>-</u>	<u>10,610</u>	<u>10,602</u>	<u>8</u>
Expenditures:										
Public safety										
Sewer, water and sanitation	4,444	70	4,514	5,733	1,219	7,290	266	7,556	14,105	6,549
Total expenditures	<u>4,444</u>	<u>70</u>	<u>4,514</u>	<u>5,733</u>	<u>1,219</u>	<u>7,290</u>	<u>266</u>	<u>7,556</u>	<u>14,105</u>	<u>6,549</u>
							54			
Excess (Deficiency) of Revenues Over Expenditures	1,748	(70)	1,678	(166)	1,844	3,320	(266)	3,054	(3,503)	6,557
Transfers In (Out)	<u>(1,939)</u>		<u>(1,939)</u>	<u>(1,939)</u>	<u>-</u>	<u>(4,119)</u>		<u>(4,119)</u>	<u>(1,225)</u>	<u>(2,894)</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ (191)</u>	<u>\$ (70)</u>	<u>\$ (261)</u>	<u>\$ (2,105)</u>	<u>\$ 1,844</u>	<u>\$ (799)</u>	<u>\$ (266)</u>	<u>\$ (1,065)</u>	<u>\$ (4,728)</u>	<u>\$ 3,663</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, 2021
 (In Thousands)**

	Totals				
	Actual on a GAAP Basis	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance Favorable (Unfavorable)
Revenues:					
Property taxes	\$ 11,536	\$	\$ 11,536	\$ 11,340	\$ 196
Intergovernmental	1,689		1,689	1,449	240
Charges for services	18,526		18,526	17,919	607
Investment income	17		17	64	(47)
Miscellaneous	163		163	118	45
Total revenues	<u>31,931</u>	<u>-</u>	<u>31,931</u>	<u>30,890</u>	<u>1,041</u>
Expenditures:					
Public safety	12,804	(17)	12,787	12,812	25
Sewer, water and sanitation	13,238	336	13,574	21,724	8,150
Total expenditures	<u>26,042</u>	<u>319</u>	<u>26,361</u>	<u>34,536</u>	<u>8,175</u>
Excess (Deficiency) of Revenues Over Expenditures	5,889	(319)	5,570	(3,646)	9,216
Transfers In (Out)	<u>(6,654)</u>		<u>(6,654)</u>	<u>(3,760)</u>	<u>(2,894)</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	<u>\$ (765)</u>	<u>\$ (319)</u>	<u>\$ (1,084)</u>	<u>\$ (7,406)</u>	<u>\$ 6,322</u>

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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, 2021 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020
 (In Thousands)**

	Health Benefits Fund	Property and Casualty Fund	Workers' Compensation Fund	Totals	
				2021	2020
Assets:					
Cash and cash equivalents	\$ 14,546	\$ 4,483	\$ 10,196	\$ 29,225	\$ 28,892
Liabilities:					
Current liabilities:					
Accounts and other payables	9	22	92	123	92
Unpaid claims - current	2,189			2,189	2,342
Total current liabilities	2,198	22	92	2,312	2,434
Noncurrent liabilities:					
Unpaid claims - noncurrent		900	3,218	4,118	4,298
Total liabilities	2,198	922	3,310	6,430	6,732
Net Position	\$ 12,348	\$ 3,561	\$ 6,886	\$ 22,795	\$ 22,160

**CITY OF MIDDLETOWN, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020
 (In Thousands)**

	Health Benefits Fund	Property and Casualty Fund	Workers' Compensation Fund	Totals	
				2021	2020
Operating revenues:					
Charges for services	\$ 14,825	\$ 2,035	\$ 2,278	\$ 19,138	\$ 19,675
Other	3,305	40	313	3,658	3,744
Total operating revenues	<u>18,130</u>	<u>2,075</u>	<u>2,591</u>	<u>22,796</u>	<u>23,419</u>
Operating expenses:					
Benefit payments	5,436	457	1,744	7,637	7,697
Administration	305	20	312	637	544
Insurance	12,427	1,216	241	13,884	13,341
Total operating expenses	<u>18,168</u>	<u>1,693</u>	<u>2,297</u>	<u>22,158</u>	<u>21,582</u>
Operating Income	(38)	382	294	638	1,837
Nonoperating revenue:					
Interest income	<u>24</u>	<u>7</u>	<u>15</u>	<u>46</u>	<u>504</u>
Income Before Transfers	(14)	389	309	684	2,341
Transfers Out		<u>(49)</u>		<u>(49)</u>	<u>(47)</u>
Net Income	(14)	340	309	635	2,294
Net Position at Beginning of Year	<u>12,362</u>	<u>3,221</u>	<u>6,577</u>	<u>22,160</u>	<u>19,866</u>
Net Position at End of Year	<u>\$ 12,348</u>	<u>\$ 3,561</u>	<u>\$ 6,886</u>	<u>\$ 22,795</u>	<u>\$ 22,160</u>

**CITY OF MIDDLETOWN, CONNECTICUT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020
 (In Thousands)**

	Health Benefits Fund	Property and Casualty Fund	Workers' Compensation Fund	Totals	
				2021	2020
Cash Flows from Operating Activities:					
Interfund services provided or used	\$ 14,825	\$ 2,035	\$ 2,278	\$ 19,138	\$ 19,675
Cash received from insurance reimbursements	3,305	40	313	3,658	3,744
Cash paid to vendors	(18,342)	(1,731)	(2,387)	(22,460)	(21,794)
Net cash provided by (used in) operating activities	(212)	344	204	336	1,625
Cash Flows from Noncapital Financing Activities:					
Transfers to other funds		(49)		(49)	(47)
Cash Flows from Investing Activities:					
Interest income	24	7	15	46	504
Net Increase (Decrease) in Cash and Cash Equivalents	(188)	302	219	333	2,082
Cash and Cash Equivalents at Beginning of Year	14,734	4,181	9,977	28,892	26,810
Cash and Cash Equivalents at End of Year	\$ 14,546	\$ 4,483	\$ 10,196	\$ 29,225	\$ 28,892
Reconciliation of Operating Income (Loss) to					
Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ (38)	\$ 382	\$ 294	\$ 638	\$ 1,837
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Decrease (Increase) in vouchers and other payable	(174)	(38)	(90)	(302)	(212)
Net Cash Provided by (Used in) Operating Activities	\$ (212)	\$ 344	\$ 204	\$ 336	\$ 1,625

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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									
	2021	2020	2019	2018	2017	2016	2015	2014*	2013	2012
Governmental Activities:										
Net investment in capital assets	\$ 307,895	\$ 307,649	\$ 278,342	\$ 276,107	\$ 263,979	\$ 269,612	\$ 267,645	\$ 289,881	\$ 284,417	\$ 297,304
Restricted	113,000	1,262	1,300	1,297	1,309	1,234	1,289	1,323	1,217	1,120
Unrestricted	<u>(295,130)</u>	<u>(227,348)</u>	<u>(223,243)</u>	<u>(223,591)</u>	<u>65,712</u>	<u>70,552</u>	<u>83,008</u>	<u>56,523</u>	<u>9,309</u>	<u>3,040</u>
Total Governmental Activities Net Position	<u>\$ 125,765</u>	<u>\$ 81,563</u>	<u>\$ 56,399</u>	<u>\$ 53,813</u>	<u>\$ 331,000</u>	<u>\$ 341,398</u>	<u>\$ 351,942</u>	<u>\$ 347,727</u>	<u>\$ 294,943</u>	<u>\$ 301,464</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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses:										
Governmental activities:										
General government	\$ 7,565	\$ 15,627	\$ 16,491	\$ 17,515	\$ 17,404	\$ 17,150	\$ 18,740	\$ 19,747	\$ 18,308	\$ 17,088
Public safety	24,141	35,961	40,165	40,085	39,394	40,453	26,917	29,048	26,064	24,013
Public works	12,120	4,561	14,171	15,132	14,509	13,161	10,128	11,758	11,166	9,041
Health and human services	1,873	1,690	1,760	1,712	1,686	1,601	1,502	802	803	683
Culture and recreation	6,241	6,315	6,734	5,879	5,749	5,641	5,740	5,809	6,115	5,359
Employee benefits and insurance	20,496	19,619	17,412	16,834	18,980	15,781	14,908	16,586	15,115	14,037
Education	148,797	128,814	113,118	118,424	119,861	112,623	109,091	106,256	99,317	97,737
Sewer	7,401	6,413	6,322	6,261	7,561	6,073	4,885	4,778	4,432	3,810
Water	4,487	4,453	4,349	4,083	4,087	3,841	4,038	4,445	4,274	3,468
Sanitation	1,509	1,516	1,724	1,599	1,827	1,662	1,685	1,857	1,814	1,527
Interest on long-term debt	1,344	2,900	2,344	1,597	2,367	2,501	2,168	2,347	2,152	2,442
Total governmental activities expenses	<u>235,974</u>	<u>227,869</u>	<u>224,590</u>	<u>229,121</u>	<u>233,425</u>	<u>220,487</u>	<u>199,802</u>	<u>203,433</u>	<u>189,560</u>	<u>179,205</u>
Program revenues:										
Governmental activities:										
Charges for services										
General government	4,086	3,270	4,390	4,164	4,046	4,379	3,011	2,887	3,075	2,666
Public safety	2,252	2,106	2,928	1,628	1,715	2,041	2,013	1,379	1,528	1,604
Public works	610	511	464	426	387	390	320	341	309	323
Health and human resources	194	175								50
Culture and recreation	257	299	703	690	752	740	703	474	368	349
Education	509	245	304	418	541	551	619	698	753	763
Sewer	10,700	10,895	10,049	8,381	7,441	6,129	5,994	5,114	5,411	5,244
Water	6,073	5,970	5,769	5,334	4,527	6,637	6,430	5,172	5,297	5,193
Sanitation and other	1,899	1,894	1,915	1,950	1,841	1,844	1,825	1,840	1,823	1,847
Operating grants and contributions	71,419	58,081	48,289	53,781	54,565	49,251	48,566	44,949	42,591	42,487
Capital grants and contributions	20,366	10,904	1,755	1,289	5,224	4,854	3,101	1,965	1,828	2,651
Total governmental activities program revenues	<u>118,365</u>	<u>94,350</u>	<u>76,566</u>	<u>78,061</u>	<u>81,039</u>	<u>76,816</u>	<u>72,582</u>	<u>64,819</u>	<u>62,983</u>	<u>63,177</u>
Net expense:										
Governmental activities	<u>(117,609)</u>	<u>(133,519)</u>	<u>(148,024)</u>	<u>(151,060)</u>	<u>(152,386)</u>	<u>(143,671)</u>	<u>(127,220)</u>	<u>(138,614)</u>	<u>(126,577)</u>	<u>(116,028)</u>
General revenues and other changes in net position:										
Governmental activities:										
Property taxes	138,266	136,364	132,569	123,645	121,492	115,937	116,763	106,714	104,253	101,495
Grants and contributions not restricted to specific purposes	17,293	15,072	10,001	14,007	14,019	12,650	9,828	9,284	9,703	10,370
Unrestricted investment earnings	429	1,692	1,957	1,066	495	217	143	302	403	295
Miscellaneous	5,367	5,555	6,083	6,269	5,982	4,323	4,701	5,932	5,697	4,970
Total governmental activities	<u>161,355</u>	<u>158,683</u>	<u>150,610</u>	<u>144,987</u>	<u>141,988</u>	<u>133,127</u>	<u>131,435</u>	<u>122,232</u>	<u>120,056</u>	<u>117,130</u>
Changes in net position:										
Governmental activities	<u>\$ 43,746</u>	<u>\$ 25,164</u>	<u>\$ 2,586</u>	<u>\$ (6,073)</u>	<u>\$ (10,398)</u>	<u>\$ (10,544)</u>	<u>\$ 4,215</u>	<u>\$ (16,382)</u>	<u>\$ (6,521)</u>	<u>\$ 1,102</u>

Notes:

(1) Schedule prepared on the accrual basis of accounting

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

	FISCAL YEAR									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund:										
Assigned	\$ 9,835	\$ 8,784	\$ 6,107	\$ 7,944	\$ 6,230	\$ 4,829	\$ 4,741	\$ 3,068	\$ 6,363	\$ 2,649
Unassigned	<u>40,152</u>	<u>36,043</u>	<u>31,725</u>	<u>25,632</u>	<u>24,711</u>	<u>22,979</u>	<u>21,826</u>	<u>16,796</u>	<u>15,055</u>	<u>14,209</u>
Total General Fund	<u>\$ 49,987</u>	<u>\$ 44,827</u>	<u>\$ 37,832</u>	<u>\$ 33,576</u>	<u>\$ 30,941</u>	<u>\$ 27,808</u>	<u>\$ 26,567</u>	<u>\$ 19,864</u>	<u>\$ 21,418</u>	<u>\$ 16,858</u>
All Other Governmental Funds:										
Nonspendable	\$ 55	\$ 72	\$ 43	\$ 20	\$ 39	\$ 32	\$ 32	\$ 32	\$ 32	\$ 32,000
Restricted	9,246	6,682	6,064	5,722	4,161	4,120	3,805	3,051	2,945	2,882
Committed	20,725	18,209	15,966	14,731	15,235	18,728	18,972	18,364	18,380	16,715
Unassigned	<u>(15,994)</u>	<u>(39,582)</u>	<u>(23,181)</u>	<u>(13,281)</u>	<u>(8,804)</u>	<u>(14,508)</u>	<u>(3,557)</u>	<u>(19,344)</u>	<u>(4,424)</u>	<u>(6,485)</u>
Total all other governmental funds	<u>\$ 14,032</u>	<u>\$ (14,619)</u>	<u>\$ (1,108)</u>	<u>\$ 7,192</u>	<u>\$ 10,631</u>	<u>\$ 8,372</u>	<u>\$ 19,252</u>	<u>\$ 2,103</u>	<u>\$ 16,933</u>	<u>\$ 13,144</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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues:										
Property taxes	\$ 137,737	\$ 134,661	\$ 131,811	\$ 122,668	\$ 120,799	\$ 114,974	\$ 115,731	\$ 106,818	\$ 103,727	\$ 100,932
Licenses and permits	1,383	684	972	1,028	1,378	1,292	652	659	769	586
Intergovernmental	91,484	78,962	67,075	63,653	73,167	65,986	60,931	56,197	54,122	55,558
Charges for services	25,155	24,664	24,557	21,434	19,060	20,829	19,711	17,204	17,701	17,416
Investment income	386	1,187	1,433	829	466	222	176	283	371	244
Miscellaneous	5,362	5,545	6,261	6,337	7,302	5,563	5,720	5,933	5,697	4,970
Total revenues	261,507	245,703	232,109	215,949	222,172	208,866	202,921	187,094	182,387	179,706
Expenditures:										
General government	12,839	11,897	11,272	10,741	11,109	10,100	10,364	8,651	8,390	8,252
Public safety	31,181	30,381	29,990	28,078	28,036	26,802	24,715	23,415	22,673	21,646
Public works	5,711	5,569	5,313	5,059	4,995	4,728	5,020	4,552	4,515	4,299
Health and human services	1,918	1,671	1,770	1,715	1,662	1,588	1,543	694	702	720
Culture and recreation	6,192	6,270	6,726	5,822	5,680	5,850	5,701	4,976	5,317	5,415
Employee benefits and insurance	21,132	21,456	23,059	19,413	20,680	19,046	17,380	14,895	13,550	12,970
Education	127,083	120,644	116,374	108,978	116,078	107,169	103,519	100,511	93,683	93,225
Sewer	7,364	6,418	6,350	6,250	7,620	6,032	4,876	4,050	3,855	3,808
Water	4,444	4,350	4,376	4,085	4,040	3,888	4,014	3,855	3,586	3,463
Sanitation	1,504	1,508	1,721	1,608	1,826	1,669	1,672	1,596	1,577	1,545
Other								4,042	5,363	3,383
Capital outlay	66,244	48,772	33,770	34,151	20,825	24,746	22,743	21,406	29,263	13,840
Debt service:										
Principal retirement	18,075	12,847	13,152	15,152	12,712	11,205	12,647	9,908	10,850	10,085
Interest and fiscal charges	4,485	4,490	4,012	2,963	3,415	3,544	2,543	2,958	2,299	2,804
Total expenditures	308,172	276,273	257,885	244,015	238,678	226,367	216,737	205,509	205,623	185,455
Excess of Revenue Under Expenditures	(46,665)	(30,570)	(25,776)	(28,066)	(16,506)	(17,501)	(13,816)	(18,415)	(23,236)	(5,749)
Other financing sources (uses):										
Bonds and serial notes	68,531	19,500	18,000	25,568	19,000	7,000	32,302	1,993	27,900	
Refunding bonds issued	10,955									
Transfers in	28,722	19,924	19,036	20,743	18,595	17,004	17,006	14,685	14,526	14,288
Transfers out	(28,673)	(19,877)	(18,990)	(20,700)	(18,559)	(16,972)	(16,927)	(14,647)	(14,488)	(14,250)
Payment to escrow agent	(13,520)									
Premium on bonds	14,005	4,507	3,686	1,651	2,862	830	5,287		3,647	
Total Other Financing Sources	80,020	24,054	21,732	27,262	21,898	7,862	37,668	2,031	31,585	38
Net Change in Fund Balances	\$ 33,355	\$ (6,516)	\$ (4,044)	\$ (804)	\$ 5,392	\$ (9,639)	\$ 23,852	\$ (16,384)	\$ 8,349	\$ (5,711)
Debt Service as a Percentage of Noncapital Expenditures	8.98%	8.02%	7.64%	8.21%	7.26%	7.13%	7.74%	6.68%	7.17%	7.49%

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							
2021	\$ 1,804,625	\$ 762,538	\$ 333,896	\$ 748,261	\$ 311,429	\$ 365,285	\$ 3,595,464	35.7	\$ 5,992,440	60.00%
2020	1,795,037	765,340	328,873	721,975	295,567	356,095	3,550,697	35.8	5,462,611	65.00%
2019	1,788,184	757,079	327,678	645,687	288,301	341,874	3,465,055	36.0	4,950,079	70.00%
2018	1,783,811	772,461	271,655	595,083	282,624	246,349	3,459,285	34.8	4,941,836	70.00%
2017	1,801,199	656,845	223,936	598,652	283,423	229,624	3,334,431	33.9	4,763,473	70.00%
2016	1,795,611	644,322	222,646	586,277	285,835	205,407	3,329,285	33.3	4,756,121	70.00%
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%

Source: City of Middletown Office of Tax Assessor

Notes:

- (1) The latest revaluation was completed and became effective October 1, 2017 for fiscal year 2018-2019.
- (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
- (4) Income and Expense penalty assessments now 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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
City:										
General	35.8	36.0	34.8	33.9	33.3	32.6	32.7	27.7	26.9	26.1
Districts:										
Fire Fund	8.4	8.4	8.9	8.5	7.9	7	7.3	6.1	5.8	5.5
Westfield Fire	1.683	1.683	1.55	1.55	1.463	1.416	1.416	1.326	1.237	1.237
South Fire	5.203	5.203	4.605	4.605	4.605	4.468	4.468	3.648	3.648	3.574
Middletown Business	2.18	2.18	2.21	2.41	2.41	2.41	2.41	2.42	2.4	2.4

TABLE 7

**CITY OF MIDDLETOWN, CONNECTICUT
PRINCIPAL PROPERTY TAX PAYERS
2020 and 2010
(In Thousands)**

Taxpayer	October 1, 2020			October 1, 2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Eversource (CL&P)	\$ 186,746	1	5.19%	\$ 71,608	2	2.02%
Aetna Life and Casualty	119,826	2	3.33%	197,965	1	5.60%
Kleen Energy Systems, LLC	65,385	3	1.82%	51,693	3	1.46%
United Technologies	58,096	4	1.62%	51,693	4	1.46%
Middletown Power LLC	49,742	5	1.38%	44,622	5	1.26%
FedEx Ground Package System Inc.	33,498	6	0.93%			
Northwood Apt Assoc LLC	30,364	7	0.84%	23,616	6	0.67%
Chestnut Hill Apt Assoc LLC	29,533	8	0.82%	21,769	7	0.62%
Windshire Holdings LLC	21,531	9	0.60%			
KJS Middletown Brooke LLC	22,460	10	0.62%			
Fairfield Midtown Brook LP				21,514	8	0.61%
Fairfield Midtown Ridge LP				21,365	9	0.60%
New Boston Windshire				17,959	10	0.51%
	<u>\$ 617,181</u>		<u>17.15%</u>	<u>\$ 523,804</u>		<u>14.81%</u>

Source: City of Middletown, Office of Tax Assessor

2020 Total Taxable Assessed (Net GL) \$3,595,464
2010 Total Taxable Assessed (Net GL) \$3,537,729,000
KJS Middletown Brooke LLC FKA: Fairfield Midtown

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
2021	44.2	\$ 137,326	\$ 133,235	97.02 %	\$ 3,037	\$ 136,272	99.23 %
2020	44.4	137,289	130,778	95.26	2,327	133,105	96.95
2019	43.7	131,690	127,987	97.19	2,504	130,491	99.09
2018	42.4	122,655	118,673	96.75	2,322	120,995	98.65
2017	41.2	119,879	116,365	97.07	1,817	118,182	98.58
2016	39.6	115,410	111,979	97.03	1,883	113,862	98.66
2015	40	116,604	112,779	96.72	1,738	114,517	98.21
2014	33.8	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

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/Notes	Capital Leases				
2021	\$ 177,638	\$	\$ 177,638	5.02 %	9.98 %	\$ 3,780
2020	114,552		114,552	3.38	6.59	2,437
2019	107,900		107,900	3.18	6.41	2,296
2018	103,053		103,053	3.04	6.26	2,193
2017	107,105		107,105	3.27	6.48	2,279
2016	86,352		86,352	2.59	5.32	1,837
2015	90,557		90,557	3.02	5.94	1,927
2014	70,905		70,905	2.27	4.65	1,509
2013	78,815		78,815	2.21	5.21	1,677
2012	61,769		61,769	1.72	4.96	1,287

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, 2021
(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)	\$	134,318
Reimbursement for loss of revenue:		
Tax relief for elderly - freeze		<u>2</u>
Base	\$	<u><u>134,320</u></u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Unfunded Past Benefit Obligations</u>
Debt limitation:					
2-1/4 times base	\$ 302,220	\$	\$	\$	\$
4-1/2 times base		604,440			
3-3/4 times base			503,700		
3-1/4 times base				436,540	
3 times base					402,960
Total debt limitation	<u>302,220</u>	<u>604,440</u>	<u>503,700</u>	<u>436,540</u>	<u>402,960</u>
Indebtedness:					
Bonds payable	79,599	36,998	8,093		
Bonds authorized and unissued	45,853	68,279	10,421		
Clean water fund loans			1,670		
Grant commitments		(41,777)			
Total indebtedness	<u>125,452</u>	<u>63,500</u>	<u>20,184</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 176,768</u>	<u>\$ 540,940</u>	<u>\$ 483,516</u>	<u>\$ 436,540</u>	<u>\$ 402,960</u>

NOTE 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$940,240,000.

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 \$4,843,730 which are considered to be self-funding. Additionally, water bonds authorized and unissued of \$3,658,136 are not included.

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

	FISCAL YEAR									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Debt limitation	\$ 940,240	\$ 922,691	\$ 972,749	\$ 902,412	\$ 876,696	\$ 848,365	\$ 851,007	\$ 787,112	\$ 763,993	\$ 755,189
Total net debt applicable to limit	<u>209,136</u>	<u>197,335</u>	<u>197,655</u>	<u>196,307</u>	<u>169,979</u>	<u>159,757</u>	<u>119,401</u>	<u>165,234</u>	<u>151,352</u>	<u>119,238</u>
Legal Debt Margin	<u>\$ 731,104</u>	<u>\$ 725,356</u>	<u>\$ 775,094</u>	<u>\$ 706,105</u>	<u>\$ 706,717</u>	<u>\$ 688,608</u>	<u>\$ 731,606</u>	<u>\$ 621,878</u>	<u>\$ 612,641</u>	<u>\$ 635,951</u>
Total net debt applicable to the limit as a percentage of debt limit	22%	21%	20%	22%	19%	19%	14%	21%	20%	16%

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**

<u>Year</u>	<u>Population (1)</u>	<u>Total Personal Income (in thousands)</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>Public School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
2021	46,511	\$ 1,779,743	\$ 38,265	37.0	4,413	7.2%
2020	46,473	1,738,648	37,412	36.6	4,590	9.2%
2019	46,747	1,682,518	35,992	37.0	4,621	3.8%
2018	46,933	1,646,129	35,074	36.4	4,582	4.7%
2017	47,218	1,652,252	34,992	36.3	4,762	5.3%
2016	47,424	1,623,134	34,226	37.1	4,698	6.2%
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%

Sources:

- (1) U.S. Department of Commerce Bureau of the Census
- (2) American Community Survey, 2012-2016
- (3) Middletown Board of Education
- (4) State of Connecticut, Department of Labor

TABLE 13

**CITY OF MIDDLETOWN, CONNECTICUT
PRINCIPAL EMPLOYERS
2021 AND 2011**

<u>Employer</u>	<u>Population (1) Nature of Business</u>	<u>2021</u>			<u>2011</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	3,131	1	12.69%	2,400	1	9.54%
Middlesex Health System	Private Hospital	3,412	2	13.83%	1,550	2	6.16%
Connecticut Valley Hospital	State Hospital	1,098	3	4.45%	1,500	3	5.96%
Wesleyan University	Higher Education	1,000	4	4.05%	1,000	4	3.97%
Middletown Board of Education	Education	772	5	3.13%	-		
FedEx Ground Package System Inc.	Courier Delivery Service	700	6	2.84%	-		
City of Middletown	Government	465	7	1.88%	459	5	1.82%
Liberty Bank	Financial Banking	380	8	1.54%	300	6	1.19%
Jarvis Products	Power Tool Manufacturer	275	9	1.11%	200	8	0.79%
Kamen Aerospace	Electronics System	269	10	1.09%	230	7	0.91%
Dattco	Transportation				-		
Citizens Bank	Financial Banking				-		
Aetna	Insurance				175	9	0.70%
Middlesex Mutual Assurance	Insurance				139	10	0.55%
		<u>11,502</u>			<u>7,953</u>		

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

**CITY OF MIDDLETOWN, CONNECTICUT
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2021**

Date of incorporation	1651
Date City Charter adopted	1874
Date present Charter adopted	Population (1)
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
2019	46,511
Public education:	
Schools:	
High	1
Middle school complex	1
Elementary	8
Administrative personnel	38
Teachers	463
Other	332
Local enrollment	4,346
Municipal employees:	
(Permanent-exclusive of library)	
Education	795
Police and Fire	229
Municipal and other	250
Fire volunteers	42
Fire protection:	
Fire stations	4
Employees:	
Fire fighting	113
Civilian	5
Volunteer	42
Number of hydrants	1,479

(Continued on next page)

**CITY OF MIDDLETOWN, CONNECTICUT
MISCELLANEOUS STATISTICAL DATA (CONTINUED)
JUNE 30,2021**

Police protection:	
Police station	1
Employees:	
Law enforcement	116
Civilian	15
Animal control	3
School crossing guards	9
Elections:	
Number of registered voters	28,132
Number of votes cast in:	
Last state election	20,683
Last municipal election	11,768
Percentage of registered voters voting in:	
Last state election	77%
Last municipal election	42%
Municipal parking:	
Metered	625
Other	386
Library:	
Main building	1
Employees:	
Regular	34
Part-time	16
Number of items owned	150,148
Registered borrowers	13,279
Total annual circulation	205,399
Total annual visits	51,727
Miles of streets and alleys:	
Streets - paved	199.4
Streets - unpaved	6.19
Alleys	2.1
Sidewalks	91.5

(Continued on next page)

CITY OF MIDDLETOWN, CONNECTICUT
MISCELLANEOUS STATISTICAL DATA (CONTINUED)
JUNE 30,2021

Miles of sewers:	
Storm sewers	219.36
Sanitary sewers	197
Water Department:	
Gallons of water per day	3,910,000
Number of meters	16,009
Miles of water mains	198
Building permits:	
Permits issued	2,700
Permits value	93,592,397
Number of street lights	5,072
Parks and recreation:	
Number of parks	31
Acres of parks	767.51
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	14
Ball diamonds (3 lighted)	23
Basketball courts - outdoor (1 lighted)	2
Skateboard/BMX Bike Park	1
Soccer Fields	25
Football Fields	1