

**Preliminary Official Statement, Dated March 23, 2011**

**New Issue: Book-Entry-Only**

**Ratings: See "Ratings" herein**

*In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the material accuracy of representations and continuing compliance by the City with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds may be includable in the calculation of certain taxes under the Code, including adjusted current earnings of corporations (as defined for federal income tax purposes), for purposes of computing the alternative minimum tax on corporations. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B, "Form of Opinion of Bond Counsel and Tax Exemption").*



**\$8,900,000**  
**City of Middletown, Connecticut**  
**General Obligation Bonds, Issue of 2011**  
**Book-Entry-Only, Bank Qualified**

**Dated: April 1, 2011**

**Due : Serially April 1, 2013 - 2022**  
**as detailed below**

Interest on the Bonds will be payable on October 1, 2011 and semiannually thereafter on April 1 and October 1 in each year until maturity. The Bonds will be issued in book-entry-only form whereby the beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of and interest payments on the Bonds will be made by the City of Middletown to The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., as registered owner of the Bonds. DTC will act as security depository for the Bonds. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or Owner shall mean Cede & Co. and shall not mean the Beneficial Owners (as described herein) of the Bonds. (See Book-Entry-Only Transfer System" herein.)

The Bonds will be general obligations of the City of Middletown, secured by the pledge of the City's full faith and credit. (See "Security and Remedies" herein.)

The Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds will be U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23<sup>rd</sup> Floor, Hartford, Connecticut 06103.

**THE BONDS ARE NOT SUBJECT TO REDEMPTION PRIOR TO MATURITY.**

<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP</b>	<b>Year</b>	<b>Principal</b>	<b>Coupon</b>	<b>Yield</b>	<b>CUSIP</b>
2013	\$890,000	___%	___%	596884___	2018	\$890,000	___%	___%	596884___
2014	890,000	___%	___%	596884___	2019	890,000	___%	___%	596884___
2015	890,000	___%	___%	596884___	2020	890,000	___%	___%	596884___
2016	890,000	___%	___%	596884___	2021	890,000	___%	___%	596884___
2017	890,000	___%	___%	596884___	2022	890,000	___%	___%	596884___

**Electronic bids via PARITY for the Bonds will be received until 11:30 AM (E.D.T.) on Wednesday, March 30, 2011 at Middletown City Hall, Second Floor, Conference Room 208, 245 deKoven Drive, Middletown, Connecticut 06457.**

The Bonds are offered for delivery when, and if issued, subject to the approving opinion of Joseph Fasi LLC, Bond Counsel of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company in New York, New York, or its agents, on or about April 14, 2011.



No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations not contained in this Official Statement or any supplement, which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of this Official Statement.

The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the City. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future.

Set forth in Appendix A "General Purpose Financial Statements" hereto is a copy of the report of the independent auditors for the City with respect to the financial statements of the City included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors provided their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement other than matters expressly set forth as their opinion and make no representation that they have independently verified the same.

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## **Bond Issue Summary**

*The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.*

<b>Date of Sale:</b>	Wednesday, March 30, 2011 at 11:30 A.M. (E.D.T.).
<b>Location of Sale:</b>	City of Middletown, City Hall, Second Floor, Conference Room 208, 245 deKoven Drive, Middletown, Connecticut 06457.
<b>Issuer:</b>	City of Middletown, Connecticut (the "City").
<b>Issue:</b>	\$8,900,000 General Obligation Bonds, Issue of 2011 (the "Bonds").
<b>Dated Date:</b>	April 1, 2011.
<b>Interest Due:</b>	Interest due October 1, 2011 and semiannually thereafter on April 1 and October 1 in each year until maturity.
<b>Principal Due:</b>	Principal due serially April 1, 2013 through April 1, 2022 as detailed on the cover of this Official Statement.
<b>Purpose:</b>	Proceeds of the Bonds will permanently finance various general public improvements, schools, sewer and water projects authorized by the City.
<b>Redemption:</b>	The Bonds are <u>NOT</u> subject to redemption prior to maturity.
<b>Security:</b>	The Bonds will be general obligations of the City, and the City will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
<b>Credit Rating:</b>	Application has been made to Moody's Investors Service, Inc. and Standard & Poor's Corporation for a rating on the Bonds. The City's outstanding bonds are currently rated as follows: "Aa2" by Moody's Investors Service, Inc. and "AA" by Standard & Poor's Corporation.
<b>Bond Insurance:</b>	The City does <u>NOT</u> expect to purchase a credit enhancement facility.
<b>Basis of Award:</b>	Lowest True Interest Cost ("TIC"), as of the dated date.
<b>Tax Exemption:</b>	See "Tax Exemption" herein.
<b>Bank Qualification:</b>	The Bonds <u>shall be</u> designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
<b>Continuing Disclosure:</b>	In accordance with the requirements of Rule 15c2-12(b) (5) promulgated by the Securities and Exchange Commission, the City will agree to provide, or cause to be provided, annual financial information and operating data and notices of material events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the City substantially in the form attached as Appendix C to this Official Statement.
<b>Registrar, Transfer Agent, Certifying Agent and Paying Agent:</b>	U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 will act as Registrar, Transfer Agent, Certifying Agent and Paying Agent.
<b>Financial Advisor:</b>	Phoenix Advisors, 53 River Street, Suite 3, Milford, Connecticut 06460 will act as Financial Advisor. Telephone: (203) 878-4945.
<b>Legal Opinion:</b>	Joseph Fasi LLC, of Hartford, Connecticut will act as Bond Counsel. Telephone: (860) 296-0510.
<b>Delivery and Payment:</b>	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about April 14, 2011. Delivery of the Bonds will be made against payment in Federal Funds.
<b>Issuer Official:</b>	Questions concerning the City and the Official Statement should be addressed to Carl R. Erlacher, Director of Finance & Revenue Services, 245 deKoven Drive, Middletown, Connecticut 06457. Telephone: (860) 344-3435.

## ***I. Bond Information***

### ***Introduction***

This Official Statement is provided for the purpose of presenting certain information relating to the City of Middletown, Connecticut (the "City") in connection with the original issuance and sale of \$8,900,000 General Obligation Bonds, Issue of 2011 (the "Bonds") of the City.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated March 23, 2011 has been furnished to prospective bidders. Reference is made to the official Notice of Sale for the terms and conditions of the bidding.

U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 will certify and act as Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. The presentation of information in this Official Statement is intended to show recent historic trends and is not intended to indicate future or continuing trends in financial or other positions of the City. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of the Official Statement. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the City contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the City relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The auditors for the City have not provided their written consent to use their Independent Auditor's Report. The auditors have not been engaged nor performed audit procedures regarding the post audit period, nor reviewed the Official Statement.

Bond Counsel is not passing upon and does not assume responsibility for the sufficiency, accuracy or completeness of the statements made or financial information presented in this Official Statement (other than the matters expressly set forth as its opinion in Appendix B "Form of Opinion of Bond Counsel and Tax Exemption" herein) and makes no representation that it has independently verified the same.

### ***Financial Advisor***

Phoenix Advisors, LLC, of Milford, Connecticut has served as Financial Advisor to the City with respect to the issuance of the Bonds (the "Financial Advisor"). The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Financial Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

### ***The Bonds***

#### ***Description of the Bonds***

The \$8,900,000 principal amount of the Bonds mature on April 1 in each of the years as set forth on the front cover of this Official Statement. The Bonds will be dated April 1, 2011 and will bear interest at the rate or rates per annum specified by the successful bidder, payable on October 1, 2011 and semiannually thereafter on April 1 and October 1 in each year until maturity as set forth on the cover of this Official Statement. Interest will be calculated on the basis of twelve thirty-day months and a 360-day year. Interest is payable to the registered owner as of the close of business on the fifteenth day of March and September in each year, or the preceding business day if such fifteenth day is not a business day, by check mailed to the registered owner or, so long as the

Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the City shall agree.

### ***Book-Entry-Only Transfer System***

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One-fully registered certificate will be issued each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owner. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent to vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond or Note certificates are required to be printed and delivered to DTC.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond and Note certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

### ***DTC Practices***

The Issuer can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

### ***Replacement Bonds***

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the City fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the City determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the City will issue fully registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

### ***Security and Remedies***

The Bonds will be general obligations of the City and the City will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues of the City. The City has the power under Connecticut General Statutes to levy ad valorem taxes on all property subject to taxation by the City without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed Grand List of the City and, under existing statutes, the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation on its power to tax such dwelling houses.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the City may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the City. There are no statutory provisions for a lien on any portion of the tax levy or other revenues or City property to secure the Bonds or judgments thereon, in priority to other claims.

The City is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the City. Courts of competent jurisdiction also have power in appropriate proceedings to order payment of a judgment on such bonds and notes from funds lawfully available therefore or, in the absence thereof, to order the City to take all lawful action to obtain the same, including

the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors, including the current operating needs of the City and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on such bonds or notes would also be subject to the applicable provisions of Federal bankruptcy laws, as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, heretofore or hereafter enacted by the Congress or the Connecticut General Assembly extending the time for payment or imposing other constraints upon enforcement insofar as the same may be constitutionally applied and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor.

***THE CITY OF MIDDLETOWN, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF  
PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.***

***Qualification for Financial Institutions***

The Bonds **shall be** designated by the City as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

***Availability of Continuing Disclosure***

The City prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management on an annual basis. The City provides, and will continue to provide to the rating agencies ongoing disclosure in the form of the annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The City will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of the SEC Rule 15c2-12(b)(5) (the "Rule"), (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain material events with respect to the Bonds, and (iii) timely notice of failure by the City to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement. The winning bidder's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The City has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). The City failed to make a timely submission of its annual financial report for the year ending June 30, 2009. The City inadvertently filed its annual financial report with the previous NRMSIRs instead of the MSRB's EMMA system which went into effect July 1, 2009. The City has since corrected this filing and is now current on the EMMA system.

***Bond Insurance***

The City does not intend to purchase a credit enhancement facility for the Bonds.

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## Authorization and Purpose

<b>Project</b>	<b>Amount Authorized</b>	<b>Date of Approval</b>	
		<b>Common Council</b>	<b>Referendum (if applicable)</b>
Water Booster Pump Station.....	210,000	09/05/2006	n/a
2007 Open Space.....	2,000,000	09/04/2007	11/06/2007
Road Bond 2007.....	9,975,000	08/06/2007	11/06/2007
Road Improvements 2005.....	9,850,000	08/01/2005	11/08/2005
Road Improvements 2003.....	8,100,000	09/02/2003	11/04/2003
Road Improvements 2001.....	6,800,000	08/06/2001	11/06/2001
City Hall Energy Conservation.....	665,000	06/29/2010	n/a
City Yard/PW Energy Conservation.....	425,000	06/29/2010	n/a
Cross St Fire Energy Conservation.....	260,000	06/29/2010	n/a
Fire Station Energy Conservation.....	750,000	11/01/2010	n/a
Higby Water Facility Energy Conservation.....	75,000	06/29/2010	n/a
Palmer Field Energy Conservation.....	45,000	06/29/2010	n/a
Parks Dept Building Energy Conservation.....	75,000	06/29/2010	n/a
Police Headquarters Energy Conservation.....	625,000	06/29/2010	n/a
Remington Rand Energy Conservation.....	165,000	06/29/2010	n/a
Roth Water Energy Conservation.....	520,000	06/29/2010	n/a
Library Energy Conservation.....	680,000	11/01/2010	n/a
W&S Building Energy Conservation.....	240,000	06/29/2010	n/a
Water Plant Energy Conservation.....	135,000	06/29/2010	n/a
Various Pumps Energy Conservation.....	20,000	06/29/2010	n/a
Revenue Control Systems Improvements.....	155,000	06/29/2010	n/a
City Public Parking Improvements.....	740,000	11/09/2010	n/a
Shoreline Protection 2011.....	700,000	01/03/2011	n/a
Soccer Fields.....	355,000	03/07/2011	n/a
<b>Total</b> .....	<b>\$ 43,565,000</b>		

*(The remainder of this page intentionally left blank.)*



### ***Use of Bond Proceeds***

Subject to the City's election to relocate proceeds among its authorized projects to meet its capital cash flow needs, the proceeds of this issue will be used to finance the projects listed below:

<b><i>Project</i></b>	<b><i>Amount Authorized</i></b>	<b><i>Bonds: This Issue</i></b>
Water Booster Pump Station.....	\$ 210,000	\$ 23,500
2007 Open Space.....	2,000,000	400,000
Road Bond 2007.....	9,975,000	500,000
Road Improvements 2005.....	9,850,000	1,600,000
Road Improvements 2003.....	8,100,000	650,000
Road Improvements 2001.....	6,800,000	150,000
City Hall Energy Conservation.....	665,000	660,000
City Yard/PW Energy Conservation.....	425,000	420,000
Cross St Fire Energy Conservation.....	260,000	255,000
Fire Station Energy Conservation.....	750,000	745,000
Higby Water Facility Energy Conservation.....	75,000	70,000
Palmer Field Energy Conservation.....	45,000	40,000
Parks Dept Building Energy Conservation.....	75,000	70,000
Police Headquarters Energy Conservation.....	625,000	620,000
Remington Rand Energy Conservation.....	165,000	160,000
Roth Water Energy Conservation.....	520,000	515,000
Library Energy Conservation.....	680,000	675,000
W&S Building Energy Conservation.....	240,000	235,000
Water Plant Energy Conservation.....	135,000	130,000
Various Pumps Energy Conservation.....	20,000	15,000
Revenue Control Systems Improvements.....	155,000	150,000
City Public Parking Improvements.....	740,000	430,000
Shoreline Protection 2011.....	700,000	200,000
Soccer Fields.....	355,000	186,500
<b><i>Totals</i></b> .....	<b>\$ 43,565,000</b>	<b>\$ 8,900,000</b>

### ***School Projects***

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut will provide proportional progress payments for eligible school construction expenses on projects approved after July 1, 1996 (the "Current Program").

For all projects approved prior to July 1, 1996, (the "Prior Program") a municipality issues bonds for the entire amount of the amount of the school construction project and the State of Connecticut reimburses the municipality for the portion of principal and interest costs representing grant eligible school construction project costs.

Under the Current Program, the State of Connecticut is making proportional progress payments for eligible construction costs during project construction. The State grant is paid directly to the municipality after it submits its request for progress payments, and accordingly, the municipality will issue its bonds only for its share of project costs.

The City estimates that the following projects in this issue will be reimbursed under the Current Program at the following estimated reimbursement rates:

<b><i>Projects Approved After July 1, 1996</i></b>	<b><i>Total Project Costs Authorized</i></b>	<b><i>State Reimbursement Rate</i></b>	<b><i>Grants for Eligible Costs (estimated)</i></b>
Middletown High School .....	\$ 106,650,000	64.30%	\$ 64,724,000
Wesley Elementary School .....	6,314,000	51.10%	3,226,454
Bielefield Elementary School .....	5,380,000	54.30%	2,700,940
Lawrence Elementary School .....	6,647,300	61.10%	3,656,850
Moody Elementary School .....	1,500,000	60.00%	900,000
<b><i>Totals</i></b> .....	<b><i>\$ 126,491,300</i></b>		<b><i>\$ 75,208,244</i></b>

## ***Ratings***

Application has been made to Moody's Investors Service, Inc. and Standard & Poor's Corporation for a rating on the Bonds. The City has furnished to the rating agencies certain information and materials, some of which may not be included in this Official Statement. Rating agencies generally base their ratings upon such information and materials, and upon further investigations, studies and assumptions by each respective rating agency. There can be no assurance that a rating will continue for any given period of time, or that it will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward change in, or withdrawal of, a rating may have an adverse effect on the marketability or market price of outstanding securities.

The rating reflects only the view of the rating agency. Moody's Investors Service, Inc. or Standard & Poor's Corporation should be contacted directly for its rating on the Bonds and the explanation of such ratings. The City expects to furnish to the rating agencies information and materials that they may request. The City's Financial Advisor, Phoenix Advisors, LLC, recommends that all bonded debt be submitted for a credit rating. No application has been made to any other rating agency for the purpose of obtaining ratings on outstanding securities of the City.

The City's outstanding general obligation debt is rated "Aa2" by Moody's Investors Service, Inc. and "AA" by Standard & Poor's Corporation.

## ***Documents Furnished at Delivery***

The original purchaser(s) will be furnished the following documents when the Bonds are delivered:

1. Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. Certificate on behalf of the City, signed by the Mayor and Treasurer, which will be dated the date of delivery and attached to a signed or confirmed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief that, at the time bids on the Bonds were accepted the description and statements in the Official Statement relating to the City and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the City from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Joseph Fasi LLC, Bond Counsel.
5. An executed Continuing Disclosure Agreement for the Bonds in substantially the form attached hereto as Appendix C to this Official Statement.
6. The City has prepared an Official Statement for the Bonds which is dated March 23, 2011. The City deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(1), but it is subject to revision or amendment. The City will make available to the winning purchaser of the Bonds one hundred (100) copies of the final Official Statement at the City's expense. The copies of the Official Statement will be made available to the winning purchaser at the office of Phoenix Advisors, LLC, the City's Financial Advisor, within seven business days of the bid opening. If the City's Financial Advisor is provided with the necessary information from the winning purchaser by noon of the day following the day bids on the Bonds are received, then copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoccurring prices, the name of the managing underwriter, the name of the insurer, if any, and any changes on the Bonds. The purchaser shall arrange with the Financial Advisor the method of delivery of the copies of the Official

Statement to the purchaser. Additional copies of the Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

A record of the proceedings taken by the City in authorizing the Bonds will be kept on file at the principal office of the Paying Agent, U.S. Bank National Association, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103 and may be examined upon reasonable request.

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## ***II. The Issuer***

***Map of CT to be inserted***

### ***Description 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. Middletown 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.

Wesleyan University, founded in 1831, is located in Middletown. The University is nationally recognized and owns a beautiful campus. With an enrollment of nearly 2,900 men and women and a significant faculty and staff, its economic and social impact upon the community is important and includes rich cultural offerings open to Middletown residents. The University has also been responsible for the formation of the Hill Development Corporation which, over the past two decades, has provided varied housing opportunities in the City.

Middlesex Community College, located to the south of the downtown area, provides adult and continuing education, as well as a two-year undergraduate program.

Middletown has numerous medical facilities and convalescent homes to meet area health needs. The Middlesex Hospital, located within the City, has a capacity of approximately 380 beds and is the focal point for health delivery services for Middlesex County. The hospital combines the quality care of competent, concerned, personalized service with the accuracy and convenience of high technology, and is the only acute care, community hospital in this county of approximately 160,000 residents. Its medical staff, with board-certified physicians in virtually all major sub-specialties, offers a wide range of coverage including preventative medicine as well as the diagnosis and treatment of illnesses. The hospital also functions as a major educational resource to prepare students for health careers.

## **Description of Government**

Middletown operates under a Charter first granted in 1874 and subsequently revised. The most recent revision became effective November 7, 2000. The City is governed by a strong full-time Mayor, and twelve-member Common Council elected at large for a term of two years. The Mayor is the chief executive officer of the City. In addition to the City's departments, there is a Sanitary District Commission, Water and Sewer Commission, a Parking Authority, a Housing Authority and Downtown District. A Director of Finance & Revenue Services administers the financial affairs of the City.

### **Principal Municipal Officials**

<b>Official</b>	<b>Name</b>	<b>Manner of Selection</b>	<b>Length of Service</b>	<b>Term of Office</b>	<b>Former Employment</b>
Mayor .....	Sebastian N. Giuliano	Elected	5 years	Nov. 2011	Law Firm
Director of Finance & Revenue Services.....	Carl R. Erlacher	Appointed	7 years	Indefinite	Accounting Firm
Chairman, Board of Education .....	Ted Raczka	Elected	2 Years	Nov. 2013	Law Firm
Superintendent of Schools .....	Michael Frechette	Appointed	6 years	Indefinite	School District Administrator
Treasurer .....	Christine Berry Bourne	Elected	15 years	Nov. 2011	Board of Education

### **Municipal Services**

General government is comprised of the legislative, executive, and legal activities of the City, as well as staff and auxiliary housekeeping services. The Mayor presides over the Common Council, and is also the chief executive officer of the City. The directors of all City departments and agencies are responsible to the Mayor for all matters regarding the operation of their respective departments. In a broad sense, general government activities provide the administrative and overhead systems, which support the operations of programs necessary for the achievement of City objectives.

**Finance Department.** The Finance Department is responsible for administering a completely integrated financial function including all responsibility for treasury operations, purchasing, administrative services, payrolls, and financial data processing as well as accounting and budgetary activities.

**Personnel Department.** The Department of Personnel is responsible for the central administration of the City's personnel system, as specified in the Personnel Ordinance. The Personnel Director is responsible for labor relations with four of the City's employee labor associations.

**Office of the City and Town Clerk.** The duties and responsibilities of the Office of the City and Town Clerk are primarily set by State law. There are three major areas of responsibility: the custodianship of the City's land records; administration of elections; and issuance of various licenses, such as sportsman, trade names, liquor and dog licenses. Additionally, the office of the City and Town Clerk retains a record journal for licensed Justices of the Peace and Notary Publics. Meeting notices and agendas for all public boards and commissions are filed and retained in the office, and are available for public viewing.

**Legal Department.** The services of the Legal Department fall into several areas. The duties of the City Attorney include acting as City Attorney for the City, its officers, departments, agencies, boards and commissions, in all matters relating to their official duties. The City Attorney also has the power to resolve or settle any claim by or against the City in the amount of \$3,500 or less. Any claims over \$3,500, the City Attorney has the power to resolve or settle subject to the approval of the Insurance and Claims Committee, which Committee consists of three members of the Common Council. The Legal Department is also responsible for the Property and Casualty Insurance, Worker's Compensation and Health Insurance and Risk Management programs of the City.

**Fire Protection.** The City of Middletown is divided into three fire districts: the Middletown Fire Department (the City's department), the South Fire District and the Westfield Volunteer Fire District. Each operates autonomously under the command of a fire chief with its own administration, Fire Commission, and taxing district.

The City's Fire Department, the Middletown Fire Department, is the oldest fire protection organization in the City with origins dating back to 1785. Its mission is to enhance the quality of living in the community by preventing or minimizing injury and loss of life or property from fire or other emergencies that may occur within the City's jurisdictional boundaries.

The Middletown Fire Department is the largest and most active fire department in the City, staffed by 63 sworn women and men, as well as four civilian staff, who respond to over 4,300 requests annually. The department, besides providing fire protection, control and extinguishments services, provides various rescue services including vehicle extrication, confined space, scuba dive team, high angle and low angle ice, and marine services. The department also responds to requests for services involving hazardous materials, is an EMS First responder and is now certified in Trench Rescue. Code enforcement, building plan review, fire protection and education is completed by the department's Fire Marshal's Office as well as supported by the operations division. The department also has a Fire Alarm Division covering the entire City, which monitors and maintains alarms connected directly to the City's alarm system.

The department operates out of two stations: Headquarters, located at 533 Main Street, which was built in 1899, is a historical landmark and architectural gem in the City's North End; and Station 2, located at 169 Cross Street in the heart of Wesleyan University. The Alarm Division is located at Thomas Street, City Yard.

**Police Department.** The City of Middletown Police Department, presently consisting of one hundred and two (102) (funded for 105 sworn effective 4/1/11) sworn Police Officers, fourteen (14) school crossing guards and sixteen (16) civilian personnel, is the primary law enforcement agency in the City. The Department, which is located in a state-of-the-art 45,000 square foot police facility on Main Street, is dedicated to "Community Policing" and working with City residents, businesses and other agencies in hopes of improving the quality of life for the residents of Middletown.

Police services are delivered through four divisions: Patrol, Administrative, Investigative, and Professional Standards. The Patrol Division is comprised of uniformed Police Officers, the Traffic Unit, a full-time Animal Control Officer, and School Crossing Guards. It is responsible for the patrol of the City and is the primary responder to all calls for services. The Administrative Division serves as a support division to the Department and is responsible for the staffing, budgeting, purchasing, Records Bureau, and maintaining all equipment and supplies. The Investigative Services Division is made up of the Major Investigations unit, the Special Investigations unit, and the Street Crime unit. This division conducts investigations of major crimes, family issues, narcotics, vice, organized crimes, and other criminal matters. The Professional Standards Division oversees Department personnel matters, including the recruitment process, training, workers' compensation, Internal Affairs and policy review.

**Public Works.** The Department of Public Works, as required by City Charter, is headed by a director who is charged with the management, care and maintenance of all public buildings, public highways, city vehicles, collection and disposal of refuse and solid waste, permitting of new construction, rehabilitation and restoration of buildings and inspection of all construction in the City in accordance with State building codes.

**Water Department.** The Middletown Water Department is a self-supporting municipal department providing water service to approximately 90% of the City's population and also services small portions of Middlefield and Cromwell. The system consists of three reservoirs, a well field with ten wells, two water treatment plants, pumping stations and facilities, and approximately one hundred eighty miles of water mains. The sources are fully permitted and have ample supply through the year 2040.

The budget for the 2010-11 fiscal year is \$4,957,934. The water rate for fiscal year 2010-11 is \$27.98/1,000 cubic feet. All water use is metered and bills are due and payable on a semi-annual basis for all services up to 1½" and on a monthly basis for services 1½" and larger:

<b>Billing</b>	<b>Size of Meter</b>	<b>Charge</b>
Semi annual:	5/8 inch	\$19.74
	3/4 inch	\$24.88
	1.0 inch	\$54.50
Monthly:	1.5 inches	\$15.02
	2.0 inches	\$20.68
	3.0 inches	\$34.23
	4.0 inches	\$57.73
	6.0 inches	\$105.71
	8.0 inches	\$106.69

***Sewer Department.*** The Sewer Department consists of a Director and 22 full-time employees. A modern wastewater treatment facility serves approximately 60% of the City and parts of a neighboring municipality. Its operations are financed from direct charges to the users. The daily use is 3.5 million gallons per day and the plant can handle average daily flows of 6.75 million gallons per day and maximum flows of 15.2 million gallons per day. The remaining 40% of the City's sanitary sewerage are treated at the Mattabassett Treatment Facility in Cromwell and the sewer users pay for this service based upon the volume treated. The sewer budget for 2010-11 is \$4,711,270.

The City is currently a party to a State DEP funded sewer facility plan which is addressing regionalizing sewage treatment with the Mattabassett District for all of Middletown's sewer needs. The plan is being completed and formal negotiations with the Mattabassett District will follow.

***Combined Sewer Overflow Separation Projects:*** In accordance with the requirements of the Connecticut Department of Environmental Protection (Water Compliance Unit) and the U.S. Environmental Protection Agency, the City of Middletown developed a "Facility Plan" issued in June of 1980 and updated in September 1987. The Facility Plan provides cost effective and environmentally acceptable solutions for the Combined Sewer Overflow ("CSO") problems occurring in Middletown. Both State and Federal agencies approved the Facility Plan recommendations and the City has undertaken the construction of projects, which incorporate the recommendations. A timetable for construction of the CSO projects has been established by mutual agreement between the City and the Connecticut DEP.

CSO construction includes the installation of new sanitary sewer pipe and manholes, new storm drainpipe manholes and catch basins, rehabilitation of existing sewer pipe and manholes and the separation of private inflow sources. Surface improvement work includes the installation of new granite curb, new concrete sidewalks and driveway aprons, full-depth pavement reconstruction and/or bituminous concrete overlay of existing street pavement, and the installation of street trees.

***Housing Authority.*** The Housing Authority of the City of Middletown is a public, non-profit corporation whose primary responsibility is to manage and maintain seven apartment buildings providing a stock of 474 dwelling units for low and moderate income families and elderly.

***Middletown Transit District.*** The Middletown Transit District provides transit service throughout the City of Middletown and the Middletown region which includes Portland, East Hampton, Cromwell, Middlefield and Durham. Fixed route bus service operates 6 days a week, Monday through Saturday, and the District also offers Dial-a-Ride Elderly/Handicapped services to the aforementioned towns excluding Cromwell. These services are funded by passenger fares and Federal, State and local subsidies.

Middletown Transit is the host to Peter Pan Bus Lines, The Land Jet Bus Company and Greyhound Lines. The Peter Pan Bus Lines have extensive routes along the eastern seaboard and upstate New York, with connecting service to all 48 contiguous states, and Greyhound Lines has extensive service throughout the United States and Canada. Land Jet Bus Company services the Foxwoods Casino and Resort and the Mohegan Sun Casino.

***Solid Waste Disposal.*** Refuse collection in the City of Middletown is accomplished by private refuse contractors and by the Sanitation District. The latter is a requirement of the City Charter and the Sanitation District represents approximately 30% of the refuse in the City of Middletown. The refuse contractors charge each customer for their service, including the collection of recyclables. The Sanitation District is a self-sufficient operation. User fee charges are the basis for paying for the service. Separate bills are mailed out semiannually for refuse collection service in the Sanitation District.

***Landfill:*** The City of Middletown has a permitted Sanitary Landfill, which has been closed.

***Recycling:*** The City presently has a mandatory recycling program for all State-mandated materials including curbside collection of newspapers, bottles and cans, certain plastic containers and corrugated cardboard. Both private contractors and the Sanitation District collect these curbside materials. Only refuse contractors that dispose their municipal solid waste at a City-designated solid waste facility are allowed to dispose their recyclables at the Middletown Recycling Center. Non-participating refuse contractors must make their own arrangements for refuse and recyclables. City employees haul the recyclables from the recycling center to a designated market based on bids. The tip fee, if any, is paid by the participants through the contracted refuse tipping fee.

Contractors and commercial operations that have the need to dispose of bulky waste on special occasions may dump it at the Recycling Center. The charge for the bulky waste is \$84.50 per ton. The bulky waste is dumped separately and it is transferred to the private bulky waste site on a when-needed basis. The cost of disposing of that bulky waste is \$78 per ton.

Residents who establish residency may obtain a permit from the Public Works Department and bring their own recyclables to the Recycling Center.

***Service Contract - Solid Waste Disposal.*** The Eastern Connecticut Resource Recovery Authority (the "Authority") is a public body politic and corporate of the State of Connecticut, organized and existing pursuant to the Connecticut General Statutes Sec. 7-273aa et seq., and an ordinance adopted by the Common Council of the City of Middletown on December 10, 1990. The Authority was created for the purpose of developing and implementing a solid waste disposal and resource recovery system, including the acquisition and ownership of a resource recovery facility in Lisbon, Connecticut (the "Facility"). At present, the City of Middletown is the only member of the Authority; accordingly, the Authority is fiscally dependent and under the City's control. Upon approval of each member, the Authority is empowered to issue bonds and notes and use the proceeds thereof to acquire and construct the Facility. Two series of bonds were issued by the Authority in October of 1993 to finance the construction of the Facility: \$114,110,000 Series 1993A Solid Waste Revenue Bonds and \$14,040,000 Series 1993B Taxable Solid Waste Revenue Bonds (together "Authority Bonds"). Enterprise Fund bonded debt at June 30, 1998 amounted to \$127,645,000. The Authority Bonds do not constitute a debt or other obligation of the City, and neither the faith and credit nor the taxing power of the City are pledged to the payment of the principal of or interest on the Authority Bonds.

The City has entered into a long-term Municipal Waste Disposal Agreement (the "Disposal Agreement") with the Authority to provide for the disposal of municipal solid waste generated in the City at the Facility. Under the Disposal Agreement, the City is required annually to deliver or cause to be delivered a guaranteed minimum amount of acceptable waste to the Facility and to pay a disposal fee (the "Disposal Fee") to the Authority. The City's current delivery obligation under the Disposal Agreement is 23,273 tons per year, as qualified hereafter, which is subject to reduction as the City increases its recycling programs. The City expects to deliver the approximately 8,700 tons of waste that it collects annually in its Sanitation District. The Disposal Fee payment is calculated on a per-ton basis in an amount sufficient to permit the Authority to recover from all Facility users the Authority's net cost of providing the Facility, including Debt Service on the Bonds and all amounts due to the Company under the Service Agreement. The Disposal Fee for the current Fiscal Year is \$67.03. However, the Disposal Agreement provides that the Disposal Fee charged to the City may not exceed transportation, recycling and disposal cost that would have been incurred by the City had it utilized the Hartford Waste to Energy Facility under a proposed contract for similar disposal service with the Connecticut Recovery Authority ("CRRRA").

The City of Middletown has pledged its full faith and credit to the payment of all amounts to be paid by it to the Authority under the Disposal Agreement, and shall be obligated to appropriate funds and levy taxes in an amount sufficient, together with other available revenues, to make such payment. Under the Disposal Agreement, the City's payment obligation is contingent upon the Authority's acceptance of the City's waste. The Disposal Agreement does not obligate the City to pay the principal of or interest on the Series 1993 Bonds.

The Authority, Wheelabrator Lisbon, Inc. and Regional Transfer Systems of Middletown Inc. entered into an agreement in June 1998 entitled Acceptable Waste Loading Agreement for Services. Under this long-term agreement, and in combination with existing agreements, the City's sanitation district utilizes a refuse transfer system at Regional Transfer Systems of Middletown Inc., 70 Industrial Park Road, Middletown, Connecticut.

The Authority has entered into a long-term agreement (the "Service Agreement") with Wheelabrator Lisbon, Inc. (the "Company") to build and operate the Facility, which is a 500-ton-per-day solid waste disposal, electric power generation and resource recovery facility. The Company, a Delaware corporation, is an indirect, wholly owned subsidiary of Wheelabrator Technologies Inc., Hampton, New Hampshire, which has guaranteed the performance of all of the Company's obligations under the Service Agreement.

The facility is designed to process 500 tons per day of acceptable waste, generate steam and convert the steam to electricity utilizing a 15-megawatt turbine generator. The Facility has two von Roll mass-burn combustion grate units, utilizing Babcock & Wilcox furnaces with waterwall boilers. Wheelabrator is licensed by von Roll, Ltd. of Zurich, Switzerland to use the von Roll technology in its trash-to-energy facilities and Wheelabrator has used the von Roll design in 11 of its trash-to-energy facilities. The construction of the Facility has been completed and the Facility met or exceeded all performance tests and became commercially operable January 1, 1996.



**Educational System.** The Board of Education is responsible for the City-operated school system of eleven schools (including a senior high school and two middle schools) with an operating capacity of 6,376 (including relocatable classrooms). The following is a listing of school facilities and school enrollments:

### **School Facilities**

<b>School</b>	<b>Grades</b>	<b>Date of Construction (Renovations)</b>	<b>Type of Construction</b>	<b>10/1/2010 Enrollment<sup>1</sup></b>	<b>Operating Capacity<sup>1</sup></b>
Bielefield Elementary .....	PreK-5	1954 (66 & 00)	Steel/Masonry	367	474
Farm Hill Elementary .....	K-5	1990	Masonry	371	516
Lawrence Elementary .....	K-5	1972 (05)	Steel/Masonry	377	422 <sup>2</sup>
Spencer Elementary .....	K-5	1951 (58 & 89)	Steel/Masonry	341	438
Macdonough Elementary .....	K-5	1925 (70 & 88)	Steel/Masonry	248	332
Moody Elementary .....	K-5	1964 (94 & 06)	Steel/Masonry	361	486
Snow Elementary .....	PreK-5	1998	Steel/Masonry	355	465
Wesley Elementary .....	K-5	1972 (03)	Steel/Masonry	311	468 <sup>3</sup>
Keigwin Annex Middle School .....	6	1973	Steel/Masonry	372	500
Woodrow Wilson Middle School .....	7-8	1973 (75 & 95)	Steel/Masonry	733	900
Middletown High School <sup>4</sup> .....	9-12	2008	Steel/Masonry	1,359	1,375
<b>Total</b> .....				5,195	6,376

<sup>1</sup> Excludes out-of-district placement students.

<sup>2</sup> Includes one classroom added as part of renovation at 24 students per classroom.

<sup>3</sup> Includes two classrooms added as part of renovation at 24 students per classroom.

<sup>4</sup> Includes Vocational Agriculture Center.

Source: City of Middletown, Board of Education.

### **School Enrollment<sup>1,2</sup>**

#### **Historical**

<b>School Year</b>	<b>Pre-K</b>	<b>K-5</b>	<b>6</b>	<b>7-8</b>	<b>9-12</b>	<b>Out of District Placement</b>	<b>Total Enrollment</b>
2000-2001	94	2,619	439	770	1,130	66	5,118
2001-2002	101	2,624	422	790	1,165	66	5,168
2002-2003	109	2,620	399	836	1,189	69	5,222
2003-2004	107	2,659	333	819	1,271	67	5,256
2004-2005	97	2,637	377	725	1,318	--	5,154
2005-2006	100	2,614	366	712	1,344	54	5,190
2006-2007	106	2,570	347	734	1,321	78	5,156
2007-2008	100	2,541	358	703	1,339	6	5,047
2008-2009	91	2,603	374	730	1,348	77	5,223
2010-2011	99	2,648	370	743	1,330	71	5,261
2010-2011	105	2,626	372	733	1,359	68	5,263

#### **Projected**

<b>School Year</b>	<b>Pre-K<sup>3</sup></b>	<b>K-5</b>	<b>6</b>	<b>7-8</b>	<b>9-12</b>	<b>Out of District Placement</b>	<b>Total Enrollment</b>
2011-2012	--	2,605	383	750	1,380	--	5,118
2012-2013	--	2,588	391	761	1,387	--	5,127
2013-2014	--	2,614	364	778	1,370	--	5,126
2014-2015	--	2,574	434	759	1,392	--	5,159

<sup>1</sup> Excludes homebound/sent-out students.

<sup>2</sup> Excludes 120 students enrolled in the Thomas Edison Magnet Middle School.

<sup>3</sup> No projections are available for Pre-K enrollment.

Source: City of Middletown, Board of Education

## **Municipal Employees Full-Time**

The City of Middletown employs 1,176 full-time persons for general government and education. The following table displays the City's employment rolls for the years ended June 30, 2006 – 2010.

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
General Government .....	459	416	398	485	432
Board of Education .....	822	760	759	706	737
<b>Total</b> .....	<b>1,281</b>	<b>1,176</b>	<b>1,157</b>	<b>1,191</b>	<b>1,169</b>

Source: City of Middletown, Department of Personnel; City of Middletown, Board of Education.

## **Employee Collective Bargaining Organizations**

Nearly all full-time employees are represented by bargaining organizations as follows:

<b>Employees</b>	<b>Board of Education Groups</b>	<b>Positions Covered</b>	<b>Current Contract Expiration Date</b>
Teachers .....	Middletown Federation of Teachers Local 1381, AFL-CIO	455	6/30/2012
Administrators .....	Middletown School Administrators Association	26	6/30/2013
Custodians, Secretaries .....	Local 466 of Council No. 4 AFL-CIO	172	6/30/2014
Paraprofessionals .....	Middletown Federation of Paraprofessionals Local 1361 AFT, AFL-CIO	130	6/30/2013
Managers .....	Middletown Managers & Professionals Association	4	6/30/2011
	<b>Total Board of Education Employees</b> .....	<b>787</b>	

  

<b>Employees</b>	<b>Town Groups</b>	<b>Positions Covered</b>	<b>Current Contract Expiration Date</b>
Firefighters .....	Local 1073 Int. Association of Firefighters AFL-CIO	62	6/30/2012
Police .....	Police Local 1361 AFSCME AFL-CIO	98	6/30/2011
Public Works .....	Local 466 of Council No. 4 AFL-CIO	194	6/30/2014
Library Workers .....	Local 1303 AFSCME, AFL-CIO	36	6/30/2010 <sup>1</sup>
Managers .....	Middletown Managers & Professionals Association	50	6/30/2011
Non-Bargaining Personnel...	N/A	19	N/A
	<b>Total General Government Employees</b> .....	<b>459</b>	
	<b>Total</b> .....	<b>1,246</b>	

<sup>1</sup>In negotiations.

Source: City of Middletown, Department of Personnel; City of Middletown, Board of Education.

General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certificated teachers and certain other employees. The legislative body of an affected municipality may reject the arbitration panel's decision within thirty days of its rendering by a two-thirds majority vote. The State and the employee organization must be advised in writing of the reasons for rejection within ten days thereof. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. Within twenty days of the review, the panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997 for binding arbitration of teachers' contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any items subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

### III. Economic and Demographic Information

#### Population and Density

<b>Year</b>	<b>Actual Population<sup>1</sup></b>	<b>% Increase</b>	<b>Density<sup>2</sup></b>
1970	36,924	11.0	861
1980	39,040	5.7	910
1990	42,762	9.5	997
2000 <sup>3</sup>	45,563	6.6	1,062
2009 <sup>4</sup>	48,383	6.2	1,128

<sup>1</sup> 1970 – 2000 U.S. Department of Commerce, Bureau of Census.

<sup>2</sup> Population per square mile: 42.9 square miles.

<sup>3</sup> As a result of the U.S. Census Bureau's Count Question Resolution Program, the U.S. Census Bureau on November 4, 2002 officially corrected the City's Census 2000 population from 43,167 to 45,563, representing an increase of 2,396; however, the census counts used for other Census 2000 data were not officially changed.

<sup>4</sup> State of Connecticut, Department of Public Health (estimate).

#### Age Distribution of the Population

<b>Age</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Under 5 .....	2,811	6.51	223,344	6.56
5 - 19 .....	7,266	16.83	702,358	20.62
20 - 24 .....	2,874	6.66	187,571	5.51
25 - 44 .....	15,133	35.06	1,032,689	30.32
45 - 64 .....	9,297	21.54	789,420	23.18
65 and over .....	5,786	13.40	470,183	13.81
<b>Total.....</b>	<b>43,167</b>	<b>100.00</b>	<b>3,405,565</b>	<b>100.00</b>
Median Age (Years).....		36.3		37.4

Source: U.S. Department of Commerce, Bureau of Census, 2000.

#### Income Distribution

<b>Income</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Families</b>	<b>Percent</b>	<b>Families</b>	<b>Percent</b>
Less than \$10,000.....	256	2.4	33,423	3.8
\$10,000 to \$14,999.....	345	3.3	23,593	2.7
\$15,000 to \$24,999.....	813	7.8	63,262	7.1
\$25,000 to \$34,999.....	1,099	10.5	75,413	8.5
\$35,000 to \$49,999.....	1,493	14.3	120,134	13.6
\$50,000 to \$74,999.....	2,636	25.2	198,924	22.5
\$75,000 to \$99,999.....	1,464	14	141,981	16
\$100,000 to \$149,999.....	1,769	16.9	132,177	14.9
\$150,000 to \$199,999.....	377	3.6	42,472	4.8
\$200,000 or more.....	201	1.9	54,368	6.1
<b>Total.....</b>	<b>10,453</b>	<b>100.0</b>	<b>885,747</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of Census, 2000

### Income Levels

	<b>City of Middletown</b>	<b>State of Connecticut</b>
Per Capita Income, 2000 .....	\$25,720	\$28,766
Per Capita Income, 1990 .....	\$17,814	\$20,189
Median Family Income, 2000 .....	\$60,845	\$65,521
Percent Below Poverty (Families), 2000 .....	4.30%	5.60%

Source: U.S. Department of Commerce, Bureau of Census, 2000

### Age Distribution of Housing

<b>Year Built</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
1999 to March 2000 .....	536	2.7	15,993	1.2
1995 to 1998 .....	741	3.8	47,028	3.4
1990 to 1994 .....	1,107	5.6	56,058	4.0
1980 to 1989 .....	3,657	18.6	183,405	13.2
1970 to 1979 .....	3,215	16.3	203,377	14.7
1960 to 1969 .....	2,599	13.2	212,176	15.3
1940 to 1959 .....	3,947	20.0	359,042	25.9
1939 or earlier .....	3,895	19.8	308,896	22.3
<b>Total Housing Units, 2000</b> .....	10,065	100.0	1,385,975	100.0
Percent Owner Occupied, 2000 .....		51.3		66.8

Source: U.S. Department of Commerce, Bureau of Census, 2000

### Housing Inventory

<b>Type</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Units</b>	<b>Percent</b>	<b>Units</b>	<b>Percent</b>
1-unit, detached.....	8,639	43.9	816,706	58.9
1-unit, attached.....	1,072	5.4	71,185	5.1
2 units.....	1,737	8.8	119,585	8.6
3 or 4 units.....	1,394	7.1	127,032	9.2
5 to 9 units.....	1,852	9.4	76,836	5.5
10 to 19 units.....	1,701	8.6	52,697	3.8
20 or more units.....	3,266	16.6	109,740	7.9
Mobile home.....	36	0.2	11,580	0.8
Boat, RV, van, etc.....	--	--	614	--
<b>Total Inventory</b> .....	19,697	100.0	1,385,975	100.0

Source: U.S. Department of Commerce, Bureau of Census, 2000

### **Housing Unit Vacancy Rates**

<b>Units</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Occupied housing units .....	18,554	94.2	1,301,670	93.9
Vacant housing units .....	1,143	5.8	84,305	6.1
<b>Total housing units .....</b>	<b>19,697</b>	<b>100.0</b>	<b>1,385,975</b>	<b>100.0</b>
Homeowner vacancy rate .....	--	1.5	--	1.1
Rental vacancy rate .....	--	5.8	--	5.6

Source: U.S. Department of Commerce, Bureau of Census, 2000

### **Owner-Occupied Housing Units**

<b>Units</b>	<b>City of Middletown</b>	<b>State of Connecticut</b>
Total owner-occupied units .....	9,520	869,729
Average household size of owner-occupied units .....	2.49	2.67
Mean number of rooms .....	4.90	5.60

Source: U.S. Department of Commerce, Bureau of Census, 2000

### **Specified Owner-Occupied Units**

<b>Units</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than \$50,000 .....	107	1.3	5,996	0.8
\$50,000 to \$99,999 .....	1,344	16.7	85,221	11.7
\$100,000 to \$149,999 .....	3,222	40.1	212,010	29.1
\$150,000 to \$199,999 .....	2,149	26.8	156,397	21.5
\$200,000 to \$299,999 .....	1,064	13.3	137,499	18.9
\$300,000 to \$499,999 .....	134	1.7	79,047	10.9
\$500,000 to \$999,999 .....	7	0.1	38,168	5.2
\$1,000,000 or more .....	--	--	13,906	1.9
<b>Total Inventory.....</b>	<b>8,027</b>	<b>100.0</b>	<b>728,244</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of Census, 2000

### **Educational Attainment Years of School Completed Age 25 and Over**

	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Less than 9th grade.....	1,711	5.6	132,917	5.8
9th to 12th grade, no diploma.....	3,294	10.8	234,739	10.2
High School graduate (includes equivalency).....	9,065	29.7	653,300	28.5
Some college, no degree.....	5,173	17.0	402,741	17.5
Associate degree.....	1,973	6.5	150,926	6.6
Bachelor's degree.....	5,637	18.5	416,751	18.2
Graduate or professional degree.....	3,627	11.9	304,243	13.3
<b>Total.....</b>	<b>30,480</b>	<b>100.0</b>	<b>2,295,617</b>	<b>100.0</b>
Total high school graduate or higher (%).....		83.60		84.00
Total bachelor's degree or higher (%).....		30.40		31.40

Source: U.S. Department of Commerce, Bureau of Census, 2000.

**Employment Data  
By Place of Residence**

<b>Period</b>	<b>Town of Middletown</b>		<b>Percentage Unemployed</b>		
	<b>Employed</b>	<b>Unemployed</b>	<b>City of Middletown</b>	<b>Hartford Labor Market</b>	<b>State of Connecticut</b>
January 2011.....	24,844	2,515	9.2	9.6	9.6
<b>Annual Average</b>					
2010	25,114	2,272	8.3	9.1	9.0
2009	25,308	2,050	7.5	8.3	8.2
2008	25,559	1,449	5.4	5.8	5.7
2007	25,394	1,204	4.5	4.7	4.6
2006	25,168	1,056	4.0	4.4	4.3
2005	24,705	1,207	4.7	5.0	4.9
2004	24,378	1,212	4.7	5.2	4.9
2003	24,178	1,413	5.5	5.8	5.5
2002	24,188	1,038	4.1	4.5	4.4
2001	24,306	748	3.0	3.2	3.1

Source: Department of Labor, State of Connecticut.

**Employment by Industry  
Employed Persons 16 Years of Age and Over**

<b>Sector</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Agriculture, forestry, fishing/hunting, & mining .....	75	0.3	7,445	0.4
Construction .....	1,170	5.2	99,913	6.0
Manufacturing .....	3,280	14.5	246,607	14.8
Wholesale trade .....	701	3.1	53,231	3.2
Retail trade .....	2,271	10.1	185,633	11.2
Transportation and warehousing, and utilities .....	797	3.5	64,662	3.9
Information .....	585	2.6	55,202	3.3
Finance, insurance, real estate, rental & leasing .....	2,338	10.4	163,568	9.8
Professional, scientific, management, administrative, and waste mgmt services .....	2,024	9.0	168,334	10.1
Education, health and social services .....	5,831	25.8	366,568	22.0
Arts, entertainment, recreation, accommodation and food services .....	1,312	5.8	111,424	6.7
Other services (except public administration) .....	999	4.4	74,499	4.5
Public Administration .....	1,176	5.2	67,354	4.0
<b>Total Labor Force, Employed .....</b>	<b>22,559</b>	<b>100.0</b>	<b>1,664,440</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of Census, 2000.

**Major Employers  
As of March 2011**

<b>Employer</b>	<b>Type of Business</b>	<b>Number of Employees</b>
United Technologies .....	Aircraft Engines	2,400
Middlesex Hospital .....	Private Hospital	1,550
Connecticut Valley Hospital .....	State Hospital	1,500
Wesleyan University .....	Higher Education	1,000
City of Middletown .....	Municipal Government	459
Liberty Bank .....	Financial Institution	300
Kaman Aerospace Corporation .....	Electronics Systems	230
Jarvis Products .....	Manufacturing	200
Aetna .....	Insurance	175 <sup>1</sup>
Middlesex Mutual Assurance .....	Insurance	139
<b>Total</b> .....		<b>7,953</b>

<sup>1</sup> The Aetna figure is subject to change as restructuring continues.

Sources: Middletown Chamber of Commerce; City of Middletown, Personnel Department and Board of Education.

**Commute to Work  
16 Years of Age and Over**

<b>Category</b>	<b>City of Middletown</b>		<b>State of Connecticut</b>	
	<b>Number</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>
Car, truck, or van - drove alone .....	18,628	84.2	1,312,700	80.0
Car, truck, or van - carpooled .....	1,868	8.4	154,400	9.4
Public transportation (including taxicab) .....	375	1.7	65,827	4.0
Walked .....	774	3.5	44,348	2.7
Other means .....	110	0.5	12,130	0.7
Worked at home .....	363	1.6	51,418	3.1
<b>Total</b> .....	<b>22,118</b>	<b>100.0</b>	<b>1,640,823</b>	<b>100.0</b>

Source: U.S. Department of Commerce, Bureau of Census, 2000.

**New Construction Building Permits**

<b>Fiscal Year Ended</b>	<b>Residential</b>		<b>Commercial and Industrial</b>		<b>Total</b>	
	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>Amount</b>	<b>No.</b>	<b>Amount</b>
2010	30	\$4,361,660	8	\$3,053,500	38	\$7,415,160
2009	25	4,407,325	10	7,818,500	35	12,225,825
2008	54	9,130,675	12	51,075,426	66	60,206,101
2007	33	5,764,000	6	23,120,000	39	28,884,000
2006	199	25,957,049	5	3,493,000	204	29,450,049
2005	111	19,072,519	4	2,785,300	115	21,857,819
2004	83	12,716,265	4	18,427,139	87	31,143,404
2003	77	11,094,540	9	4,158,367	86	15,252,907
2002	103	11,794,356	5	4,443,794	108	16,238,150
2001	132	15,222,050	9	1,458,500	141	16,680,550

Source: City of Middletown, Building Department

**Land Use Summary  
As of February 1, 2011**

<b>Developed</b>			<b>Undeveloped</b>		
<b>Land Use Category</b>	<b>Acres</b>	<b>%</b>	<b>Land Use Category</b>	<b>Acres</b>	<b>%</b>
Residential .....	6,200	51.3	Agriculture .....	2,125	14.1
Commercial .....	355	2.9	Woodland/Vacant .....	9,510	63.0
Industrial .....	1,110	9.2	Parks/Open Space .....	3,465	22.9
Other .....	4,425	36.6	Other .....	-	-
<b>Total Area .....</b>	<b>12,090</b>	<b>100.0</b>		<b>15,100</b>	<b>100.0</b>

Source: City of Middletown, Planning and Zoning Department.

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## ***IV. Revenue and Tax Policy***

The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the City for inclusion onto the Grand List is the responsibility of the Tax Assessor. The Grand List represents the total of assessed values for all taxable and tax exempt real estate, taxable personal property and motor vehicles located within the City on October 1st. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. The City completed a revaluation of all real estate, both taxable and exempt, for the October 1, 2007 Grand List.

Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value.

Section 12-62 of the Connecticut General Statutes establishes the revaluation cycle for Connecticut municipalities. The law requires a revaluation every five years and a general revaluation based on physical observation where the preceding revaluation in the five year cycle was a statistical revaluation. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may chose to phase-in real property assessment increases resulting from a revaluation, but such phase in must be implemented in less than five assessment years.

When a new structure or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the City by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the pro-ration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An Assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. At the discretion of the City and for the convenience of the taxpayer, tax bills are payable in two installments - July and January. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by including a modest estimate for prior year's delinquent taxes when computing anticipated property tax revenue from the current levy. A modest estimate for interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Delinquent taxes are billed at least twice a year, with interest charged at the rate of 1½ percent per month. In accordance with state law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically liened each year in June, with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills.

**Comparative Assessed Valuations**  
**Last 10 Years**  
**(000s)**

<b>Grand List as of 10/1</b>	<b>Residential Real Property (%)</b>	<b>Commercial &amp; Industrial Real Property (%)</b>	<b>Other Real Property (%)</b>	<b>Personal Property (%)</b>	<b>Motor Vehicles (%)</b>	<b>Gross Taxable Grand List (000's)</b>	<b>Veterans Relief and Elderly</b>	<b>Net Taxable Grand List (000's)</b>
2010	54.9	21.7	3.3	13.2	6.9	\$3,744,146	\$206,417	\$3,537,729
2009	55.4	21.1	3.9	12.8	6.8	3,689,485	182,522	3,506,963
2008	56.2	21.5	3.1	12.3	6.9	3,628,156	125,555	3,502,601
2007 <sup>1</sup>	56.6	21.3	3.0	11.9	7.3	3,581,434	103,487	3,477,947
2006	51.9	15.3	7.7	15.7	9.4	2,716,416	82,351	2,634,065
2005	51.5	15.2	8.0	15.8	9.5	2,688,693	63,278	2,625,415
2004	51.3	15.1	8.2	16.5	8.8	2,655,461	65,514	2,589,947
2003	51.4	15.2	8.6	16.4	8.4	2,595,513	57,008	2,538,505
2002 <sup>1</sup>	51.3	15.0	8.8	16.1	8.8	2,559,959	58,460	2,501,499
2001	45.5	22.0	2.8	19.5	10.4	2,110,574	52,408	2,058,166

<sup>1</sup> Revaluation.

Note: Figures are prior to valuation hearings before the City of Middletown's Board of Assessment Appeals.

Source: City of Middletown, Assessor's Office.

**Exempt Property**  
**Assessed Value**

<b>Public</b>	<b>As of 10/1/10 <sup>1</sup></b>
Federal .....	\$ 5,979
City of Middletown .....	207,181
State of Connecticut .....	252,126
<b>Sub-Total Public</b> .....	<b>\$ 465,286</b>
<b>Private</b>	
Volunteer Fire Companies .....	\$ 2,612
Scientific, Educational, Historical, Charitable .....	26,676
Cemeteries .....	3,683
Churches .....	64,639
Middlesex Memorial Hospital .....	87,836
American Red Cross .....	266
<b>Sub-Total Private</b> .....	<b>185,712</b>
<b>Total Exempt Property</b> .....	<b>\$ 650,998</b>
Percent Net Taxable Grand List .....	0.02%

<sup>1</sup> Net Taxable Grand List October 1, 2010 of \$3,537,729,000.

Source: City of Middletown, Assessor's Office.

## Principal Taxpayers

<b>Name of Taxpayer</b>	<b>Nature of Business</b>	<b>Taxable Valuation</b>	<b>Percent of Net Taxable Grand List<sup>1</sup></b>
Aetna Life .....	Insurance	\$ 197,965,000	5.60%
Connecticut Light & Power .....	Utility	71,608,000	2.02%
Kleen Energy Systems LLC.....	Utility	51,693,000	1.46%
United Technologies .....	Manufacturing	51,693,000	1.46%
Middletown Power LLC .....	Utility	44,622,000	1.26%
Northwood Apt Assoc LLC.....	Apartments	23,616,000	0.67%
Chestnut Hill Apt Assoc LLC.....	Apartments	21,769,000	0.62%
Fairfield Midtown Brook L.P. ....	Apartments	21,514,000	0.61%
Fairfield Midtown Ridge L.P. ....	Apartments	21,365,000	0.60%
New Boston Windshire.....	Apartments	17,959,000	0.51%
<b>Total</b> .....		<b>\$ 523,804,000</b>	<b>14.81%</b>

<sup>1</sup> Net Taxable Grand List October 1, 2010 of \$3,537,729,000.

Source: City of Middletown, Assessor's Office.

## Property Tax Levies and Collections

<b>Fiscal Year Ending 6/30</b>	<b>Net Taxable</b>		<b>Total Adjusted Tax Levy<sup>3</sup></b>	<b>Uncollected</b>			
	<b>Grand List (000's)</b>	<b>Mill Rate<sup>2</sup></b>		<b>End of Each Fiscal Year</b>	<b>%</b>	<b>As of 6/30/2010</b>	<b>%</b>
2010 <sup>1</sup>	\$3,502,601	26.40	\$88,897,771	\$1,904,320	2.14	\$1,904,320	2.14
2009 <sup>4</sup>	3,477,947	25.50	88,416,759	2,243,464	2.54	867,054	0.98
2008	2,634,065	31.80	84,419,334	1,884,313	2.23	410,158	0.49
2007	2,625,416	31.80	84,018,869	1,803,614	2.15	270,839	0.32
2006	2,589,947	29.80	77,345,744	1,412,849	1.83	102,301	0.13
2005	2,538,504	28.00	70,778,692	1,249,205	1.76	74,857	0.11
2004 <sup>5</sup>	2,501,499	27.30	68,722,228	1,196,591	1.74	39,258	0.06
2003	2,058,166	31.20	64,806,607	1,380,677	2.13	27,982	0.04
2002	2,047,062	30.30	62,217,990	1,267,901	2.04	13,976	0.02
2001	2,013,103	29.00	58,878,854	1,302,609	2.21	10,035	0.02
2000	1,890,017	28.10	53,612,283	1,230,058	2.29	6,251	0.01

<sup>1</sup> Subject to audit.

<sup>2</sup> Excluding Fire District.

<sup>3</sup> Taxes due for the fiscal year are levied on the Grand List of October 1, payable in two installments, one-half July 1. If the first installment is not paid by August 1, the tax becomes delinquent and a penalty of 1 1/2 % per month (18% per annum) is charged from the due date.

<sup>4</sup> The latest revaluation was completed and became effective October 1, 2007 for fiscal year 2008-2009.

<sup>5</sup> Revaluation

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## V. Debt Summary

### Principal Amount of Bonded Indebtedness<sup>1</sup> As of April 14, 2011 (Pro Forma)

<b>Purpose</b>	<b>Amount Outstanding<sup>1</sup></b>
General Purpose .....	\$ 22,283,050
Schools .....	30,678,472
Sewers .....	4,587,803
State of Connecticut Clean Water Fund Loans .....	7,081,296
Water (Special Revenue Funds) .....	3,550,675
<b>Long-Term Principal Bonded Debt</b> .....	<b>\$ 68,181,296</b>
 <b><u>THIS ISSUE (Dated April 1, 2011)</u></b>	
General Purpose .....	7,711,500
Sewer .....	132,500
Water .....	1,056,000
<b>Total Bonds of This Issue</b> .....	<b>8,900,000</b>
<b>Grand Total - All Bonded Debt</b> .....	<b>\$ 77,081,296</b>

<sup>1</sup> Excludes any underlying or overlapping debt.

### Clean Water Fund Program

The City of Middletown is a participant in the State of Connecticut's Clean Water Fund Program (General Statutes Sections 22a-475 *et seq.*, as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects, which are financed with a 50% grant and a 50% loan).

Loans to each municipality are made pursuant to a Project Grant and Project Loan Agreement. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs (an "Interim Funding Obligation"). Each municipality must deliver to the State an obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Project Loan Agreement, or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are payable: (1) in monthly installments commencing one month after the scheduled completion date; or (2) in a single annual installment representing 1/20 of total principal not later than one year from the project completion date specified in the Project Loan Agreement, the first year's date, and thereafter in monthly installments. Monthly installments may be level debt service or level principal payments. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments, and Borrowers may prepay their loans at any time prior to maturity without penalty.

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The City has the following Clean Water Fund loans outstanding (numbers rounded):

<b>Project</b>	<b>Original 2% Loan Amount</b>	<b>2% Loan Outstanding As of 4/14/11</b>
CWF 209-D.....	\$ 757,532	\$ 22,095
CWF 114-CD1, 1992.....	1,151,932	62,396
CWF 209-C.....	1,027,979	59,965
CWF 114-CD2, 1994.....	247,601	26,063
CWF 304-C.....	320,953	37,445
CWF 262-C, 1995.....	1,766,655	257,637
CWF 266-C.....	652,782	103,357
CWF 261-C.....	610,612	127,211
CWF 262-CD1.....	834,240	138,381
CWF 295-C.....	2,073,684	630,746
CWF 261-CD1 <sup>1</sup> .....	1,176,404	284,156
CWF 260-C.....	683,739	110,316
CWF 363-C1.....	1,690,264	602,906
CWF 371-C.....	3,525,940	1,833,639
CWF 362-C .....	1,574,008	1,121,481
CWF 362-CD1 .....	2,875,097	1,663,503
<b>Total .....</b>	<b>\$ 20,211,890</b>	<b>\$ 7,081,296</b>

<sup>1</sup> In May 1998, the City applied \$29,122 on deposit with Reich & Tang towards the outstanding principal on CWF 261-CD1 thereby reducing the outstanding principal balance to by that amount.

### **Other Obligations As of April 14, 2011 (Pro-Forma)**

In June 2009, the Common Council approved an ordinance to renew lease contracts with G.E. Capital for energy conservation improvements in connection with various Board of Education projects. The Council authorized \$3,699,542 in total appropriations for these projects with a fifteen year term at a rate of 5.1%.

### **Overlapping/Underlying Debt**

The City of Middletown has no overlapping debt.

The City of Middletown reports the South Fire District, Westfield Fire District and Central City as underlying debt. The fire districts are separate and distinct organizations operating under State statutes, each district responsible for funding its respective operating and capital budgets, setting tax rates, and authorizing and servicing its debt obligations. As of April 14, 2011, neither district has any debt outstanding.

**General Fund Annual Bonded Debt Maturity Schedule <sup>1</sup>**  
**As of April 14, 2011**  
**(Pro Forma)**

<b>Fiscal Year Ended 6/30</b>	<b>Existing Debt <sup>2</sup></b>			<b>Pro-forma</b>		<b>Cumulative Principal Retired (%)</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>This Issue: The Bonds</b>	<b>Total Principal</b>	
2011 <sup>1</sup>	\$ 5,127,548	\$ 614,538	\$ 5,742,086	\$ -	\$ 5,127,548	7.07
2012	9,680,039	2,192,384	11,872,423	-	9,680,039	20.43
2013	9,559,270	1,861,322	11,420,592	784,400	10,343,670	34.70
2014	8,554,331	1,524,737	10,079,068	784,400	9,338,731	47.59
2015	8,390,385	1,190,475	9,580,860	784,400	9,174,785	60.25
2016	7,047,109	867,055	7,914,164	784,400	7,831,509	71.05
2017	5,357,329	597,794	5,955,122	784,400	6,141,729	79.53
2018	5,209,872	402,228	5,612,100	784,400	5,994,272	87.80
2019	2,489,345	202,295	2,691,640	784,400	3,273,745	92.32
2020	1,187,945	110,091	1,298,036	784,400	1,972,345	95.04
2021	1,187,945	61,747	1,249,692	784,400	1,972,345	97.76
2022	253,190	14,082	267,272	784,400	1,037,590	99.19
2023	195,438	9,933	205,370	-	195,438	99.46
2024	195,438	6,025	201,463	-	195,438	99.73
2025	195,438	2,115	197,553	-	195,438	100.00
<b>Total</b>	<b>\$ 64,630,621</b>	<b>\$ 9,656,821</b>	<b>\$ 74,287,442</b>	<b>\$ 7,844,000</b>	<b>\$ 72,474,621</b>	

<sup>1</sup> Excludes principal payments of \$4,810,997 and interest payments of \$1,951,260 made between July 1, 2010 and April 14, 2011.

<sup>2</sup> Includes Clean Water Fund loans, but excludes any capital leases and self-supporting water debt. See "Special Revenue Funds Self-Supporting Debt" below.

Note: All sewer bonds issued by the City of Middletown for sewer projects (including loans issued under the State of Connecticut Clean Water Fund Program) are paid by the General Fund. Bond ordinances approved by the City indicate that the bonds shall be general obligations of the City and that the full faith and credit of the City is pledged to towards the payment of principal and interest on the bonds.

**Special Revenue Funds Self-Supporting Debt**  
**As of April 14, 2011**  
**(Pro Forma)**

<b>Fiscal Year Ending 6/30</b>	<b>Water Fund</b>			<b>This Issue</b>		<b>Cumulative % of Principal Retired (Pro Forma)</b>
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Water Principal</b>	<b>Total Principal</b>	
2011 <sup>1</sup>	\$ 52,475	\$ 56,781	\$ 109,256	\$ -	\$ 52,475	1.14%
2012	406,825	134,433	541,258	-	406,825	9.97%
2013	406,825	121,241	528,066	105,600	512,425	21.09%
2014	389,075	107,953	497,028	105,600	494,675	31.83%
2015	389,075	92,133	481,208	105,600	494,675	42.57%
2016	381,850	79,103	460,953	105,600	487,450	53.15%
2017	354,350	66,379	420,729	105,600	459,950	63.14%
2018	354,350	52,223	406,573	105,600	459,950	73.12%
2019	274,350	38,049	312,399	105,600	379,950	81.37%
2020	270,750	27,075	297,825	105,600	376,350	89.54%
2021	270,750	13,538	284,288	105,600	376,350	97.71%
2022	-	-	-	105,600	105,600	100.00%
<b>Total</b>	<b>\$ 3,550,675</b>	<b>\$ 788,907</b>	<b>\$ 4,339,582</b>	<b>\$1,056,000</b>	<b>\$4,606,675</b>	

<sup>1</sup> Excludes principal payments of \$83,600 and interest payments of \$83,028 made between July 1, 2010 and April 14, 2011.

**Debt Statement  
Principal Only  
As of April 14, 2011  
(Pro Forma)**

**Long-Term Debt Outstanding:**

General Purpose (\$20,283,050 Outstanding plus \$7,711,500 of This Issue).....	\$	29,994,550
Schools.....		30,678,472
Sewers (\$4,587,803 Outstanding plus \$132,500 of This Issue) .....		4,720,303
State of Connecticut Clean Water Fund Loans .....		7,081,296
Water (Special Revenue Funds) (\$3,550,675 Outstanding plus \$1,056,000 of This Issue).....		4,606,675
<b>Total Long-Term Debt</b> .....		<b>77,081,296</b>
<b>Short-Term Debt (Interim State of Connecticut Clean Water Fund Loans)</b> .....		<b>-</b>
<b>Total Direct Debt</b> .....		<b>77,081,296</b>
<b>Underlying Debt</b> .....		<b>-</b>
<b>Total Overall Debt</b> .....		<b>77,081,296</b>
Less: Special Revenue Fund - Self-Supporting Water Bonds .....	(4,606,675)	
School Construction Grants Receivable (as of June 30, 2010) <sup>1</sup> .....	(539,000)	(5,145,675)
<b>Total Overall Net Debt</b> .....		<b>\$ 71,935,621</b>

<sup>1</sup> The State of Connecticut Bureau of School Building Grants will reimburse the City for eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

Note: Excludes capital lease.

**Current Debt Ratios  
As of April 14, 2011  
(Pro Forma)**

Population <sup>1</sup> .....	48,383
Net Taxable Grand List (10/1/10) <sup>2</sup> .....	\$3,537,729,000
Estimated Full Value (70%) .....	\$5,053,898,571
Equalized Net Taxable Grand List (10/1/08) <sup>3</sup> .....	\$5,585,366,023
Income per Capita (1990) <sup>4</sup> .....	\$17,814
Income per Capita (2000) <sup>4</sup> .....	\$25,720

	<b>Total Overall Debt</b>	<b>Total Overall Net Debt</b>
Per Capita .....	\$1,593.15	\$1,486.80
Ratio to Net Taxable Grand List .....	2.18%	2.03%
Ratio to Estimated Full Value .....	1.53%	1.42%
Ratio to Equalized Grand List .....	1.38%	1.29%
Debt per Capita to Income per Capita 1990 .....	8.94%	8.35%
Debt per Capita to Income per Capita 2000 .....	6.19%	5.78%

<sup>1</sup> State of Connecticut, Department of Health, July 1, 2009.

<sup>2</sup> Revalued October 1, 2007.

<sup>3</sup> Office of Policy and Management, State of Connecticut.

<sup>4</sup> U.S. Department of Commerce Bureau of the Census.

## ***Maturities***

General obligation bonds (serial and term) are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50% or aggregate annual principal and interest payments must be substantially equal. The term of an issue may not exceed twenty years except in the case of sewer bonds, which may mature in up to thirty years.

## ***Temporary Financing***

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions starting at the end of the third and continuing in each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20<sup>th</sup> (1/30<sup>th</sup> for sewer projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes may be funded beyond ten years from the initial borrowing if a written commitment exists for State and/or Federal grants, for terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15<sup>th</sup> of the total amount of the notes issued by funds derived from certain sources of payment. Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

## ***Limitation of Indebtedness***

Municipalities shall not incur indebtedness through the issuance of bonds, which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

“Annual receipts from taxation” (the "Base,") are defined as total tax collections (including interest and penalties) and state payments for revenue losses under Sections 12-129d and 7-528 of the Connecticut General Statutes. In no case shall total indebtedness exceed seven times the Base.

The statutes also provide for exclusion from the debt limit calculation of debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires, and pipes; for the construction of underground conduits for cables, wires, and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from state or federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds.



**Statement of Statutory Debt Limitation**  
**As of April 14, 2011**  
**(Pro Forma)**

**Total Tax Collections** ( Including interest and lien fees received by the Tax Collector for the year ended June 30, 2010 (taxes are levied for General Fund, Fire District and Special Parking District)..... \$ 100,996,000  
Reimbursement for Revenue Loss On:

**Tax Relief for Disabled, Freeze and Owners' Program**..... 8,000  
**Base for Debt Limitation Computation**..... \$ 101,004,000

<b>Debt Limitation:</b>	<b>General Purposes</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Past Pension</b>
2 <sup>1</sup> / <sub>4</sub> times base .....	\$ 227,259,000	\$ -	\$ -	\$ -	\$ -
4 <sup>1</sup> / <sub>2</sub> times base .....	-	454,518,000	-	-	-
3 <sup>3</sup> / <sub>4</sub> times base .....	-	-	378,765,000	-	-
3 <sup>1</sup> / <sub>4</sub> times base .....	-	-	-	328,263,000	-
3 times base .....	-	-	-	-	303,012,000
<b>Total Debt Limitation</b> .....	227,259,000	454,518,000	378,765,000	328,263,000	303,012,000
<b>Less Indebtedness:</b> <sup>1</sup>					
Outstanding Bonds .....	22,283,050	30,678,472	4,587,803	-	-
Bonds: This Issue .....	7,711,500	-	132,500	-	-
CWF Program Loans .....	-	-	7,081,296	-	-
Interim CWF Program Loans .....	-	-	-	-	-
Authorized But Unissued Debt .....	14,238,869	173,547	8,233,404	-	-
<b>Total Indebtedness</b> .....	44,233,419	30,852,019	-	-	-
Less: School Grants Receivable <sup>2</sup> .....	-	(539,000)	-	-	-
Open Space Grant Commitment .....	-	-	-	-	-
Net Debt for Calculation of Debt Limitation...	44,233,419	30,313,019	-	-	-
<b>Debt Limitation in Excess of</b>					
<b>Outstanding And Authorized Debt</b> .....	\$ 183,025,581	\$424,204,981	\$ 378,765,000	\$328,263,000	\$ 303,012,000

<sup>1</sup>

Excludes \$3,550,675 total principal amount of water bonds outstanding as of April 14, 2011 and \$1,056,000 of water bonds in this issue that is excludable from debt limit calculations per Connecticut General Statutes. Also excludes approximately \$6,319,511 of authorized but unissued water debt.

<sup>2</sup> The State of Connecticut Bureau of School Building Grants will reimburse the City for eligible principal and interest costs over the life of any bonds issued for projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only. See "School Projects" herein.

Note: In no case shall total indebtedness exceed seven times the annual receipts from taxation or \$707,028,000.

**Authorized but Unissued Debt**  
**As of April 14, 2011**  
**(Pro Forma)**

<b>Project</b>	<b>Amount Authorized</b>	<b>This Issue: Bonds</b>	<b>Authorized But Unissued Debt</b>
Middletown High School <sup>2</sup> .....	\$ 42,100,000	\$ -	\$ 69,039
CSO & Surface Improvements 1996 <sup>5</sup> .....	10,400,000	-	217,859
Road Improvements 2007 .....	9,975,000	500,000	7,095,489
CSO & Surface Improvements 2001 <sup>3</sup> .....	9,900,000	-	2,542,881
Road Improvements 2005 .....	9,850,000	1,600,000	2,354,397
CSO & Surface Improvements 1994 <sup>4</sup> .....	9,700,000	-	1,144,307
CSO Surface Improvements 2007.....	8,620,000	-	7,863,380
Road Improvements 2003 .....	8,100,000	650,000	131,419
Road Improvements 2001 .....	6,800,000	150,000	360,643
Open Space 1989 .....	5,000,000	-	14,505
Route 66, Westfield, Water & Sewer Improvements.....	4,500,000	-	2,408,977
Open Space 2002 <sup>1</sup> .....	3,000,000	-	51,413
Sanitary Sewers Infiltration/Inflow <sup>6</sup> .....	2,500,000	-	736,196
Open Space 2007 .....	2,000,000	400,000	200,000
Drinking Water System Improvements (2006) .....	1,820,000	-	388,181
Moody Elementary School Roof <sup>2</sup> .....	1,500,000	-	104,508
Millbrook Road Sewer Pump Station (2008) .....	900,000	-	1,804
Public Safety Software (Dispatch System, etc.) (2010).....	745,000	-	245,000
I.T. Infrastructure upgrades (2010) .....	745,000	-	245,000
Water Improvements/Charles Bacon (2010).....	725,000	-	425,000
Water System Improvements (2009).....	500,000	-	-
Sewer Pump Station & Equip. (2010).....	470,000	-	270,000
Computer-Aided Dispatch/Mobile Data System (2007)....	400,000	-	18,685
Bartholomew Road Water Main Extension .....	350,000	-	22,330
Gleason Road Sewer Extension.....	350,000	-	83,504
John Roth Water Treatment Plant (2010).....	310,000	-	160,000
Route 66 Sewer Improvements .....	260,000	-	243,171
Water System Controls (2010).....	250,000	-	125,000
Water System Capital Planning (2010).....	250,000	-	125,000
Mt. Higby Water Treatment Facility Roof .....	210,000	-	76,036
Water Booster Pump Station .....	210,000	23,500	163,997
Johnson & Newfield Sewage Facility Roof .....	110,000	-	24,110
City Hall Energy Conservation.....	665,000	660,000	5,000
City Yard/Pw Energy Conservation.....	425,000	420,000	5,000
Cross St Fire Energy Conservation.....	260,000	255,000	5,000
Fire Station Energy Conservation.....	750,000	745,000	5,000
Higby Water Facility Energy Conservation.....	75,000	70,000	5,000
Palmer Field Energy Conservation.....	45,000	40,000	5,000
Parks Dept Building Energy Conservation.....	75,000	70,000	5,000
Police Headqurt Energy Conservation.....	625,000	620,000	5,000
Remington Rand Energy Conservation.....	165,000	160,000	5,000
Roth Water Energy Conservation.....	520,000	515,000	5,000
Library Energy Conservation.....	680,000	675,000	5,000
W&S Building Energy Conservation.....	240,000	235,000	5,000
Water Plant Energy Conservation.....	135,000	130,000	5,000
Various Pumps Energy Conservation.....	20,000	15,000	5,000
Revenue Control System Improvements.....	155,000	150,000	5,000
City Public Parking Improvements.....	740,000	430,000	310,000
Shoreline Protection 2011.....	700,000	200,000	500,000
Soccer Fields.....	355,000	186,500	168,500
<b>Totals.....</b>	<b>\$ 149,180,000</b>	<b>\$ 8,900,000</b>	<b>\$ 28,965,331</b>

<sup>1</sup> The City expects to receive a grant in the amount of approximately \$405,000 for this project.

<sup>2</sup> The State of Connecticut will provide school construction grants through proportional progress payments for eligible school construction projects. The authorized amount shown for the Middletown High School and Moody Elementary School Roof construction projects is net of anticipated school construction grants. See "School Projects" herein.

<sup>3</sup> The City expects to receive \$4,774,000 in financial assistance from the State of Connecticut through a combination of a 20% grant and a 80% loan.

<sup>4</sup> The City expects to receive \$4,207,000 in financial assistance from the State of Connecticut through a combination of a 50% grant and a 50% loan.

<sup>5</sup> The City expects to receive \$6,347,000 in financial assistance from the State of Connecticut through a combination of a 50% grant and a 50% loan.

<sup>6</sup> The City expects to receive a grant in the amount of approximately \$542,000 for this project.

### Ratio of Annual Debt Service Expenditures to Total General Government Expenditures

<b>Fiscal Year Ended 6/30</b>	<b>Total Debt Service (000's)</b>	<b>Total Governmental Expenditures (000's)</b>	<b>Ratio of Total Debt Service Expenditures To Total General Fund Expenditures</b>
2010	\$14,465	\$194,879	7.42%
2009	15,397	196,626	7.83%
2008	13,436	199,437 <sup>1</sup>	6.74%
2007	12,908	198,960	6.49%
2006	11,947	165,398	7.22%

<sup>1</sup> The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on behalf of the City's Teachers was approximately \$19.083MM. This one time payment has been excluded to be comparable with prior years.

Note: "Total Governmental Expenditures" are derived by summing the expenditures from all governmental fund types.

Source: Annual Financial Reports, City of Middletown.

### Ratios of Net Long-Term Debt to Valuation, Population and Income

<b>Fiscal Year Ended 6/30</b>	<b>Grand List 10/1</b>	<b>Net Assessed Value (000's)</b>	<b>Estimated Full Value (000's)</b>	<b>Net Long-Term Debt (000's)<sup>1</sup></b>	<b>Ratio of Net Long- Term Debt to Assessed Value</b>	<b>Ratio of Net Long- Term Debt to Estimated Actual Value</b>	<b>Population<sup>2</sup></b>	<b>Net Long- Term Debt per Capita</b>	<b>Ratio of Net Long-Term Debt Per Capita to Per Capita Income<sup>3</sup></b>
2010	2008	\$ 3,502,601	\$ 5,003,716	\$72,482	2.07%	1.45%	48,383	1,498	5.82%
2009	2007	3,477,947	4,968,496	63,272	1.82%	1.27%	48,030	1,317	5.12%
2008	2006	2,634,065	3,762,950	73,670	2.80%	1.96%	48,383	1,523	5.92%
2007	2005	2,625,415	3,750,593	69,065	2.63%	1.84%	47,778	1,446	5.62%
2006	2004	2,589,947	3,699,924	60,907	2.35%	1.65%	47,528	1,281	4.98%

<sup>1</sup> Long-Term debt less school building construction grants receivable.

<sup>2</sup> State of Connecticut, Department of Public Health.

<sup>3</sup> Bureau of Census, 2000 Actual Money Income Per Capita \$25,720.

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## ***VI. Financial Administration***

### ***Audit***

The City of Middletown, pursuant to local ordinance and provisions of the Connecticut General Statutes, is required to undergo an annual audit by an independent public accountant. The auditor, appointed by the Common Council, is required to conduct the audit under the guidelines outlined by the Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2010, the financial statements of the various funds of the City were audited by Blum, Shapiro & Company, P.C., West Hartford, Connecticut. The City prepares a Comprehensive Annual Financial Report and has been a recipient of the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for each year since 1983.

### ***Accounting and Budgetary Basis***

By Charter, the responsibility for the financial function in Middletown rests with the Director of Finance & Revenue Services. The Director of Finance & Revenue Services administers a broad and integral fiscal operation consisting of treasury management, budget formulation and execution (including grants administration), appropriation and general accounting, revenue collections, electronic data processing, materials administration and purchasing management.

The City's accounting records for general governmental operations are maintained on a modified accrual basis with all revenues being recorded when they become available and measurable and expenditures being recorded when incurred utilizing the encumbrance method. Property taxes are carried as a receivable and shown as an asset on the general fund balance sheet. Budgetary control is maintained on a full encumbrance system: all proposed expenditures require a purchase requisition and purchase order, and funds are recorded as encumbered when the purchase order is issued. Expenditures are recorded upon issuance of a check drawn upon the City. Each purchase order and voucher for personal services (wages and salaries) is subject to a pre-audit for funds' availability, and commitments which exceed appropriation balances, as defined by the City Charter and Common Council ordinance, are not processed until transfers or supplemental appropriations are made available. Encumbrances outstanding at year-end are reported as reservation of fund balance since they do not constitute expenditures or liabilities.

Appropriations for each department are enacted by ordinance based upon a broad character of expenditure breakdown (personal services, non-personal expense, capital outlay, sundry expense), although the budget is prepared and appropriation accounting exercised on an activity, sub-activity, and detailed line-item basis within each department. It exactly parallels the appropriation accounting structure utilized throughout the fiscal year.

### ***Liability Insurance***

The City maintains liability insurance coverage, as listed below:

General Liability \$3,000,000 general aggregate -- \$1,000,000 each occurrence; Automobile Liability \$1,000,000 each occurrence; Uninsured/Underinsured Motorist Coverage \$40,000 each occurrence. No deductible applies to this coverage.

Automobile Physical Damage, subject to a \$25,000 deductible.

Employee Benefits Liability (claims made) \$1,000,000 each claim/aggregate, subject to a \$1,000 deductible.

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

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.

Excess Liability (excess over General Liability, Automobile Liability, Employee Benefits Liability, Law Enforcement Liability, School Leaders Legal, and Public Officials Liability) with a limit of \$10,000,000 each occurrence and aggregate (where applicable).

The City further maintains the required bonding for the Tax Collector.

### ***Workers' Compensation Insurance***

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

Workers' Compensation and Employers' Liability coverage (amounts not rounded), subject to a self insured retentions per occurrence of \$650,000 (Police & Fire) and \$500,000 (All Other) with maximum limit of indemnity per occurrence statutory and \$1,000,000 Employers Liability.

### ***Investment Policy for Operating Funds***

The City of Middletown's investment policy applies to all investment activities of the City except for the employee retirement system funds, which are organized and administered separately. All City funds under the control of the Director of Finance & Revenue Services, including the General Fund, Special Revenue Funds, Capital Projects Fund, Trust and Agency Funds, and other funds that may be created from time to time, are administered in accordance with the provisions of the investment policy.

Management responsibility for the investment program is vested in the Director of Finance & Revenue Services who is responsible for all transactions undertaken and has established a system of controls to regulate the activities of subordinate officials. The standard of prudence used by investment officials is that of the "prudent person" and is applied in the context of managing an overall portfolio.

The Director of Finance & Revenue Services prepares a periodic investment report that summarizes and describes the portfolio in terms of investment securities, maturities, risk characteristics and other features. Funds may be invested in: (a) U.S. Treasury bills; (b) Treasury notes or bonds maturing within one year; (c) certificates of deposit of bank and savings and loan associations maturing within one year; (d) repurchase agreements collateralized by U.S. Treasury securities; (e) the State Short Term Investment Fund (STIF); and (f) M.B.I.A. Class investments consisting of U.S. Treasuries, obligations of government agencies, and repurchase agreements collateralized by U.S. Treasuries and agency obligations. Invested funds are diversified to eliminate the risk of loss resulting from the over-concentration of funds in specific maturity, or a specific issuer.

City funds not under the direct control of the Director of Finance & Revenue Services and Treasurer are the responsibility of the director or head of that department until such time the funds are transferred and collected by the City Treasurer, disbursed, or maintained for which the fund has been established. The director or head of the department has established written procedures for the control of these funds.

In addition, the City monitors the risk based capital ratios and collateral requirements of the qualified public depositories, as defined by the Connecticut General Statutes, Section 36-382, for which it places deposits or makes investments.

Eligible investments for Connecticut municipalities are governed by the Connecticut General Statutes, Section 7-400 and 7-402. Please refer to Notes to the Financial Statements, Note 4 entitled "Cash, Cash Equivalents and Investments" regarding the City's cash and cash equivalent investments at June 30, 2009.

### ***Other Post-Employment Benefits***

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 City currently pays for postemployment health care benefits on a pay-as-you-go basis and is funded on a self-insured basis and partially on an insured basis. As of June 30, 2010 the City has not established a trust fund to irrevocably segregate assets to fund the liability associated with the post employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Currently, the funding and payment of postemployment benefits are accounted for in an internal service fund. Over 15 years ago, the City developed a funding strategy setting aside \$50,000 annually in anticipation of the liability. In addition, the City contributed \$1.4 million in fiscal year 2008-2009, \$1.2 million in fiscal year 2009-2010 and \$600,000 in fiscal year 2010-2011. It is anticipated that another \$600,000 will be contributed in fiscal year 2011-2012. As of June 30, 2010 the City has set aside approximately \$5.6 million to fund this liability.

Actuarial valuations involve estimates of the value of reported amounts and assumption about the probability of occurrence of future events. Assumptions include future employment, mortality, and healthcare and other benefit cost trends. The Government Accounting Standards Board (“GASB”) has issued statements to establish financial reporting, liability calculation, along with the requirement to disclose the government’s funding strategy and progress.

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

Annual required contribution (ARC) .....	\$13,867,000
Interest on net OPEB obligation .....	988,000
Adjustment to annual required contribution .....	<u>(1,115,000)</u>
Annual OPEB cost .....	13,740,000
Contributions made.....	<u>(6,796,000)</u>
Increase in net OPEB obligation .....	6,944,000
<i>Net OPEB obligation, beginning of year.....</i>	<u>12,752,000</u>
<i>Net OPEB Obligation, End of Year .....</i>	<u>\$19,696,000</u>

As of June 30, 2010, the funding and payment of post-employment benefits are accounted for in an internal service fund. The City is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of post-employment benefits, since a combination of trust fund and internal service fund control may be used, the City anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to tax payers process.

For more information on OPEB, please refer to Appendix A – “Note 12. Postemployment Benefits” of the City’s General Purpose Financial Statements.

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**General Fund Revenues, Expenditures  
and Changes in General Fund Balance**  
**Four-Year Summary of Audited Revenues and Expenditures (GAAP Basis)**  
**and Current Budget (Budgetary Basis)**  
(000's)

	<b>Budget 2010-11<sup>1</sup></b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>
<b>Revenues:</b>					
Taxes .....	\$ 91,485	\$ 89,733	\$ 88,788	\$ 83,244	\$ 84,577
Licenses and Permits .....	573	667	574	1,313	973
Intergovernmental .....	26,851	32,211	37,046	55,133	32,495
Charges for Services .....	3,562	3,686	3,420	3,546	3,608
Investment income .....	500	263	781	1,573	1,947
Miscellaneous .....	3,006	4,008	603	1,429	419
<b>Total Revenues .....</b>	<b>125,977</b>	<b>130,568</b>	<b>131,212</b>	<b>146,238</b>	<b>124,019</b>
<b>Expenditures:</b>					
General Government .....	7,800	7,330	7,456	5,962	5,303
Public Safety .....	12,729	12,309	13,392	11,069	10,909
Public Works .....	4,670	4,226	4,269	5,068	4,746
Health & Human Resources .....	694	707	722	708	683
Culture and Recreation .....	5,120	5,091	4,928	5,233	4,939
Employee Benefits and Insurance .....	13,687	13,231	12,763	11,612	10,885
Education .....	67,174	72,244	73,443	89,694	66,261
Other .....	2,919	2,112	2,081	2,306	2,392
<b>Total Expenditures .....</b>	<b>114,793</b>	<b>117,250</b>	<b>119,054</b>	<b>131,652</b>	<b>106,118</b>
<b>Revenues over (under) expenditures.....</b>	<b>11,184</b>	<b>13,318</b>	<b>12,158</b>	<b>14,586</b>	<b>17,901</b>
<b>Other Financing Sources Uses:</b>					
Premiums on Bonds Issued .....	-	845	-	122	551
Operating Transfers In .....	428	599	602	615	716
Operating Transfers (Out) .....	(12,137)	(14,652)	(15,836)	(14,720)	(14,047)
<b>Total other Financing Sources (uses) .....</b>	<b>(11,709)</b>	<b>(13,208)</b>	<b>(15,234)</b>	<b>(13,983)</b>	<b>(12,780)</b>
<b>Revenues and other financing sources over (under) expenditures and other financing uses.....</b>	<b>(525)</b>	<b>110</b>	<b>(3,076)</b>	<b>603</b>	<b>5,121</b>
<b>Fund Balance, beginning .....</b>	<b>15,960</b>	<b>15,850</b>	<b>18,926</b>	<b>18,323</b>	<b>13,202</b>
<b>Fund Balance, ending .....</b>	<b>\$ 15,435</b>	<b>\$ 15,960</b>	<b>\$ 15,850</b>	<b>\$ 18,926</b>	<b>\$ 18,323</b>

**Analysis of General Fund Balance**  
(000's)

	<b>Budget 2010-11<sup>1</sup></b>	<b>Actual 2009-10</b>	<b>Actual 2008-09</b>	<b>Actual 2007-08</b>	<b>Actual 2006-07</b>
Reserved for Encumbrances.....	N/A	\$ 2,111	\$ 2,108	\$ 1,435	\$ 1,667
Unreserved:					
Designated for Specific Purposes .....	N/A	-	-	-	-
Undesignated.....	N/A	13,849	13,742	17,491	16,656
<b>Total Fund Balance .....</b>	<b>N/A</b>	<b>\$ 15,960</b>	<b>\$ 15,850</b>	<b>\$ 18,926</b>	<b>\$ 18,323</b>

<sup>1</sup> Budgetary Basis; Subject to Audit.

## ***Pension Plan***

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

Under the plan, all full-time employees are eligible to join. Employees are 100% vested after 10 years of continuous service. Anyone who shall receive a vested benefit based on the minimum of ten (10) years of service, but less than twenty (20) years of service, shall be eligible to collect such benefits at age sixty-five (65). If a member is separated from service after twenty (20) years of service, the member shall be entitled to a deferred retirement allowance to commence on the earliest date on which the member would have been eligible to retire.

Members of the Fire Union receive a pension based upon two and one-half percent (2 ½%) per year of service to a maximum of seventy percent (70%) and shall be eligible for retirement after twenty (20) years of credited service. However, those members who will or elect to receive health benefits in accordance with Article XVII, Section 5(B) of their agreement, shall receive a pension based upon two and one-half percent (2 ½%) per year of service to a maximum of eighty percent (80%) and shall be eligible for retirement after twenty (20) years of credited service. Pension benefits shall be calculated on the basis of two and one-half percent (2 ½%) for each year of credited service times the average of the employee's four (4) highest years out of the employee's last five (5) years of earnings.

Members of the Police Union receive a pension based upon two and one-half percent (2 ½%) per year of service to a maximum of seventy percent (70%) and shall be eligible for retirement after twenty (20) years of credited service. However, those members who will or elect to receive health benefits in accordance with Article 20, Option 2 of their agreement, shall receive a pension based upon two and one-half percent (2 ½%) per year of service to a maximum of eighty percent (80%) and the computation shall include 4% of replacement overtime pay for the years of service included in such computation. Pension benefits shall be calculated on the basis of two and one-half percent (2 ½%) for each year of credited service times the average of the employee's three (3) highest consecutive years of service. Base pay shall include any and all holiday payments made to the bargaining unit member.

Members of the MMPA Union receive a pension based upon two and one-quarter percent (2 1/4%) per year of service to a maximum of seventy percent (70%) and shall be eligible for retirement after twenty-two (22) years of credited service. However, those members who will or elect to receive health benefits in accordance with Article VII, subsections B and E of their agreement, shall receive a pension based upon two and one-half percent (2 ½%) per year of service to a maximum of eighty percent (80%) and shall be eligible for retirement after twenty (20) years of credited service. Pension benefits shall be calculated on the average of the employee's three (3) highest consecutive years of service.

Members of the 466 Union receive a pension based upon two and one-quarter percent (2 1/4%) per year of service to a maximum of seventy percent (70%) and shall be eligible for retirement after twenty-two (22) years of credited service. Pension benefits shall be calculated on the average of the employee's three (3) highest years of service.

Members of the Library Union receive a pension based upon two and one-quarter percent (2 1/4%) per year of service to a maximum of seventy percent (70%) and shall be eligible for retirement after twenty-two (22) years of credited service. Pension benefits shall be calculated on the average of the employee's three (3) highest years of service.

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, 5.2% - Firefighters, and 12.8% - 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).

The City's Annual Required Contribution for the Fiscal Year 2009-2010 (amounts rounded) was \$1,066,000, and the City made contributions of \$1,066,000 or 100%. The Net Pension Obligation (Asset) as of July 1, 2009, the latest valuation, was (\$44,439,873).

<b><i>Fiscal Year Ended</i></b>	<b><i>Total Fund Balance</i></b>	<b><i>Total City Contributions</i></b>	<b><i>Total Employee Contributions</i></b>	<b><i>Total Benefit Payments</i></b>
2010	\$271,417,000	\$1,066,000	\$2,047,000	\$10,983,000
2009	245,319,000	585,000	2,118,000	10,193,000
2008	289,648,000	722,000	1,917,000	9,502,000
2007	296,264,000	525,000	1,839,000	8,858,000
2006	276,586,000	200,000	1,786,000	8,308,000
2005	268,015,000	178,000	1,654,000	7,936,000
2004	246,798,000	235,000	1,613,000	6,902,000
2003	232,362,000	-	1,546,000	6,269,000
2002	218,539,000	-	1,422,000	5,800,095
2001	226,312,000	250,000	1,351,000	5,569,000

The City also has a pension plan for those policemen who commenced service prior to August 1, 1945. On June 30, 2010, the membership included no pensioners or survivor annuitants. The plan is not funded and the benefit payments are included in the General Fund budget each year. No payments were made to retired members for the Fiscal Year 2009-2010.

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## ***VII. Legal and Other Information***

### ***Litigation***

The City, its officers and employees are defendants in a number of lawsuits pending in both the State and Federal Courts. In the opinion of the City Attorney, as of the present time, the pending litigation will not finally result, either individually or in the aggregate, in final judgments against the City which would have a materially adverse effect upon the finances of the City.

### ***Concluding Statement***

To the extent that any statements made in this Official Statement involve matters of opinion or estimates such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the City, and executed for and on behalf of the City by the following officials:

### ***City of Middletown, Connecticut***

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SEBASTIAN N. GIULIANO, *Mayor*

---

CHRISTINE BERRY BOURNE, *Treasurer*

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CARL R. ERLACHER, *Director of Finance & Revenue Services*

Dated: March \_\_, 2011

## ***Appendix A***

### ***General Purpose Financial Statements Fiscal Year Ending June 30, 2010***

The following includes the General Purpose Financial Statements of the City of Middletown, Connecticut for the fiscal year ended June 30, 2010. The supplemental data which was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, 53 River Street, Suite 3, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Accounting | Tax | Business Consulting

## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Middletown, Connecticut, as of and for the year ended June 30, 2010, which collectively comprise the City of Middletown, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Middletown, Connecticut, as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 on our consideration of the City of Middletown, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 and the budgetary comparison information on pages 47 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

December 30, 2010

**CITY OF MIDDLETOWN, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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, 2010. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX.

**FINANCIAL HIGHLIGHTS**

- Net assets of the City's governmental activities increased by \$3.6 million, or 1.2 percent.
- During the year, the City had expenses that were \$3.6 million less than the \$176.3 million generated in tax and other revenues for governmental programs.
- Total cost of all of the City's programs was \$172.7 million with no new programs added this year.
- The General Fund reported a fund balance this year of \$16.0 million.
- The resources available for appropriation exceeded budgetary estimates by \$1.7 million for the General Fund. Expenditures were kept within spending limits.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The statement of net assets 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 assets 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 assets and changes in them. The City's net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are 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 assets and the statement of activities, we divide the City into two types of activities:

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

## **Fund Financial Statements**

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

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets 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 assets 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 assets and changes in fiduciary net assets. 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 assets increased from a year ago from \$304.9 million to \$308.5 million. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities.

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Current assets	\$ 67,839	\$ 58,850
Capital assets, net of accumulated depreciation	357,156	358,935
Total assets	<u>424,995</u>	<u>417,785</u>
Long-term liabilities outstanding	107,304	100,201
Other liabilities	9,211	12,695
Total liabilities	<u>116,515</u>	<u>112,896</u>
Net Assets:		
Invested in capital assets, net of related debt	287,765	284,755
Restricted	1,089	996
Unrestricted	<u>19,626</u>	<u>19,138</u>
Total Net Assets	<u>\$ 308,480</u>	<u>\$ 304,889</u>

Net assets of the City's governmental activities increased by 1.2 percent (\$308.5 million compared to \$304.9 million). Capital assets increased by \$1.8 million while long-term liabilities increased by \$7.1 million. The City's aggressive debt repayment philosophy results in the rapid payment for capital asset additions.

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Revenues:		
Program revenues:		
Charges for services	\$ 17,770	\$ 19,142
Operating grants and contributions	40,194	39,951
Capital grants and contributions	5,709	15,765
General revenues:		
Property taxes	96,453	96,059
Grants and contributions not restricted to specific programs	10,656	12,458
Unrestricted investment earnings	631	1,529
Other general revenues	4,883	832
Total revenues	<u>176,296</u>	<u>185,736</u>
Program expenses:		
General government	15,572	16,449
Public safety	22,483	23,518
Public works	10,562	12,566
Health and human services	724	745
Culture and recreation	5,328	5,096
Employee benefits and insurance	9,443	10,184
Education	96,996	92,346
Sewer	3,523	3,702
Water	4,020	4,677
Sanitation	1,583	1,864
Interest on long-term debt	2,471	2,837
Total program expenses	<u>172,705</u>	<u>173,984</u>
Increase in Net Assets	\$ <u>3,591</u>	\$ <u>11,752</u>

The City's total revenues were \$176.3 million. The total cost of all programs and services was \$172.7 million. Our analysis below considers the operations of governmental activities.

### ***Governmental Activities***

More than 54.7 percent of the revenues were derived from property taxes, followed by 22.9 percent from operating grants, then 10.1 percent from charges for services.

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2010 reflect no change in the City's tax rate and a slight growth in the total assessed value of all taxable property of 1.4%.
- Investment earnings decreased from \$1.5 million in the prior fiscal year to \$631 thousand for the fiscal year ended June 30, 2010.
- Revenue from operating grants increased from the prior fiscal year by \$403 thousand or 1.0 percent.

For governmental activities, more than 56.2 percent of the City's expenses relate to education, 13.0 percent relate to public safety, employee benefits and insurance (5.5 percent), general government (9.0 percent), and public works (6.1 percent).

Major expense factors include:

- Increases in employee wages averaged less than 3.0 percent, resulting from negotiated step and general wage increases.
- The cost of education services increased, due to negotiated wage settlements, employee health insurance cost increases and special education cost increases.
- Education expenses and operating grants increased due to additional federal stimulus grants received and expended.

## **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 \$38.0 million, which is an increase from last year's total of \$28.7 million. Included in this year's total change in fund balance is an increase of \$110 thousand in the City's General Fund due to a favorable variance in charge for service revenues. The fund balance for the Capital Project's Fund increased by \$7.0 million dollars primarily attributable to the inflow of \$10.9 million in bond proceeds. Nonmajor governmental fund balance increased by \$2.2 million primarily attributable to the Water and Sewer Funds.

### **General Fund Budgetary Highlights**

Tax collections were favorable by \$.5 million primarily due to increased delinquent tax collections. Charges for services were unfavorable by \$543 thousand with the majority of this coming from increased recording activity within the Town Clerk's Office of \$168 thousand and \$358 thousand of increased policy private duty charges.

Under the intergovernmental section, the City experienced an unfavorable revenue variance of \$497 thousand which included lower than budgeted receipts from various state agencies.

One of the primary areas of unfavorable budget variances was in the interest earned from investments by \$.4 million due to lower rates of returns on temporary General Fund cash investments than what was anticipated.

Under miscellaneous revenue another favorable increase in revenues of \$756 thousand was due to various reimbursements and refunds.

The aforementioned items, when combined with the planned \$1.75 million use of fund balance to minimize the annual tax impact to City residents, resulted in completing the June 30, 2010 year with an unreserved and undesignated fund balance of \$13.8 million.

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

These events include:

	(thousands)
General government	\$ 156
Public safety	65
Public works	55
Parks and recreation	299
Other	266
	<hr/>
Total	\$ <u>841</u>

The City's General Fund balance of \$16.0 million reported on Exhibit III differs from the General Fund's budgetary fund balance of \$13.9 million. This is principally because budgetary fund balance includes \$2.1 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, 2010, the City had \$357.2 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. This amount represents a net decrease (including additions and deductions) of \$1.7 million, or .5 percent, over last year.

The reported capital assets include prospective reporting of capital outlay for infrastructure (roads, bridges and sewer lines) for the fiscal year. The City has chosen to phase in the reporting of historical infrastructure capital assets in a subsequent fiscal year as allowed by the implementation period requirements of GASB #34 (the New Reporting Model).

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
Land	\$ 17.3	\$ 17.3
Infrastructure	129.0	132.8
Buildings and improvements	74.1	73.6
Machinery, equipment and building contents	7.5	9.8
Construction in progress	129.3	125.4
Total	<u>\$ 357.2</u>	<u>\$ 358.9</u>

This year's major additions included (in millions):

Middletown High School	\$ 3.6
------------------------	--------

The City's capital budget calls for it to spend \$106.6 million over the years for a new High School. The City is responsible for \$42.1 million with the remaining \$64.5 million being funded by State grants. 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, 2010 the City had \$73.0 million in bonds outstanding versus \$73.8 million last year, a decrease of 1.1 percent - as shown in Table 4.

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

	<b>Governmental Activities</b>	
	<b>2010</b>	<b>2009</b>
General obligation bonds	<u>\$ 73.0</u>	<u>\$ 73.8</u>

The City's general obligation bond rating continues to carry an AA rating with Moody's Investor Services and AA rating with Standard and Poor's Rating Services for over twenty-five years. 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 \$628 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 8.8 percent compared with the prior year of 7.6 percent.

The appropriation for expenditures totaled \$126.9 million in the adopted budget for the 2010-2011 fiscal year representing a decrease of 2.2 percent compared to the final amended budget for fiscal year ended June 30, 2010. The City is anticipating using \$525 thousand of undesignated General Fund fund balance to balance budgeted operations for the 2010-2011 fiscal year.

The City's elected and appointed officials considered many factors when establishing the tax mill rate of 31.9 for the adopted budget for the 2010-2011 fiscal year. There was an increase of 4.6% from the mill rate established for the 2009-2010 fiscal year.

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

This is a very difficult year for the State of Connecticut due to shortfalls in State revenues resulting from the current state of our economy. Section 52 of Public Act 02-1 allows the Governor, on or after October 1, 2002, to reduce certain allotments, including grants to municipalities, by up to 5 percent. Any State reduction over \$750,000 would result in a budget revenue shortfall and would reduce the City's undesignated General Fund fund balance and/or increase the property tax rate in the fiscal year 2010.

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

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

## **Basic Financial Statements**

## CITY OF MIDDLETOWN, CONNECTICUT

## STATEMENT OF NET ASSETS

JUNE 30, 2010

(In Thousands)

	Primary Government Governmental Activities	Component Units ECRRA	Long Hill Estate
Assets:			
Cash and cash equivalents	\$ 54,808	\$ 911	\$ 504
Investments	916		114
Receivables, net	12,081	2,600	1
Inventories	32		
Other assets	2		
Restricted assets:			
Cash and cash equivalents		7,457	
Investments		11,134	
Deferred charges		1,209	
Capital assets:			
Assets not being depreciated	146,584		
Assets being depreciated, net	210,572	64,428	
Total assets	<u>424,995</u>	<u>87,739</u>	<u>619</u>
Liabilities:			
Accounts and other payables	8,705	5,458	44
Unearned revenue	506		269
Unamortized bond premium			
Noncurrent liabilities:			
Due within one year	13,517	5,724	
Due in more than one year	93,787	89,216	
Total liabilities	<u>116,515</u>	<u>100,398</u>	<u>313</u>
Net Assets:			
Invested in capital assets, net of related debt	287,765	(20,618)	
Restricted for:			
Debt service		7,457	
Trust purposes:			
Expendable	89		
Nonexpendable	1,000		
Unrestricted	<u>19,626</u>	<u>502</u>	<u>306</u>
Total Net Assets	<u>\$ 308,480</u>	<u>\$ (12,659)</u>	<u>\$ 306</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, 2010

(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Primary Governmental	Component Units	
					Governmental Activities	ECRRA	Long Hill Estate
Primary Government:							
Governmental activities:							
General government	\$ 15,572	\$ 1,437	\$ 430	\$	\$ (13,705)	\$	\$
Public safety	22,483	2,223	1,414		(18,846)		
Public works	10,562	908	251	1,058	(8,345)		
Health and human resources	724	194	283		(247)		
Culture and recreation	5,328	400	57		(4,871)		
Employee benefits and insurance	9,443				(9,443)		
Education	96,996	1,623	37,759	4,466	(53,148)		
Sewer	3,523	4,435		185	1,097		
Water	4,020	4,615			595		
Sanitation	1,583	1,935			352		
Interest on long-term debt	2,471				(2,471)		
Total Primary Government - Governmental Activities	\$ 172,705	\$ 17,770	\$ 40,194	\$ 5,709	(109,032)	-	-
Component Units:							
ECRRA	\$ 25,347	\$ 26,861	\$	\$		1,514	
Long Hill Estate	525	470		30			(25)
Total Component Units	\$ 25,872	\$ 27,331	\$ -	\$ 30	-	1,514	(25)
General revenues:							
Property taxes					96,453		
Grants and contributions not restricted to specific programs					10,656		
Unrestricted investment earnings					631	628	5
Miscellaneous					4,883		
Total general revenues					112,623	628	5
Change in net assets					3,591	2,142	(20)
Net Assets at Beginning of Year					304,889	(14,801)	326
Net Assets at End of Year					\$ 308,480	\$ (12,659)	\$ 306

The accompanying notes are an integral part of the financial statements

## CITY OF MIDDLETOWN, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010  
(In Thousands)

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 16,142	\$ 43	\$ 5,876	\$ 15,656	\$ 37,717
Investments				916	916
Receivables, net	3,633		3,626	3,189	10,448
Due from other funds	3,942				3,942
Inventories				32	32
Total Assets	<u>\$ 23,717</u>	<u>\$ 43</u>	<u>\$ 9,502</u>	<u>\$ 19,793</u>	<u>\$ 53,055</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and other payables	\$ 4,966	\$ 3	\$ 1,167	\$ 1,589	\$ 7,725
Due to other funds			3,396	546	3,942
Deferred revenue	2,791		37	687	3,515
Total liabilities	<u>7,757</u>	<u>3</u>	<u>4,600</u>	<u>2,822</u>	<u>15,182</u>
Fund balances:					
Reserved	2,111	40	3,071	1,666	6,888
Unreserved, reported in:					
General Fund	13,849				13,849
Special Revenue Funds				14,326	14,326
Capital Project Funds			1,831		1,831
Permanent Funds				979	979
Total fund balances	<u>15,960</u>	<u>40</u>	<u>4,902</u>	<u>16,971</u>	<u>37,873</u>
Total Liabilities and Fund Balances	<u>\$ 23,717</u>	<u>\$ 43</u>	<u>\$ 9,502</u>	<u>\$ 19,793</u>	<u>\$ 53,055</u>

(Continued on next page)

## CITY OF MIDDLETOWN, CONNECTICUT

## BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2010

(In Thousands)

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

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

Fund balances - total governmental funds	\$	37,873
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Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$	549,868	
Less accumulated depreciation		(192,712)	
Net capital assets			357,156

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

Net pension asset		2
Property tax receivables greater than 60 days		3,009
Interest receivable on property taxes		1,243
Interest receivable on water, sewer and sanitation		390

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 assets.

	10,781
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Long-term liabilities, including bonds payable, are not due and payable  
in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(73,021)
Interest payable on bonds and notes	(638)
Compensated absences	(7,113)
OPEB obligation	(19,696)
Bond premium	(1,506)

Net Assets of Governmental Activities (Exhibit I)	\$	<u>308,480</u>
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The accompanying notes are an integral part of the financial statements

## CITY OF MIDDLETOWN, CONNECTICUT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	General	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 89,733	\$	\$	\$ 6,668	\$ 96,401
Licenses and permits	667				667
Intergovernmental	32,211		4,466	16,779	53,456
Charges for services	3,686			13,292	16,978
Investment income	263		20	196	479
Miscellaneous	4,008		2	4,229	8,239
Total revenues	<u>130,568</u>	<u>-</u>	<u>4,488</u>	<u>41,164</u>	<u>176,220</u>
Expenditures:					
Current:					
General government	7,330				7,330
Public safety	12,309		60	7,621	19,990
Public works	4,226				4,226
Health and human resources	707				707
Culture and recreation	5,091			185	5,276
Employee benefits and insurance	13,231				13,231
Education	72,244			18,444	90,688
Sewer				3,522	3,522
Water				3,688	3,688
Sanitation				1,575	1,575
Other	2,112	286		1,157	3,555
Capital outlay			8,213	2,403	10,616
Debt service:					
Principal retirement		11,724			11,724
Interest and fiscal charges		2,741			2,741
Total expenditures	<u>117,250</u>	<u>14,751</u>	<u>8,273</u>	<u>38,595</u>	<u>178,869</u>
Excess (Deficiency) of Revenues over Expenditures	<u>13,318</u>	<u>(14,751)</u>	<u>(3,785)</u>	<u>2,569</u>	<u>(2,649)</u>
Other Financing Sources (Uses):					
Bond and serial notes			10,900		10,900
Bond Premium	845				845
Transfers in	599	14,748		700	16,047
Transfers out	(14,652)		(82)	(1,276)	(16,010)
Total other financing sources (uses)	<u>(13,208)</u>	<u>14,748</u>	<u>10,818</u>	<u>(576)</u>	<u>11,782</u>
Net Change in Fund Balances	110	(3)	7,033	1,993	9,133
Fund Balances at Beginning of Year	<u>15,850</u>	<u>43</u>	<u>(2,131)</u>	<u>14,978</u>	<u>28,740</u>
Fund Balances at End of Year	<u>\$ 15,960</u>	<u>\$ 40</u>	<u>\$ 4,902</u>	<u>\$ 16,971</u>	<u>\$ 37,873</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, 2010  
(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)	\$ 9,133
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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	8,283
Depreciation expense	(10,006)

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.	(56)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(27)
Property tax interest and lien revenue - accrual basis change	79
Water, sewer, sanitation interest receivable - accrual change	(128)

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 assets. Also, governmental funds report the effect of issuance costs, premiums, amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	11,724
Issuance of bonds and notes	(10,900)
Premium on bonds	(600)

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	(895)
OPEB obligation	(6,944)
Accrued interest	25

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.

3,903
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Change in Net Assets of Governmental Activities (Exhibit II)	\$ <u>3,591</u>
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The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND**

**JUNE 30, 2010**  
**(In Thousands)**

	<b><u>Governmental Activities Internal Service Fund</u></b>
Assets:	
Cash and cash equivalents	\$ <u>17,091</u>
Liabilities:	
Current liabilities:	
Accounts and other payables	342
Unpaid claims - current	<u>682</u>
Total current liabilities	1,024
Noncurrent liabilities:	
Unpaid claims - noncurrent	<u>5,286</u>
Total liabilities	<u>6,310</u>
Net Assets:	
Unrestricted	\$ <u><u>10,781</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 ASSETS - PROPRIETARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2010**  
**(In Thousands)**

	<b>Governmental Activities Internal Service Fund</b>
Operating Revenues:	
Charges for services	\$ 21,289
Other	2,220
Total operating revenues	<u>23,509</u>
Operating Expenses:	
Benefit payments	8,091
Administration	426
Insurance	11,204
Total operating expenses	<u>19,721</u>
Operating Income	3,788
Nonoperating Revenue:	
Income on investments	<u>152</u>
Income Before Transfers	3,940
Transfers out	<u>(37)</u>
Change in Net Assets	3,903
Net Assets at Beginning of Year	<u>6,878</u>
Net Assets at End of Year	<u>\$ 10,781</u>

The accompanying notes are an integral part of the financial statements

**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2010**  
**(In Thousands)**

	<u><b>Governmental Activities Internal Service Fund</b></u>
Cash Flows from Operating Activities:	
Interfund services provided or used	\$ 21,289
Cash received for insurance reimbursements	2,220
Cash paid to vendors	(20,285)
Net cash provided by operating activities	<u>3,224</u>
Cash Flows from Noncapital Financing Activities:	
Transfers to other funds	(37)
Cash Flows from Investing Activities:	
Income on investments	<u>152</u>
Net Increase in Cash and Cash Equivalents	3,339
Cash and Cash Equivalents at Beginning of Year	<u>13,752</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>17,091</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating income	\$ 3,788
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in vouchers and other payables	<u>(564)</u>
Net Cash Provided by Operating Activities	\$ <u><u>3,224</u></u>

The accompanying notes are an integral part of the financial statements



**CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**

**JUNE 30, 2010**  
**(In Thousands)**

	<b><u>Pension Trust Fund</u></b>	<b><u>Agency Funds</u></b>
Assets:		
Cash and cash equivalents	\$ 2,031	\$ 3,153
Investments:		
Certificate of deposits		36
U.S. government bonds and securities	117,957	
Corporate bonds	17,674	
Common stock	133,031	
Receivables:		
Accrued investment income	<u>912</u>	
Total assets	<u>271,605</u>	\$ <u><u>3,189</u></u>
Liabilities:		
Vouchers and other payables	188	\$
Due to student groups and others		<u>3,189</u>
Total liabilities	<u>188</u>	\$ <u><u>3,189</u></u>
Net Assets:		
Held in Trust for Pension Benefits	\$ <u><u>271,417</u></u>	

The accompanying notes are an integral part of the financial statements

## CITY OF MIDDLETOWN, CONNECTICUT

STATEMENT OF CHANGES IN PLAN NET ASSETS - FIDUCIARY FUNDS  
PENSION TRUST FUND

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

## Additions:

## Contributions:

Employer	\$	1,066
Plan members		2,060
Total contributions		<u>3,126</u>

## Investment income (loss):

Net appreciation in fair value of investments		29,550
Interest and dividends		5,323
Total investment loss		<u>34,873</u>
Investment fees		(918)
Net investment income		<u>33,955</u>

Total additions		<u>37,081</u>
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## Deductions:

Benefits		10,805
Other		<u>178</u>

Total		<u>10,983</u>
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Net Increase		26,098
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Net Assets Held in Trust for Pension Benefits at Beginning of Year		<u>245,319</u>
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Net Assets Held in Trust for Pension Benefits at End of Year	\$	<u><u>271,417</u></u>
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The accompanying notes are an integral part of the financial statements

# CITY OF MIDDLETOWN, CONNECTICUT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(amounts expressed 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 2008. The City operates under a Council-Mayor form of government. Services provided include education, water, sewer, refuse, streets and drainage, recreation and parks, police and fire, planning and zoning, community development and human resources.

##### Discretely Presented Component Units

The Eastern Connecticut Resource Recovery Authority (ECRRA) has been included in the City's reporting as a proprietary fund type in accordance with GAAP. As more fully explained in Note 11, ECRRA is a regional authority formed to provide solid waste disposal and a resource recovery system. At June 30, 2010, the City is the only member and accordingly, ECRRA is fiscally dependent and under the City's control. Separate financial statements of ECRRA are available from the City's Office of the Mayor.

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

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

The government-wide financial statements (i.e., the statement of net assets 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.

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

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

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

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

The City reports the following major governmental funds:

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

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

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

Additionally, the City reports the following fund types:

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

The Pension Trust Funds account for the activities of the City's retirement system, which accumulates resources for pension benefit payments to qualified City employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Deposits and Investments**

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

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

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

#### **E. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables, including those for the component units, are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data. Property taxes allowance represents 9.7% 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. The amount of property taxes receivable but not recorded as revenue is recorded as a deferred revenue. Deferred revenue resulting from the accounting for property taxes is as follows:

General Fund	\$ 2,791
Other Governmental Funds:	
Fire District	<u>218</u>
Total	<u>\$ 3,009</u>

#### **F. Inventories and Prepaid Items**

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

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

#### **G. Restricted Assets**

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

#### **H. Capital Assets**

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

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

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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

## **I. Termination Benefits**

### **Sick Leave and Vacation Benefits**

Employees may accumulate a limited amount of vested vacation and unused sick leave. At year end, accumulated vacation and unused sick leave was valued at \$7,113. The General Fund generally funds the cost associated with compensated absences.

## **J. 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 assets. Bond premiums and discounts, as well as issuance costs, 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. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

## **K. Deferred Charges**

ECRRA deferred charges represent bond discount and issuance costs which are being amortized, on a straight-line base (\$258 per year), to the year 2020.

## **L. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **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 or fund must be approved by the City Council. During the year General Fund appropriations decreased in the amount of \$1,636, mainly because grants originally budgeted for in the General Fund were moved to educational grants fund. All budget amendments were processed in accordance with Charter provisions.

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

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

#### **Deposits**

*Deposit Custodial Credit Risk* - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town 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*, \$32,325 of the City's bank balance of \$33,970 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,967
Uninsured and collateral held by the pledging bank's trust department, not in the City's name	<u>3,358</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 32,325</u>

### Long Hill Estate Authority

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the entire bank balance of \$506,664 was covered by the federal depository insurance.

### **Cash Equivalents**

#### City

At June 30, 2010 the Town's cash equivalents amounted to \$26,800. The following table provides a summary of the Town'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 and Poor's</u>	<u>Fitch Ratings</u>
StateTax Exempt Proceeds Fund*		
State Short-Term Investment Fund (STIF)	AAAm	
Cutwater Asset Management - Cooperative		
Liquid Assets Securities System (CLASS) plus		AAAm
Wachovia Securities*		

\*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, 2010, ECRRA's cash equivalents amounted to \$8,366. ECRRA's cash equivalents are primarily bank and government instruments that are not rated by nationally recognized statistical rating organizations.

## Investments

### City

As of June 30, 2010, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Interest-bearing investments:					
Government bonds	N/A	\$ 20	\$	\$	\$ 20
Government bonds	AAA	115,625	2,509	77,744	35,372
Government bonds	A-to AA	2,290		1,408	882
Government agency bonds	CCC	22			22
Corporate bonds	AA-toAA+	2,914		1,973	941
Corporate bonds	A-toA+	14,760		9,919	4,841
Certificates of deposit	*	36		36	
Total		135,667	\$ 2,509	\$ 91,080	\$ 42,078
Other Investments:					
Common stock		133,031			
Mutual funds		916			
Total Investments		\$ 269,614			

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

N/A Not applicable

### Long Hill Estate Authority

As of June 30, 2010, the Authority had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1 - 10	More Than 10
Interest-bearing investments:					
Certificates of deposit	*	\$ 114	\$ 114	\$ -	\$ -

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

### ECRRA

As of June 30, 2010, ECRRA had the following investments:

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

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

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

*Concentration of Credit Risk* - The City's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the City's total investments.

*Custodial Credit Risk* - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2010, 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.

#### 4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 3,745	\$	\$ 317	\$ 4,062
Interest*			912	912
Accounts and other	250		1,802	2,052
Intergovernmental		3,626	1,101	4,727
Gross receivables	<u>3,995</u>	<u>3,626</u>	<u>4,132</u>	<u>11,753</u>
Less allowance for uncollectibles	<u>362</u>		<u>31</u>	<u>393</u>
Net Total Receivables	<u>\$ 3,633</u>	<u>\$ 3,626</u>	<u>\$ 4,101</u>	<u>\$ 11,360</u>

\* Does not include interest on property taxes \$1,243 and interest on water, sewer and sanitation receivables \$390.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 3,009	\$
Grant drawdowns prior to meeting all eligibility requirements	<u>                    </u>	<u>506</u>
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 3,009</u>	<u>\$ 506</u>

## 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 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	\$ 17,290	\$	\$	\$ 17,290
Construction in progress	<u>125,382</u>	<u>3,912</u>	<u>                    </u>	<u>129,294</u>
Total capital assets not being depreciated	<u>142,672</u>	<u>3,912</u>	<u>-</u>	<u>146,584</u>
Capital assets being depreciated:				
Buildings	131,474	3,428		134,902
Machinery, equipment and building contents	24,179	943	(399)	24,723
Infrastructure	<u>243,659</u>	<u>                    </u>	<u>                    </u>	<u>243,659</u>
Total capital assets being depreciated	<u>399,312</u>	<u>4,371</u>	<u>(399)</u>	<u>403,284</u>
Less accumulated depreciation for:				
Buildings	(57,810)	(3,039)		(60,849)
Machinery, equipment and building contents	(14,397)	(3,134)	343	(17,188)
Infrastructure	<u>(110,842)</u>	<u>(3,833)</u>	<u>                    </u>	<u>(114,675)</u>
Total accumulated depreciation	<u>(183,049)</u>	<u>(10,006)</u>	<u>343</u>	<u>(192,712)</u>
Total capital assets being depreciated, net	<u>216,263</u>	<u>(5,635)</u>	<u>(56)</u>	<u>210,572</u>
Governmental Activities Capital Assets, Net	<u>\$ 358,935</u>	<u>\$ (1,723)</u>	<u>\$ (56)</u>	<u>\$ 357,156</u>

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

Governmental activities:	
General Government	\$ 286
Public safety	520
Public works	3,879
Education	5,034
Water	<u>287</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 10,006</u>

## Construction Commitments

The City has active construction projects as of June 30, 2010. The projects include roads, bridges, water and sewer lines, and school building improvements. At year end the City's commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Project Balance</u>
Technology Systems Land Records	\$ 121	\$
Roof Replacement Mount Higby	134	76
Roof Replacement Johnson and Newfield	86	24
Route 66	1	12
Water Booster Pump Station	1	209
Water Improvement	1,648	42
Water System Improvements	472	2
Preservation of Open Space	4,996	4
2007 BI Open Space/Farm Land	1,276	724
CSO Resurfacing	85	7,437
2007 Road Improvement Bond	1,507	8,383
Millbrook Sewer Pump Station	898	2
Water and Sewer Improvements	1,008	3,480
Water Planning Improvements	2	248
Installation of Water System (SCADA)	2	248
John S. Roth Treatment Plant Improvements	2	308
Sewer System Pump Station	2	458
Charles Bacon Plant Improvements	2	723
Integrated Public Safety Software	81	57
Information Technology Infrastructure	195	425
CSO Resurfacing	8,543	1,154
1996 Combined Sewer Overflow	10,166	234
Jackson Street Bridge	120	160
Mill Street Bridge II	96	34
Higby Road Reconstruction	1,232	129
Gleason Road Sewer Extension	265	85
Bartholomew Road Water Extension	318	32
Sanitary Sewers	1,663	779
Road Bond 2005	5,682	3,674
Mill Street Bridge	1,196	430
Sewer Extension/Consolidation Plan	8,457	406
CSO Road Improvement	7,281	2,594
2001 Road Improvement	6,294	253
Open Space	2,932	67
Middletown High School BI	105,832	22
Road Improvement Bond 2003	6,979	932
Police Dept. Mobile Data System	383	17
Moody School Preliminary Roof	1,396	103
	<hr/>	<hr/>
Total	\$ <u>181,354</u>	\$ <u>33,967</u>

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, 2010 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>(42,330)</u>	<u>(3,143)</u>		<u>(45,473)</u>
ECRRA Capital Assets, Net	<u>\$ 67,571</u>	<u>\$ (3,143)</u>	<u>\$ -</u>	<u>\$ 64,428</u>

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

At June 30, 2010, 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	\$ 3,942	\$
Nonmajor - Special Revenue Funds:		
Community Development Block Grants		23
Special Grants		523
Capital Project Fund		<u>3,396</u>
Total	<u>\$ 3,942</u>	<u>\$ 3,942</u>

The above balances represent temporary advances for operating cash requirements.

Interfund transfers:

Transfers In				
	General Fund	Debt Service Fund	Nonmajor Governmental	Total
Transfer out:				
General Fund	\$	\$ 13,952	\$ 700	\$ 14,652
Nonmajor Governmental	562	714		1,276
Capital Projects		82		82
Internal Service Funds	37			37
Total Transfers Out	\$ 599	\$ 14,748	\$ 700	\$ 16,047

The transfers represent normal recurring budgetary transfers.

## 7. LONG-TERM DEBT

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 73,845	\$ 10,900	\$ 11,724	\$ 73,021	\$ 10,064
Unamortized bond premium	906	845	245	1,506	282
Total bonds payable	74,751	11,745	11,969	74,527	10,346
Compensated absences	6,218	3,071	2,176	7,113	2,489
OPEB obligation	12,752	6,944		19,696	
Risk management	6,480	264	776	5,968	682
Total Governmental Activities					
Long-Term Liabilities	\$ 100,201	\$ 22,024	\$ 14,921	\$ 107,304	\$ 13,517

Compensated absences are generally liquidated by the General Fund. OPEB obligation is generally paid by the Health benefit self insurance fund

The annual requirements to amortize bonds payable as of June 30, 2010, are as follows:

<b><u>Due Fiscal Year Ending June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2011	\$ 10,064	\$ 2,705
2012	10,085	2,326
2013	9,958	1,982
2014	8,935	1,632
2015	8,771	1,282
2016-2020	22,910	2,443
2021-2025	<u>2,298</u>	<u>107</u>
Total	<u>\$ 73,021</u>	<u>\$ 12,477</u>

Bonds payable at June 30, 2010, are comprised of the following individual issues:

<b><u>Description</u></b>	<b><u>Principal Amount Payable</u></b>
\$9,900,000 General Public Improvement bond (2000) serial bonds dated April 15, 2000; Annual installments of \$990,000 through April 15, 2011. Interest at 4.75% through April 15, 2006; interest at 4.80% through April 15, 2008; interest at 4.875% through April 15, 2009; interest at 4.90% through April 15, 2010; interest at 5.0% through April 15, 2011	\$ 990
\$972 Clean Water Fund, Serial bonds dated December 31, 1990 due in annual installments of \$49 through December 31, 2010; interest at 2%	43
\$757 Clean Water Fund, serial bonds dated April 29, 1992 due in annual installments of \$38 through October 31, 2011; interest at 2%	48
\$1,152 Clean Water Fund, serial bonds dated, due in annual installments of \$57 through April 30, 2012; interest at 2%	125
\$1,028 Clean Water Fund, serial bonds dated May 28, 1993, due in annual installments of \$51 through May 31, 2012; interest at 2%	105
\$247 Clean Water Fund, serial bonds dated April 29, 1994, due in annual installments of \$10 through April 30, 2012; interest at 2%	27
\$1,767 Clean Water Fund, serial bonds dated February 28, 1995, due in annual installments of \$88 through February 28, 2014; interest at 2%	329
\$653 Clean Water Fund, serial bonds dated May 31, 1995, due in annual installments of \$33 through May 31, 2014; interest at 2%	123
\$683 Clean Water Fund, serial bonds dated June 30, 1995, due in annual installments of \$34 through June 30, 2014; interest at 2%	135
\$321 Clean Water Fund, serial bonds dated July 29, 1994, due in annual installments of \$16 through July 31, 2013; interest at 2%	50



\$612 Clean Water Fund, serial bonds dated May 31, 1996, due in annual installments of \$31 through May 31, 2015; interest at 2%	\$ 143
\$834 Clean Water Fund, serial bonds dated August 3, 1996, due in annual installments of \$47 through February 28, 2014; interest at 2%	180
\$1,574 Clean Water Fund, serial bonds dated June 30, 2006, due in annual Installments of \$79 through June 30, 2026; interest at 2%	1,179
\$1,975 Clean Water Fund, serial bond dated August 31, 2008, due in annual installments of \$117 through June 30, 2025; interest at 2%	1,751
\$1,205 Clean Water Fund, serial bonds dated September 30, 1998; due in annual installments of \$68 through May 31, 2015; interest at 2%	338
\$2,074 Clean Water Fund, Serial bonds dated October 31, 1997, due in annual installments of \$104 through April 30, 2017; interest at 2%	705
\$1,832 Clean Water Fund, serial bonds dated April 30, 1998; annual installments of \$83 through June 30, 2017; installment of \$28 due on October 31, 2017; interest at 2%	602
\$3,526 Clean Water Fund, serial bonds dated April 30, 2002; annual installments of \$176 through June 30, 2021; installment of \$59 due on October 31, 2021; interest at 2%	1,963
\$9,600 General Public Improvement bond (2003) serial bonds dated October 15, 2002; annual installments of \$960 starting April 15, 2004 through April 15, 2013; interest at 2.5% through April 15, 2006; interest at 2.625% through April 15, 2007; interest at 2.75% through April 15, 2008; interest at 3.0% through April 15, 2012; interest at 3.125% through April 15, 2013	2,880
\$17,000 General Public Improvement bond (2005) serial bonds dated April 15, 2005; annual installments of \$1,700 starting April 15, 2007 through April 15, 2014; interest at 4.0% through April 15, 2007; interest at 3.75% through April 15, 2008; interest at 5.0% through April 15, 2010; interest at 3.75% through April 15, 2012; interest at 4.0% through April 15, 2013; interest at 5.0% through April 15, 2016	10,200
\$12,600 General Public Improvement Bond (2004) serial bonds dated March 31, 2004; annual installments of \$1,260 starting April 15, 2006 through April 15, 2015; interest at 3.0% through April 15, 2007; interest at 4.5% through April 15, 2009; interest at 5.0% through April 15, 2010; interest at 3.5% through, April 15, 2011; interest at 4.0% through April 15, 2014; interest at 4.25% through April 15, 2015	6,300

\$27,700 General Public Improvement Bond (2007) serial bonds dated March 15, 2007; annual installments of \$2,770 starting March 15, 2009 through March 15, 2018; interest at 4.0% through March 15, 2010; interest at 3.875% through March 15, 2013; interest at 4.0% through March 15, 2014; interest at 3.875% through March 15, 2016; interest at 4.0% through March 15, 2018	\$ 22,160
\$13,050 General Public Improvement Bond (2008) serial bonds dated March 15, 2008; annual installments of \$1,350 starting March 15, 2010 through March 15, 2019; interest at 3.5% through March 15, 2010; interest at 4.0% through March 15, 2019	11,745
\$10,900 General Public Improvement Bond (2010) serial bonds dated April 15, 2010; annual installments of \$1,090 starting April 15, 2012 through April 15, 2021; interest at 3.0% to 5.0%.	<u>10,900</u>
Total	<u>\$ 73,021</u>

Bonds authorized and unissued amounted to \$29.6 million at June 30, 2010.

The total of the City's indebtedness does not exceed the legal debt limitation of \$707 million. The limitation is seven times the base of annual receipts from taxation as defined.

ECRRA long-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 101,400	\$	\$ 5,220	\$ 96,180	\$ 5,855
Less deferred amounts for issuance discounts	<u>(1,371)</u>		<u>(131)</u>	<u>(1,240)</u>	<u>(131)</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 100,029</u>	<u>\$ -</u>	<u>\$ 5,089</u>	<u>\$ 94,940</u>	<u>\$ 5,724</u>

ECRRA bonded debt at June 30, 2010 amounted to \$96,180. The following schedule reflects debt service requirements for each 12-month period ending January 1:

<u>Due Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,855	\$ 5,480	\$ 11,335
2012	6,545	5,148	11,693
2013	7,275	4,777	12,052
2014	8,065	4,365	12,430
2015	8,910	3,907	12,817
2016-20	<u>59,530</u>	<u>10,822</u>	<u>70,352</u>
Total	<u>\$ 96,180</u>	<u>\$ 34,499</u>	<u>\$ 130,679</u>

## 8. RESTRICTED ASSETS

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

Construction Funds	\$ 433
Debt Service Reserve Fund	11,134
Revenue Fund	911
Interest Funds	3,301
Sinking Fund	2,905
Special Reserve Fund	<u>818</u>
Total Restricted Assets	\$ <u><u>19,502</u></u>

## 9. FUND BALANCES AND NET ASSETS

### Fund Balances - Reserves and Designated for Specific Purposes

Fund balance reserves at June 30, 2010 are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Encumbrances	\$ 2,111	\$	\$ 3,071	\$ 1,666	\$ 6,848
Debt Service		40			40
Total	\$ <u><u>2,111</u></u>	\$ <u><u>40</u></u>	\$ <u><u>3,071</u></u>	\$ <u><u>1,666</u></u>	\$ <u><u>6,888</u></u>

The following is a summary of fund balances designated for specific purposes:

General Fund:	
Designated for 2010-11 budget	\$ 525
School purchase	800
Property taxes - Future budgetary expenditures	<u>595</u>
Total	\$ <u><u>1,920</u></u>

## 10. RISK MANAGEMENT

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

### Property and Casualty Insurance Program

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

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

Property Insurance totaling an amount equal to the replacement cost value of city-owned property including contents. Said coverage also includes specific sub-limits for fine arts, flood, earthquake, and other potential property related losses.

Boiler and Machinery coverage with a limit of \$100,000,000 per accident is subject to a \$100,000 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 each wrongful act Law Enforcement Liability; \$1,000,000 per occurrence Automobile Liability; and \$1,000,000 each claim Employee Benefits Liability (claims made). All coverage is subject to a \$250,000 deductible.

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 \$250,000 deductible.

Public Officials Liability (claims made) with a limit each wrongful act/aggregate of \$1,000,000 subject to a \$250,000 deductible.

The City further maintains the required bonding for the Tax Collector.

### **Workers' Compensation Insurance**

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

Workers' Compensation and Employers' Liability coverage (amounts not rounded), subject to a self-insured retention of \$500,000 for each accident and each employee for disease with statutory limits for Workers' Compensation and \$1,000,000 Employers Liability.

### **Employee Health Benefits**

The City's current employee health benefit program is partially insured and partially self-insured.

The medical plan for employees and retirees is primarily insured with a small group of old retiree benefits handled on a self-insured basis with administration services performed by an outside vendor hired by the City.

The City further provides employees and retirees with dental prescription drug coverage, both of which are self-insured.

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

## Outstanding Liabilities

### Property and Liability

At the close of June 30, 2010, the City reported an outstanding liability of \$2,000 for claims incurred during the 2009-10 fiscal year, as well as prior years' claims within the deductible and self-insured retentions.

### Workers' Compensation

At the close of June 30, 2010, the City reported an outstanding liability of \$3,286 for claims incurred during the 2009-10 fiscal year, as well as claims pending from prior years.

### Employee Health Benefits

At the close of June 30, 2010, the City reported an outstanding liability of \$682 (medical/dental/prescription drug) for claims incurred but not reported during the 2009-10 fiscal year.

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

	<b>Claims Payable July 1</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Paid</b>	<b>Claims Payable June 30</b>
Health Benefits Fund:				
2008-09	\$ 1,531	\$ 4,373	\$ 6,680	\$ 776
2009-10	776	5,155	6,613	682
Property and Casualty Fund:				
2008-09	2,141	2,030	2,261	2,150
2009-10	2,150	835	985	2,000
Workers' Compensation Fund:				
2008-09	3,926	1,673	2,045	3,554
2009-10	3,554	1,077	1,345	3,286

## 11. CONTINGENT LIABILITIES

In December 1990 the Eastern Connecticut Resource Recovery Authority (ECRAA) was formed. ECRAA 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. ECRAA 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, 2010 the City was the only member of ECRAA. ECRAA 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.

ECCRA 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 ECCRA. The City and Wheelabrator Connecticut (the Company), as the users of the facility, are obligated to make monthly disposal fee payments that together equal ECRAA's net cost of operations, including debt service.

The City's commitment is 23,273 tons per year, effective July 1, 1995, which may be assigned to other towns, cities or other political subdivisions, under certain conditions. Any such assignment would not relieve the City of its obligation to make payments. ECRAA 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.

## **12. POSTEMPLOYMENT BENEFITS**

### **A. Plan Description**

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

At July 1, 2009, plan membership consisted of the following:

Active plan members	989
Retired and spouses members	<u>791</u>
Total Participants	<u><u>1,780</u></u>

### **B. Funding Policy**

The City currently pays for postemployment health care benefits on a pay-as-you-go basis and is funded on a self-insured basis and partially on an insured basis. As of June 30, 2010 the City has not established a trust fund to irrevocably segregate assets to fund the liability associated with the post employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines. Currently, the funding and payment of postemployment benefits are accounted for in an internal service fund. Over 15 years ago, the City developed a funding strategy setting aside \$50,000 annually in anticipation of the liability.

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.

For City employees there are three option, MMPA - option 1 is 12.5% increasing to 15%; MMPA - option 2 varies based on the age at retirement; and all others is 8%. The Fire employee's contribution varies based on the age at retirement, or is set at 10% increasing overtime to 14%. The Police employees have a melded rate which includes payment of \$133/year for the employee and \$194/year for the employee's dependent. All contributions are currently waived if the retiree elects a point of service benefit. All pre 2005 retirees are under different funding rules. In addition a surviving spouse is covered until death or remarriage and dental coverage is provided for all retirees. The Board of Education employees are eligible at the same time they are eligible for benefits under the State of Connecticut Teachers Retirement Plan. Teachers contribute 100% of the premium, non-union 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 and if over 65 retiree pays 100% of premium.

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

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

Annual required contribution (ARC)	\$ 13,867
Interest on net OPEB obligation	988
Adjustment to annual required contribution	<u>(1,115)</u>
Annual OPEB cost	13,740
Contributions made	<u>6,796</u>
Increase in net OPEB obligation	6,944
Net OPEB obligation, beginning of year	<u>12,752</u>
Net OPEB Obligation, End of Year	<u>\$ 19,696</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) for the fiscal years ended June 30, 2010 and 2009, is presented below.

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost (AOC)</b>	<b>Actual Contribution</b>	<b>Percentage of AOC Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
6/30/08	\$ 12,310	\$ 5,133	37.43%	\$ 7,117
6/30/09	12,694	7,184	56.59	12,752
6/30/10	13,740	6,796	49.46	19,696

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future. The following schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded AAL (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 150,100	\$ 150,100	0.0%	N/A	N/A
7/1/2008	2,400	152,529	150,129	1.6	69,809	215%
7/1/2009	3,770	167,196	163,426	2.3	65,342	250

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

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 8.0% rate of return, which is the rate of the expected long-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate is 10% initially, reduced by decrements to an ultimate rate of 5% after four years. Projected salary increases were 3.5%. The remaining open amortization period at July 1, 2006 was 30 years.

## 13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

### Middletown Retirement System Fund

#### A. Plan Description and Provisions

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

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



At July 1, 2009 PERS membership consisted of:

Retirees, disabled and beneficiaries currently receiving benefits	382
Terminated employees entitled to benefits but not yet receiving them	27
Current employees:	
Vested	303
Nonvested	246
	<hr/>
Total	958
	<hr/> <hr/>

#### **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. There are no investments in any organizations that represent 5% or more of net assets available for benefits.

#### **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. Annual Pension Cost and Net Pension Obligations**

The City's annual pension cost and net pension obligation to the PERS for the current year were as follows:

Annual required contribution	\$ 1,066
	<hr/>
Annual pension cost	1,066
Contributions made	1,066
	<hr/>
Increase in net pension obligation	-
Net pension obligation (asset), beginning of year	(2)
	<hr/>
Net Pension Obligation (Asset), End of Year	\$ (2)
	<hr/> <hr/>

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

Actuarial valuation date	July 1, 2009
Actuarial cost method	Entry Age
Amortization method	Level dollar amount-open
Remaining amortization period	15 years
Asset valuation method	4-year phase-in
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases*	3.5-12.0%
Cost-of-living adjustments	2.8%
*Inflation rate included	2.8%

#### E. Trend Information

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
6/30/08	\$ 722	100	% \$ (2)
6/30/09	585	100	(2)
6/30/10	1,066	100	(2)

#### Schedule of Employer Contributions

<b>Year Ended</b>	<b>Required Contribution</b>	<b>Percentage Contributed</b>
6/30/05	\$ 178	100 %
6/30/06	200	100
6/30/07	525	100
6/30/08	722	100
6/30/09	585	100
6/30/10	1,066	100

#### Schedule of Funding Progress

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7-1-09	\$ 275,577	\$ 231,137	\$ (44,440)	119.2	\$ 33,664	(132.0)%
7-1-08	281,523	218,014	(63,508)	129.1	30,629	(207.3)
7-1-07	269,574	202,938	(66,636)	132.8	29,625	(224.9)
1-1-06	252,909	192,312	(60,597)	131.5	28,430	(213.1)
1-1-05	239,230	178,324	(30,906)	134.2	25,951	(234.7)

The information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in Section D above.

## **Teachers' Retirement**

Certified teachers employed by the Middletown Board of Education are eligible to participate in the State of Connecticut Teachers' Retirement System. This system is a cost-sharing multi-employer defined benefit PERS with the State acting as a non-employer contributor, which is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). The State of Connecticut Teachers' Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

The Board of Education withholds 7.25% of all teachers' annual salaries and transmits the funds to the State Teachers' Retirement Board. Total covered payroll and total certified Board payroll was \$32,893 for the year ended June 30, 2010.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers' Retirement Board. Such contribution includes amortization of actuarially computed unfunded liability. These obligations are established under the authority of the Connecticut General Statutes. For the year ended June 30, 2010 the City has recorded, in the General Fund, intergovernmental revenue and education expenditures in the amount of \$5,088 as payments made by the State of Connecticut on behalf of the City. The City does not have any liability for teacher pensions.

## **14. LITIGATION**

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

## **Required Supplementary Information**

## CITY OF MIDDLETOWN, CONNECTICUT

## GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)

FOR THE YEAR ENDED JUNE 30, 2010

(In Thousands)

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Revenues:				
Taxes:				
General property taxes	\$ 88,835	\$ 88,835	\$ 88,757	\$ (78)
Penalties and interest on delinquent taxes	407	407	976	569
Total	89,242	89,242	89,733	491
Licenses and permits:				
Business licenses and permits	28	28	30	2
Non-business licenses and permits	575	575	637	62
Total	603	603	667	64
Intergovernmental revenues	29,995	27,619	27,122	(497)
Charges for services:				
General government	1,040	1,040	1,184	144
Public safety	1,813	1,813	2,186	373
Culture and recreation	290	290	316	26
Total	3,143	3,143	3,686	543
Miscellaneous revenue:				
Interest	650	650	263	(387)
Other	3,643	3,650	4,406	756
Total	4,293	4,300	4,669	369
Total revenues	127,276	124,907	125,877	970
Other financing sources:				
Premium on bond			845	845
Transfers in	665	665	599	(66)
Total	665	665	1,444	779
Total	\$ 127,941	\$ 125,572	127,321	\$ 1,749

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	5,088
Cancellation of prior year encumbrances are recognized as budgetary revenue	(397)

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

\$ 132,012

## 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, 2009

(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	\$ 495	\$ 517	\$ 506	\$ 11
Finance	2,955	3,019	3,011	8
Town Clerk	308	337	335	2
City Attorney	433	456	436	20
Tax Collector	332	359	356	3
Registrar of Voters	192	194	162	32
Tax Assessor	393	416	398	18
Councilmen	193	194	169	25
Planning Conservation and Development	726	757	749	8
Personnel Department	314	386	379	7
Municipal Building	161	199	198	1
Other	109	108	107	1
P.C. Network	766	731	711	20
Total	<u>7,377</u>	<u>7,673</u>	<u>7,517</u>	<u>156</u>
Public safety:				
Police	10,121	10,332	10,323	9
Consumer Protection	108	114	114	-
Office of Emergency Management	68	68	57	11
Canine Control	122	111	111	-
Parking Authority	213	231	221	10
Central Communications	1,507	1,562	1,527	35
Total	<u>12,139</u>	<u>12,418</u>	<u>12,353</u>	<u>65</u>
Public works:				
Administration	320	338	336	2
Inspections and permits	268	288	287	1
Garage, highway and engineering	2,860	3,133	3,105	28
Building	89	136	133	3
Sanitation landfill	156	125	120	5
Traffic paint	149	160	152	8
Parking lots	13	12	8	4
Recycling	164	134	130	4
Total	<u>4,019</u>	<u>4,326</u>	<u>4,271</u>	<u>55</u>

(Continued on following 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, 2010**

**(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (continued):				
Health	\$ 673	\$ 723	\$ 719	\$ 4
Parks and recreation	2,574	2,623	2,324	299
Russell Library	2,721	2,807	2,792	15
Education	69,430	67,054	67,054	-
Sundry municipal services:				
Transit District	265	265	265	-
Senior affairs	318	318	299	19
Youth services	213	213	210	3
Human relations	133	142	140	2
Reserve for salaries	805	1		1
Reserve for vacations	50	95	95	-
Contingency Fund	8	7		7
Total	1,792	1,041	1,009	32
Special accounts	1,132	1,449	1,276	173
Employee benefits	9,920	9,969	9,937	32
Insurance - bonds	3,310	3,310	3,310	-
Total expenditures	115,087	113,393	112,562	831

(Continued on following 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, 2010  
(In Thousands)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Other financing uses:				
Transfers out	\$ <u>14,604</u>	\$ <u>14,662</u>	\$ <u>14,652</u>	\$ <u>10</u>
Total	\$ <u>129,691</u>	\$ <u>128,055</u>	127,214	\$ <u>841</u>
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				
			5,088	
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				
			<u>(400)</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement				
of Revenues, Expenditures and Changes in Fund Balances - Governmental				
Funds - Exhibit IV			\$ <u>131,902</u>	



## ***Appendix B***

### ***Form of Legal Opinion of Bond Counsel and Tax Exemption***

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# JOSEPH FASI LLC

1010 WETHERSFIELD AVENUE  
HARTFORD, CONNECTICUT 06114

A T T O R N E Y S   A T   L A W

TELEPHONE (860)296-0510  
FACSIMILE (860)296-0541

## **FORM OF OPINION OF BOND COUNSEL**

City of Middletown  
Middletown, Connecticut

Ladies and Gentlemen:

We have represented the City of Middletown, Connecticut as bond counsel with respect to the issuance and sale of \$8,900,000 City of Middletown General Obligation Bonds, Issue of 2011, bearing a Dated Date of April 1, 2011 and an Original Issue Date of April 14, 2011 (the "bonds").

We have examined a record of the proceedings authorizing the bonds, a Tax Regulatory Agreement of the City dated April 14, 2011 (the "Tax Regulatory Agreement"), and other proofs submitted to us.

The bonds are not subject to redemption prior to maturity. The bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, to effect a book-entry system for the ownership and transfer of the bonds, and are certified by U.S. Bank National Association, Hartford, Connecticut (the "Certifying Agent").

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the bonds under authority of the constitution and statutes of the State of Connecticut and that when certified by the Certifying Agent the bonds are valid and binding general obligations of the City of Middletown payable both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the City without limitation as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the City and under existing statutes the State of Connecticut is obligated to pay the City the amount of tax revenue which the City would have received except for the limitation upon its power to tax such dwelling houses. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the City.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the bonds in order that interest on the bonds not be included in gross income under Section 103 of the Code. The City has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the bonds shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Code and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the bonds is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations. We express no opinion regarding other Federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the bonds.

In rendering the foregoing opinions regarding the Federal income tax treatment of interest on the bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) continuing compliance by the City with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by ownership or disposition of the bonds.

Respectfully yours,

JOSEPH FASI LLC

## **TAX EXEMPTION**

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements which must be met subsequent to delivery of the Bonds in order that interest on the Bonds not be included in gross income under Section 103 of the Code. The Tax Regulatory Agreement, which will be executed and delivered by the Issuer concurrently with the Bonds, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Issuer also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall not be included in gross income of owners thereof for purposes of Federal income taxation under the Code. Failure to comply with the continuing requirements of the Code may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which non compliance occurs. In rendering its opinion, Bond Counsel relies on the continuing compliance by the City with the Tax Regulatory Agreement.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Issuer with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is not included in the gross income of the owners thereof for purposes of Federal income taxation and is not treated as a preference item for purposes of computing the Federal alternative minimum tax. Interest on the Bonds is, however, includable in the adjusted current earnings of corporations (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax on corporations.

Ownership of the Bonds may also result in certain collateral Federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of ownership and disposition of the Bonds.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding the state and local tax consequences of ownership and disposition of the Bonds.

## **ORIGINAL ISSUE DISCOUNT**

The initial public offering prices of certain maturities of the Bonds (the “OID Bonds”) may be less than their stated principal amounts. Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of the OID Bonds is sold will constitute original issue discount (“OID”). The offering prices relating to the yields set forth on the cover page of this Official Statement for the OID Bonds are expected to be the initial offering prices to the public at which a substantial amount of each maturity of the OID Bonds are sold. Under existing law OID on the Bonds accrued and properly allocable to the owners thereof under the Code is not included in gross income for federal income tax purposes if interest on the Bonds is not included in gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner’s adjusted basis in an OID Bond, OID treated as having accrued while the owner holds the OID Bond will be added to the owner’s basis. OID will accrue on a constant-yield-to-maturity method based on regular compounding. The owner’s adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond. For certain corporations (as defined for federal income tax purposes) a portion of the original issue discount that accrues in each year to such an owner of an OID Bond will be included in the calculation of the corporation’s federal alternative minimum tax liability. As a result, ownership of an OID Bond by such a corporation may result in an alternative minimum tax liability even though such owner has not received a corresponding cash payment.

Prospective purchasers of OID Bonds, should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

## **ORIGINAL ISSUE PREMIUM**

The initial public offering prices of certain maturities of the Bonds (the “OIP Bonds”) may be more than their stated principal amounts. An owner who purchases a Bond at a premium to its principal amount must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and the effect upon basis.

## ***Appendix C***

### ***Form of Continuing Disclosure Agreement***

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## CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF MIDDLETOWN, CONNECTICUT

Dated As Of April 14, 2011

In Connection With The Issuance And Sale Of

\$8,900,000 City Of Middletown, Connecticut

General Obligation Bonds, Dated April 1, 2011

WHEREAS, the City of Middletown, Connecticut (the "Issuer") has heretofore authorized the issuance of \$8,900,000 in aggregate principal amount of its General Obligation Bonds (the "Bonds") to be dated April 1, 2011 and to mature in the principal amounts and on the dates set forth in the Issuer's Official Statement describing the Bonds (the "Official Statement"); and

WHEREAS, the Issuer acknowledges that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Issuer has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) as amended from time to time (the "Rule"), and the Issuer desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Issuer is authorized pursuant to Public Act 95-270 enacted by the Connecticut General Assembly to make representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement is to be made, executed and delivered in connection with the issuance of the Bonds, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, THE ISSUER HEREBY REPRESENTS, COVENANTS AND AGREES AS FOLLOWS:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 2 and 3 of this Continuing Disclosure Agreement.

"Fiscal Year End" shall mean the last day of the Issuer's fiscal year, currently June 30.

"Listed Events" shall mean any of the events listed in Section 4 of this Continuing Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto. For purposes of this agreement, continuing disclosure information will be filed where approved from time to time by the MSRB, and which as of the date hereof means:

<http://emma.msrb.org>

Section 2. Annual Reports.

A. The Issuer shall provide or cause to be provided to the MSRB, the following annual financial information and operating data regarding the Issuer:

1) Audited financial statements as of and for the year ending on its Fiscal Year End for the general fund, capital projects funds and special revenue funds, prepared in accordance with generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

2) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in 1) above:

- (a) the amounts of the gross and net taxable grand list;
- (b) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (c) the percentage or amount of the annual property tax levy collected and uncollected;
- (d) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (e) a calculation of the direct debt, net direct debt and overall net debt (reflecting overlapping and underlying debt);
- (f) the direct debt and overall net debt of the Issuer per capita;
- (g) the ratios of direct debt and overall net debt of the Issuer to the Issuer's equalized net (taxable) grand list;

- (h) a statement of statutory debt limitations and debt margins;
- (i) the funding status of the Issuer's pension benefit obligation.

B. The above-referenced information is expected to be provided by the filing of and cross reference to the Issuer's Annual Report. The information may be provided in whole or in part by cross-reference to other documents provided to the MSRB, including official statements of the Issuer which will be available from the MSRB. The information will be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

C. Subject to the requirements of Section 8 hereof, the Issuer reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule. The Issuer also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Issuer shall provide the information and data referenced in Section 2(A) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the bonds, provided, however, that if such financial information and data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Issuer shall provide such information and data no later than eight months after the close of such preceding Fiscal Year End. The Issuer agrees that if audited information is not available eight months after the close of any Fiscal Year End, it shall submit unaudited information by such time and will submit audited information within a reasonable time.

Section 4. Event Notices. The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of the event to the MSRB, notice of the occurrence of any of the following events:

- a) principal and interest payment delinquencies;
- b) non-payment related defaults, if material;
- c) unscheduled draws on debt service reserves reflecting financial difficulties;
- d) unscheduled draws on credit enhancements reflecting financial difficulties;

e) substitution of credit or liquidity providers, or their failure to perform;

f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

g) modifications to rights of security holders, if material;

h) bond calls, if material, and tender offers;

i) defeasances;

j) release, substitution or sale of property securing repayment of the securities, if material;

k) rating changes;

l) bankruptcy, insolvency, receivership or similar event of the Issuer;

m) the consummation of a merger, consolidation or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 5. Notice of Failure. The Issuer agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of any failure by the Issuer to provide the annual financial information described in Section 2.A of this Continuing Disclosure Agreement.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Issuer may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Continuing Disclosure Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Agreement, the Issuer may amend this Continuing Disclosure Agreement, and any provision of this Continuing Disclosure Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in

legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

Section 9. Additional Information. Nothing in this Continuing Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Continuing Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Continuing Disclosure Agreement, the Issuer shall have no obligation under this Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Indemnification. The Issuer agrees to indemnify and save its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to any agent's negligence or misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of any agent and payment of the Bonds.

Section 11. Enforceability. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Continuing Disclosure Agreement is intended to be for the benefit and enforceable by the beneficial owners of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Issuer does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Issuer with respect to the Bonds.

**[Signature Page Follows]**

CONTINUING DISCLOSURE AGREEMENT

By The

CITY OF MIDDLETOWN, CONNECTICUT

Dated As Of April 14, 2011

In Connection With The Issuance And Sale Of

\$8,900,000 City Of Middletown, Connecticut

General Obligation Bonds, Dated April 1, 2011

IN WITNESS WHEREOF, the Issuer has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

CITY OF MIDDLETOWN, CONNECTICUT

By \_\_\_\_\_  
Sebastian N. Giuliano  
Mayor

By \_\_\_\_\_  
Christine Berry Bourne  
Treasurer

By \_\_\_\_\_  
Carl R. Erlacher  
Director of Finance & Revenue Services

***Appendix D***

***Notice of Sale***

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**NOTICE OF SALE**

**\$8,900,000**

**CITY OF MIDDLETOWN, CONNECTICUT**

**GENERAL OBLIGATION BONDS, ISSUE OF 2011**

**BANK QUALIFIED**

ELECTRONIC BIDS via **PARITY®** only will be received by the City of Middletown, Connecticut (the "Issuer"), at Middletown City Hall, Second Floor, Conference Room 208, 245 deKoven Drive, Middletown, Connecticut 06457, until:

**11:30 A.M. (E.D.T.)  
Wednesday, March 30, 2011**

for the purchase of \$8,900,000 City of Middletown General Obligation Bonds, Issue of 2011, maturing April 1 in each of the years as follows: \$890,000 in each of the years 2013 through 2022, both inclusive, bearing interest payable semi-annually on April 1 and October 1 in each year until maturity, commencing October 1, 2011 (the "Bonds").

The Bonds will be dated April 1, 2011 and are not subject to redemption prior to their stated maturities. The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. The book-entry system will evidence ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the Issuer or its agent in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Proposals for the purchase of said Bonds must be in the form of proposal for purchase attached hereto. Each bid must be for the entire \$8,900,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum, provided such bid shall

not state (a) more than one interest rate for any Bonds having like maturity, or (b) any interest rate for any Bonds which exceeds the interest rate stated in the proposal for any other Bonds by more than 2%. Interest shall be computed on the basis of 360-day year consisting of twelve 30-day months. No bid for less than par and accrued interest will be considered. Unless all bids are rejected the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

For the purposes of determining the successful bidder, the true interest cost to the Issuer will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to April 1, 2011, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued to April 14, 2011, the delivery date of the Bonds. It is requested that each proposal be accompanied by a statement of the percentage of true interest cost computed and rounded to four decimal places. Such statement shall not be considered as a part of the proposal. The purchase price must be paid in Federal Funds.

**Electronic Proposals Bidding Procedure.** Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY**<sup>®</sup> until 11:30 A.M. (E.D.T.) on Wednesday, March 30, 2011. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY**<sup>®</sup>, including any fee charged, may be obtained from **PARITY**<sup>®</sup>, c/o i-Deal LLC, 1359 Broadway, 2<sup>nd</sup> Floor New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 - email notice: parity@i-deal.com). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY**<sup>®</sup> is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY**<sup>®</sup>, the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY**<sup>®</sup>, or the inaccuracies of any information, including bid information or worksheets supplied by **PARITY**<sup>®</sup>, the use of **PARITY**<sup>®</sup> facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

**Disclaimer.** Each of **PARITY**<sup>®</sup> prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY**<sup>®</sup> for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer nor **PARITY**<sup>®</sup> shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or **PARITY**<sup>®</sup> shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by,

**PARITY**<sup>®</sup>. The Issuer is using **PARITY**<sup>®</sup> as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of **PARITY**<sup>®</sup> to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All cost and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY**<sup>®</sup> are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY**<sup>®</sup> at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY**<sup>®</sup>, this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY**<sup>®</sup> shall constitute the official time.

The Bonds will be general obligations of the Issuer payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. There was, however, no such certified forest land on the last completed grand list of the Issuer and under existing statutes the State of Connecticut is obligated to pay to the Issuer the amount of tax revenue which the Issuer would have received except for the limitation upon its power to tax such dwelling houses.

The Bonds will be certified by U.S. Bank National Association. The legality of the issue will be passed upon by Joseph Fasi LLC, Bond Counsel, of Hartford, Connecticut, and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to said firm, a confirmed copy of the Official Statement prepared for this sale, a certificate signed by the appropriate officials of the Issuer relating to the accuracy and completeness of information contained in the Official Statement, and an executed continuing disclosure agreement.

The legal opinion will further state that, under existing statutes and court decisions interest on the Bonds (i) is not included in the gross income of the owners thereof for purposes of Federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) is not treated as a preference item for purposes of computing the Federal alternative minimum tax; such interest is, however, includable in the adjusted current earnings of a corporation (as defined for federal income tax purposes) for purposes of computing the Federal alternative minimum tax imposed on corporations under the Code.

Under existing statutes, the interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay Federal alternative minimum tax.

In rendering the legal opinion, Joseph Fasi LLC will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Issuer for the benefit of the owners of the Bonds, and further, will assume continuing compliance by the Issuer with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, in Hartford, Connecticut, and will be available for examination upon request.

The Bonds **shall** be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

IT SHALL BE THE RESPONSIBILITY OF THE WINNING BIDDER TO CERTIFY TO THE ISSUER BEFORE DELIVERY OF THE BONDS AND IN A MANNER SATISFACTORY TO BOND COUNSEL THE PRICES AT WHICH A SUBSTANTIAL AMOUNT OF THE BONDS OF EACH MATURITY WERE INITIALLY OFFERED AND SOLD TO THE PUBLIC.

The Bonds will be delivered to DTC or its Agent via "Fast" on or about April 14, 2011. The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning bidder to obtain CUSIP numbers for the Bonds prior to delivery, and the Issuer will not be responsible for any delay occasioned by the inability to deposit the Bonds with DTC due to the failure of the winning bidder to obtain such numbers and to supply them to the Issuer in a timely manner. The Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for the purchaser.

The Bonds will be awarded or all bids will be rejected promptly after the bid opening and not later than 4:00 P.M. (Hartford time) on March 30, 2011. The right is reserved to reject any and all proposals and to waive any irregularity or informality with respect to any proposal.

For more information regarding this issue and the Issuer, reference is made to the Official Statement. Bid forms and copies of the Official Statement dated March 23, 2011, may be obtained from Matthew A. Spoerndle, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut 06460, (203) 878-4945. The Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision or amendment. The Issuer will provide to the winning bidder 100 copies of the Official Statement prepared at the Issuer's expense and delivered not later than seven business days after the bid opening. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. If the Issuer's financial advisor is provided with the necessary information from the winning bidder by noon of the day after the bid opening, the copies of the Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

The Issuer will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) timely notice of the occurrence of certain material events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

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Sebastian N. Giuliano  
Mayor

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Christine Berry Bourne  
Treasurer

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Carl R. Erlacher  
Director of Finance & Revenue Services

March 23, 2011

(See attached for form of Proposal for Bonds)

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## PROPOSAL FOR BONDS

March 30, 2011

Sebastian N. Giuliano, Mayor  
Christine Berry Bourne, Treasurer  
Carl R. Erlacher, Director of Finance & Revenue Services  
City of Middletown  
c/o Middletown City Hall  
Second Floor, Conference Room 208  
245 deKoven Drive  
Middletown, Connecticut 06457

Ladies and Gentlemen:

Subject to the provisions of the Notice of Sale dated March 23, 2011, which Notice is made a part of this proposal, we offer to purchase all \$8,900,000 bonds of the City of Middletown comprising the issue described in said notice and to pay therefor par and accrued interest to date of delivery, plus a premium of \$\_\_\_\_\_, provided that the bonds maturing in the several years set forth below shall bear interest from their date until maturity at the respective rates per annum stated in the following table:

Year of Maturity	Principal Amount	Interest Rate	Year of Maturity	Principal Amount	Interest Rate
2013	\$890,000	_____%	2018	\$890,000	_____%
2014	\$890,000	_____%	2019	\$890,000	_____%
2015	\$890,000	_____%	2020	\$890,000	_____%
2016	\$890,000	_____%	2021	\$890,000	_____%
2017	\$890,000	_____%	2022	\$890,000	_____%

\_\_\_\_\_  
(Name of Bidder)

\_\_\_\_\_  
(Mailing Address)

\_\_\_\_\_  
(Telephone Number)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Facsimile Number)

The following is our computation of the interest cost, made as provided in the above-mentioned Notice of Sale, but not constituting any part of the foregoing proposal, for the purchase of \$8,900,000 bonds under the foregoing proposal:

Gross Interest	\$ _____
Less Premium Bid Over Par	\$ _____
Net Interest Cost	\$ _____
Percent True Interest Cost	_____ %
	(Four Decimals)

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