

**TOWN OF MIDDLEFIELD, CONNECTICUT  
FINANCIAL REPORT  
June 30, 2019**

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**TOWN OF MIDDLEFIELD, CONNECTICUT  
FINANCIAL REPORT**

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# **SEWARD AND MONDE**

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Members  
of the Board of Finance  
Town of Middlefield, Connecticut

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

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entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### *Required Supplementary Information*

U.S. generally accepted accounting principles generally require that the management's discussion and analysis on pages 4 through 10, budgetary comparison information on pages 46 through 53, and the retirement system schedules on pages 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middlefield, Connecticut's basic financial statements. The schedule of property taxes levied, collected and outstanding, the combining nonmajor governmental funds fund financial statements, the combining agency funds financial statements, the reserve fund for capital and nonrecurring expenditures schedule of expenditures compared with appropriations, and the schedule of debt limitation are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the U.S. generally accepted auditing standards. In our opinion, the supplementary information and the schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 9, 2020, on our consideration of the Town of Middlefield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Town of Middlefield's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Middlefield, Connecticut's internal control over financial reporting and compliance.

**Seward and Monde**

North Haven, Connecticut  
January 9, 2020

**TOWN OF MIDDLEFIELD, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

This discussion and analysis of the Town of Middlefield, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2019. This management discussion and analysis should be read in conjunction with the Town's financial statements.

**Financial Highlights**

- The net position of the Town's governmental activities increased by \$1,480,418 or approximately 10.2%.
- The total cost of all of the Town's governmental activities was \$16,320,933.
- The General Fund reported a fund balance of \$3,133,646 at June 30, 2019.
- For the year ended June 30, 2019, the resources available for appropriation were \$550,162 more than budgeted for the general fund. Expenditures were \$261,994 less than budgeted for the general fund.
- The Town's total long-term debt decreased by \$455,334 to a level of \$889,292 with \$465,738 of that amount maturing in fiscal year 2019/2020.

**Overview of the Financial Statements**

This discussion and analysis provided here is intended to serve as an introduction to the Town of Middlefield's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information intended to furnish additional details to support the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the Town's assets, liabilities, and deferred outflows and inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the statement of net position and the statement of activities, the Town reports its activities:

- *Governmental activities* - Most of the Town's basic services are reported here, including general government, highway, public safety, health and welfare, library, recreation, environmental services and education. Property taxes, charges for services and state and federal grants finance most of these activities.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter or State law. However, the First Selectman establishes many other funds to help the Town control and manage financial activities for particular purposes (like the Old Indian Trail Water System Fund, Route 66 Sewer Project Fund and Miscellaneous Grant Funds) or to show that the Town is meeting legal responsibilities for using certain grants and other money (like grants received from the State of Connecticut). The Town's funds are divided into two categories; governmental and fiduciary.

*Governmental funds* - Most of the Town'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 the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation following each of the fund financial statements.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Reserve Fund for Capital and Nonrecurring Expenditures, Lake Beseck and Housing Rehabilitation Programs which are considered to be major funds. Data from eight other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements.

The Town adopts an annual appropriated budget for its General Fund. The schedule of revenues and other financing sources and the schedule of expenditures and other financing uses are presented as required supplementary information and have been provided for the general fund to demonstrate compliance with this budget.

*Fiduciary funds* - The Town is the trustee, or fiduciary, for its volunteer fire department supplementary benefit fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and statement of changes in fiduciary assets and liabilities. These activities are excluded from the Town's other financial statements because the Town cannot use the assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## Government-wide Financial Analysis

The Town's combined net position increased from a year ago. The analysis below focuses on the net position and changes in net position of the Town's governmental activities.

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current and other assets	\$ 7,947,016	\$ 7,200,703
Capital assets, net	9,679,259	9,685,958
Total assets	<u>17,626,275</u>	<u>16,886,661</u>
 Deferred Outflows of Resources		
Charges related to pensions	423,173	89,976
 Liabilities		
Current liabilities	234,406	512,423
Long-term liabilities:		
Due within one year	493,477	494,864
Due in more than one year	1,147,047	1,273,379
Total liabilities	<u>1,874,930</u>	<u>2,280,666</u>
 Deferred Inflows of Resources		
Unavailable revenue	-	11,435
Credits related to pensions	<u>106,149</u>	<u>96,585</u>
	<u>106,149</u>	<u>108,020</u>
 Net Position		
Net investment in capital assets	8,789,967	8,341,332
Unrestricted	7,278,402	6,246,619
Total net position	<u>\$ 16,068,369</u>	<u>\$ 14,587,951</u>

The net position of the Town's governmental activities increased by \$1,480,418 or 10.2%. Unrestricted net position - the part of net assets than can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$1,031,783 to \$7,278,402 at June 30, 2019.

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 668,101	\$ 848,113	(\$ 180,012)
Operating grants and contributions	2,236,421	2,049,929	186,492
Capital grants and contributions	36,872	58,101	( 21,229)
General revenues:			
Property taxes	14,451,724	14,029,605	422,119
Grants and contributions not restricted to specific programs	318,623	290,291	28,332
Unrestricted investment earnings	89,610	37,336	52,274
Loss on disposal of capital assets	-	( 19,648)	19,648
Total revenues	<u>17,801,351</u>	<u>17,293,727</u>	<u>507,624</u>
Program expenses:			
General government	2,237,795	2,180,623	57,172
Public safety	631,560	700,341	( 68,781)
Public works	981,716	1,183,818	( 202,102)
Health and welfare	80,190	61,049	19,141
Parks and recreation	213,311	188,902	24,409
Education	12,148,247	11,970,849	177,398
Interest expense	28,114	37,791	( 9,677)
Total program expenses	<u>16,320,933</u>	<u>16,323,373</u>	<u>( 2,440)</u>
Change in net position	<u>\$ 1,480,418</u>	<u>\$ 970,354</u>	<u>\$ 510,064</u>

The Town's total revenue (excluding special items) was \$17,801,351. The total cost of all programs and services was \$16,320,933. Our analysis above separately considers the operations of governmental activities.

### **Governmental activities**

Governmental activities increased the Town's net position by \$1,480,418. Property tax collections, as well as State of Connecticut Excess Cost Sharing revenues, in excess of budgeted amounts and expenditures below budgeted levels were the main contributors to this year's results.

The table below presents the cost of each of the Town's five largest programs – general government, public works, public safety, parks and recreation and education - as well as each program's net cost (total cost less revenues generated by the activities). Net cost shows the burden that was placed on the Town's taxpayers by each of the functions.

	Year ended June 30, 2019		Year ended June 30, 2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,237,795	\$ 1,919,983	\$ 2,180,623	\$ 1,780,979
Public works	981,716	426,736	1,183,818	597,372
Public safety	631,560	606,836	700,341	655,820
Parks and recreation	213,311	124,211	188,902	95,423
Education	12,148,247	10,203,192	11,970,849	10,148,229

## **Town Fund Financial Analysis**

### **Governmental funds**

As the Town completed the year, its governmental funds reported a combined fund balance of \$6,335,806 which is an increase of \$1,030,188 from last year's total of \$5,305,618. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$637,355, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$477,356. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted above. The increase in the Town's Reserve Fund is attributable primarily to revenues and appropriations exceeding expenditures in the current fiscal year.

### **General Fund budgetary highlights**

General property taxes revenue was \$330,535 more than budgeted due primarily to current and prior year tax collections and related interest being greater than anticipated. Intergovernmental revenue exceeded budgetary amounts primary due to Education Cost Sharing funds being greater than originally anticipated. Local revenues were less than budgeted amounts due primarily to shortfalls in Land Use fees (building and related permits) and Town Clerk fees. Interest income also exceeded budgetary amounts by more than \$64,000.

## Capital asset and debt administration

At June 30, 2019, the Town had a net balance of \$9,679,259 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, and infrastructure. This represents a net decrease (including additions and deductions) of \$6,699, or approximately 0.1% from the prior year. In the current year, the Town acquired certain parcels of real property through foreclosure as well as a senior bus through a federal grant program.

### **Capital Assets at Year-End (net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Land	\$ 4,448,689	\$ 4,267,089
Powder Ridge development rights	1,893,919	1,893,919
Construction in progress	10,530	-
Buildings and improvements	875,531	946,671
Machinery, equipment and vehicles	1,516,942	1,621,712
Infrastructure	933,648	956,567
 Totals	 \$ 9,679,259	 \$ 9,685,958

The Town's 2019/2020 budget calls for major capital expenditures relating to the acquisition of LED street lighting and the purchase of emergency radio equipment all to be made through the Reserve Fund for Capital and Nonrecurring Expenditures.

## Long-term obligations

At June 30, 2019, the Town had outstanding debt obligations, including compensated absences and net pension liability, as shown below:

## Long-term obligations at year-end

Governmental Activities			
	2019	2018	
General obligation bonds	\$ 397,564	\$ 590,843	
Loans	491,728	753,783	
Compensated absences	71,366	67,127	
Net pension liability	679,866	356,490	
<b>Totals</b>	<b>\$ 1,640,524</b>		<b>\$ 1,768,243</b>

The State limits the amount of general obligation debt that cities and towns can issue based on a formula determined under State statutes based on the type of debt and the tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit.

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

### **Economic factors and next year's budgets and rates**

The Town's elected and appointed officials consider many factors when establishing the annual budget and setting the mill rate. The budget for fiscal year 2019/2020 passed on the first vote with a mill rate reduction of 2.02 or 5.9%. The most significant factor for the fiscal year 2019/2020 budget continued to be the uncertainty with regards to State funding on the Town. The Town expects similar uncertainty with regards to State funding to the Town during the upcoming 2020/2021 budget process.

These factors were taken into account when adopting the General Fund budget.

### **Contacting the Town's financial management**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director at the Town of Middlefield, 393 Jackson Hill Road, Middlefield, Connecticut.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,592,464
Receivables:	
Property taxes, interest and liens	646,724
Loans and assessments	758,862
Other	177,383
Prepaid items	771,583
Capital assets, not being depreciated	6,353,138
Capital assets, being depreciated, net of accumulated depreciation	<u>3,326,121</u>
Total assets	<u>17,626,275</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges related to pensions	<u>423,173</u>
Total deferred outflows of resources	<u>423,173</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	131,627
Due to fiduciary funds	42,348
Unearned revenue	60,431
Noncurrent liabilities:	
Due within one year	493,477
Due in more than one year	<u>1,147,047</u>
Total liabilities	<u>1,874,930</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred credits related to pensions	<u>106,149</u>
Total deferred inflows of resources	<u>106,149</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,789,967
Unrestricted	<u>7,278,402</u>
Total net position	<u>\$ 16,068,369</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Total	Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 2,237,795	\$ 247,084	\$ 70,728	\$ -	\$ 317,812	(\$ 1,919,983)	
Public safety	631,560	6,731	17,993	-	24,724	( 606,836)	
Public works	981,716	315,463	202,645	36,872	554,980	( 426,736)	
Health and welfare	80,190	9,723	-	-	9,723	( 70,467)	
Parks and recreation	213,311	89,100	-	-	89,100	( 124,211)	
Education	12,148,247	-	1,945,055	-	1,945,055	( 10,203,192)	
Interest expense	28,114	-	-	-	-	( 28,114)	
Total governmental activities	<u>\$ 16,320,933</u>	<u>\$ 668,101</u>	<u>\$ 2,236,421</u>	<u>\$ 36,872</u>	<u>\$ 2,941,394</u>	<u>( 13,379,539)</u>	
General revenues:							
Property taxes, interest & lien fee						14,451,724	
Grants and contributions not restricted to specific programs						318,623	
Unrestricted investment earnings						89,610	
Total general revenues						<u>14,859,957</u>	
Change in net position						1,480,418	
Net position - July 1, 2018						<u>14,587,951</u>	
Net position - June 30, 2019						<u>\$ 16,068,369</u>	

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Besek	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,199,540	\$ -	\$ 173,324	\$ 150,525	\$ 69,075	\$ 5,592,464
Receivables, net:						
Property taxes, interest and liens	646,724	-	-	-	-	646,724
Loans and assessments	-	-	177,193	581,669	-	758,862
Other	32,736	36,872	93,551	-	14,224	177,383
Prepaid items	751,654	-	19,929	-	-	771,583
Due from other funds	30,133	2,484,511	5,682	-	423,538	2,943,864
Total assets	<u>\$ 6,660,787</u>	<u>\$ 2,521,383</u>	<u>\$ 469,679</u>	<u>\$ 732,194</u>	<u>\$ 506,837</u>	<u>\$ 10,890,880</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 80,162	\$ 11,833	\$ 19,472	\$ -	\$ 9,551	\$ 121,018
Unearned revenue - grants	54,146	-	-	-	6,285	60,431
Due to other funds	2,872,057	-	11,022	874	102,259	2,986,212
Total liabilities	<u>3,006,365</u>	<u>11,833</u>	<u>30,494</u>	<u>874</u>	<u>118,095</u>	<u>3,167,661</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	520,776	-	-	-	-	520,776
Unavailable revenue - loans and assessments receivable	-	-	270,744	581,669	14,224	866,637
Total deferred inflows of resources	<u>520,776</u>	<u>-</u>	<u>270,744</u>	<u>581,669</u>	<u>14,224</u>	<u>1,387,413</u>
<b>FUND BALANCES</b>						
Nonspendable	751,654	-	19,929	-	-	771,583
Restricted	-	-	-	149,651	358,496	508,147
Committed	200,000	2,509,550	148,512	-	55,731	2,913,793
Assigned	21,199	-	-	-	-	21,199
Unassigned	2,160,793	-	-	-	( 39,709)	2,121,084
Total fund balances	<u>3,133,646</u>	<u>2,509,550</u>	<u>168,441</u>	<u>149,651</u>	<u>374,518</u>	<u>6,335,806</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 6,660,787</u></u>	<u><u>\$ 2,521,383</u></u>	<u><u>\$ 469,679</u></u>	<u><u>\$ 732,194</u></u>	<u><u>\$ 506,837</u></u>	<u><u>\$ 10,890,880</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

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Total fund balances - total governmental funds \$ 6,335,806

Amounts reported for governmental activities in the Statement of Net Position are different from the Governmental Fund Balance Sheet. The details of this difference are as follows:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 9,679,259

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

Property taxes - accrual basis change	520,776
Loans and assessments receivable	866,637

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

General obligation bonds	( 397,564)
Loans payable	( 491,728)
Accrued interest	( 10,609)
Net pension liability	( 679,866)
Compensated absences	( 71,366)

Deferred outflows and inflows of resources resulting from changes in the components of the Town's net pension liability are reported in the statement of net position.

317,024

Net position of governmental activities \$ 16,068,369

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes, interest and lien fees	\$ 14,365,765	\$ -	\$ -	\$ -	\$ -	\$ 14,365,765
Intergovernmental	2,281,671	95,410	-	-	214,835	2,591,916
Licenses, fees and charges for goods and services	146,089	-	360,611	-	127,109	633,809
Investment income	84,797	-	3,436	749	628	89,610
Miscellaneous	115,401	-	624	-	1,327	117,352
<b>Total revenues</b>	<b>16,993,723</b>	<b>95,410</b>	<b>364,671</b>	<b>749</b>	<b>343,899</b>	<b>17,798,452</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,099,238	61,282	-	-	24,257	2,184,777
Public safety	518,913	12,257	-	-	-	531,170
Public works	458,684	71,643	183,583	-	277,088	990,998
Health and welfare	71,806	-	-	729	3,536	76,071
Parks and recreation	135,707	-	-	-	64,430	200,137
Education	12,148,247	-	-	-	-	12,148,247
Debt service	486,126	-	-	-	-	486,126
Capital outlays	-	150,738	-	-	-	150,738
<b>Total expenditures</b>	<b>15,918,721</b>	<b>295,920</b>	<b>183,583</b>	<b>729</b>	<b>369,311</b>	<b>16,768,264</b>
Excess of revenues over (under) expenditures	1,075,002	( 200,510)	181,088	20	( 25,412)	1,030,188
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	245,569	677,866	-	-	5,350	928,785
Operating transfers out	( 683,216)	-	( 196,765)	-	( 48,804)	( 928,785)
<b>Total other financing sources (uses)</b>	<b>( 437,647)</b>	<b>677,866</b>	<b>( 196,765)</b>	<b>-</b>	<b>( 43,454)</b>	<b>-</b>
Net change in fund balance	637,355	477,356	( 15,677)	20	( 68,866)	1,030,188
Fund balance - July 1, 2018	2,496,291	2,032,194	184,118	149,631	443,384	5,305,618
<b>Fund balance - June 30, 2019</b>	<b>\$ 3,133,646</b>	<b>\$ 2,509,550</b>	<b>\$ 168,441</b>	<b>\$ 149,651</b>	<b>\$ 374,518</b>	<b>\$ 6,335,806</b>

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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Net change in fund balances - total governmental funds \$ 1,030,188

Amounts reported for governmental activities in the statement of activities are different due to:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	257,172
Depreciation expense	( 263,871)
<b>Total</b>	<b>( 6,699)</b>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Decrease in property taxes - accrual basis change	85,959
Loans and assessments receivable	( 83,060)

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, however, has any effect on net assets.

The details of these differences in the treatment of long-term debt and related items are as follows.

Principal repayments:	
General obligation bonds	193,279
Notes payable	262,055

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 governmental funds:

Change in net pension liability	( 323,376)
Change in compensated absences	( 4,239)
Change in accrued interest payable on long-term debt	2,678

Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are amortized as components of pension expense in the statement of activities. 323,633

Change in net position of governmental activities \$ 1,480,418

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2019**

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 36,688
Investments	525,973
Due from the General Fund	<u>42,348</u>
 Total assets	 <u>\$ 605,009</u>
 <b>LIABILITIES</b>	
Bonds deposited	\$ 40,416
Amounts due to volunteers/employees	562,661
Amounts due to others	<u>1,932</u>
 Total liabilities	 <u>\$ 605,009</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Note 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Town of Middlefield, Connecticut (the Town) adopted a Town Charter which became effective in 1971. The form of government includes a Board of Selectmen consisting of a First Selectman, who is the chief administrative and executive official, and two other members. The Board of Selectmen and the Town Meeting have the legislative power of the Town and may enact ordinances consistent with the General Statutes of the State of Connecticut and specific provisions of the Town Charter.

Additionally, the Town Charter includes a Board of Finance and a Treasurer. The six-member Board of Finance is responsible for presenting fiscal operating budgets for approval to the Annual Town Meeting. The members of the Board of Finance are elected to 4 year terms.

The Treasurer receives all money belonging to the Town and pays it out on the order of the proper authority. The Treasurer is responsible for maintaining the records required by law and has such other powers and duties as are described in the General Statutes.

The Town is a member of Regional School District No. 13 with the Town of Durham. The District provides educational services and facilities for children of the two towns from grades K through 12. The District's board, which is elected on a proportional basis by residents of the participating towns, controls the operation of the District.

The financial reporting entity consist of 1) the primary government, 2) organizations for which the primary government is financially accountable and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by the Governmental Accounting Standards Board (GASB).

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government. The following related organizations, to which the Town appropriates funds annually, do not meet the above criteria and are not included in the reporting entity:

Middlefield Volunteer Fire Company has a separate elected board and provide services to residents, generally within the geographic boundaries of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise influence or control over the daily operations or approve budgets.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**B. Basis of Presentation**

The financial statements of the Town have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below:

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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 Town functions because the elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned. Governmental activities, which generally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 revenue rather than as program revenues. Likewise, general revenues include property taxes. Property taxes and other items not properly included among program revenues are reported instead as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major individual governmental funds with each being reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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The *Reserve Fund for Capital and Nonrecurring Expenditures* is used to account for financial resources set aside for designated projects of a capital or nonrecurring nature.

The *Lake Beseck Sewer Fund* accounts for maintenance and operations of the Lake Beseck sewer system.

The *Housing Rehabilitation Programs Fund* accounts for rehabilitation expenditures and subsequent loan repayment activity under the housing rehabilitation program.

Additionally, the Town reports the following fund types:

The Agency Funds account for funds held by the Town on behalf of outside groups or individuals such as performance bonds and the Volunteer Fire Department Supplementary Benefits.

During the course of operations the Town may have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. Certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### **C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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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. Measurable means knowing or being able to reasonably estimate the amount. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**

**Cash and Cash Equivalents**

The Town'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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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### **Investments**

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments. Investments of the Town are reported at fair value.

### **Property Taxes and Other Receivables**

All trade and property taxes receivable are shown net of an allowance for uncollectibles. Property taxes are assessed on property values as of October 1 and billed the following July. Real estate and personal property tax bills are payable in two installments, July 1 and the following January 1, and motor vehicle taxes are payable in one installment on July 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Taxes become overdue one month after the installment due date. Delinquent taxes are charged interest at the rate of 18% per year (1.5% per month). The Town has the ability to impose a lien on a taxpayer if any tax, other than motor vehicle, due to the Town is not paid within the time allowed. The lien shall be effective for a period of 15 years from the date of filing unless discharged. A notice of lien shall not be effective if filed more than 2 years from the date of assessment for the taxes claimed to be due.

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes and related interest receivable at June 30, 2019 are stated net of an allowance for uncollectible amount of \$6,600.

State statutes require that a revaluation be done every five years. The last revaluation completed and enacted was for the list of October 1, 2016.

The Town administers a residential rehabilitation loan program for low to moderate income families. The loans bear an interest rate of 0.00%. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The loans may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2019, loans receivable totaled \$581,669 under this program.

During the course of operations, numerous transactions occur between individual funds that may result in amounts being owed between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/due from other funds". Interfund receivables and payables within governmental activities are eliminated in the Statement of Net Position.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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### **Prepaid Items**

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.

### **Capital Assets**

Capital assets, which include land and related improvements, buildings and related improvements, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements.

Capital assets used in governmental fund operations are accounted for as capital outlays, or departmental expenditures in the fund financial statements upon acquisition.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has elected not to capitalize infrastructure assets acquired prior to July 1, 2003, the implementation date of GASB Statement Number 34.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset 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 asset is not included as part of the capitalized value of the asset constructed. Depreciation starts once an asset is placed in service.

Buildings and related improvements, land improvements, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	N/A
Buildings	50
Building improvements	25
Infrastructure	20 - 70
Vehicles and heavy equipment	7 - 20
Other equipment	5

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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### **Unearned Revenues**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

### **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to pension in the government-wide statement of net position. A deferred inflow of resources related to pension results from the change in the proportional share. This amount is deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees). The Town reports advance collection of property taxes in the government-wide statement of net position and in the governmental funds balance sheet. Also, for the governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, grants and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Compensated Absences**

Employees are paid by prescribed formula for absences due to vacation or sickness. Accumulated vacation and sick pay earned and not paid for governmental funds as of June 30, 2019 amounted to \$71,366. This liability for unpaid vacation and sick leave is reflected in the government-wide statement of position.

**Net Pension Liability**

The Town is a participating municipality in the Connecticut Municipal Employees Retirement System (CMERS) which is a cost-sharing multiple-employer public pension plan offered by the State of Connecticut for municipal employees in participating municipalities.

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the related bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount.

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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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### **Net Position/Fund Balance**

#### **Government-wide Financial Statements**

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

**Net investment in capital assets** - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

**Restricted net position** - this component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net position** - this component of net position is the net amount of assets, liabilities, and deferred outflows/inflows of resources, which do not meet the definition of the two preceding categories.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

### **Fund Financial Statements**

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

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either (a) not in spendable form - such as inventory or prepaid items or (b) legally or contractually required to be maintained intact - such as a trust that must be maintained in perpetuity.

**Restricted Fund Balance** - represents amounts that are constrained for a specific purpose by either (a) external parties, such as grantors, creditors, contributors, or laws and regulations of their government or (b) imposed by law through constitutional provisions or enabling legislation.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Committed Fund Balance** - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Town Meeting is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Committed Fund Balance is also an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues.

**Assigned Fund Balance** - represents amounts that are constrained by the Town's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by a governing board or body or official that has been delegated to the authority to assign, modify, or rescind amounts to be used or specific purposes.

Assigned fund balance includes (a) all remaining positive amounts that are reported in governmental funds (other than the General Fund) that are not classified as spendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment within the General Fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the Town of Middlefield itself.

**Unassigned Fund Balance** - represents the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

**Fund Balance Flow Assumptions** - Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenses and expenditures. Actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through January 9, 2020, the date the financial statements were available to be issued.

**2. Stewardship, Compliance and Accountability**

Not later than one hundred twenty (120) days before the end of this fiscal year, the First Selectman is required to present to the Board of Selectmen and the Board of Finance a budget for the ensuing year. The Board of Finance is required to hold at least two public hearings and present a proposed budget to Town Meeting for consideration and adoption on the second Monday in May.

The Board of Finance, on request by Town agencies or officers, may make special appropriations, but any such special appropriation which exceeds one half of one percent of the current general government shall require approval by vote of Town Meeting. Additional appropriations during the year represented line item transfers. There were no additional appropriations from General Fund balance during the fiscal year ended June 30, 2019.

The Town maintains a Reserve Fund for Capital and Nonrecurring Expenditures (Special Revenue Fund) in accordance with the State of Connecticut General Statutes. Payments or withdrawals from the reserve fund are made on the recommendation of the Board of Finance and approved by vote of any regular or special Town Meeting.

There is a Lake Beseck Fund and a Route 66 Sewer Fund (Special Revenue Funds) which are utilized to account for the operation of the sanitary systems in the Route 66 area of the Town and the Lake Beseck area. Annual operations are financed primarily through user fees levied against those properties actually connected to the system.

Budgets for other special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies.

Appropriations for construction or other permanent improvements, from whatever source derived, do not lapse until the purpose for which the appropriation was made shall have been accomplished or abandoned, provided that any project is deemed to have been abandoned if three (3) fiscal years shall have elapsed without any expenditure from or encumbrance of the appropriations therefore.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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Legal authorization for capital projects spending is provided by the related bond ordinances and/or intergovernmental grant agreements.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts, etc.) outstanding at year-end are reported as Assigned 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**

#### **Cash and Cash Equivalents**

The deposit of public funds is controlled by Connecticut General Statutes. Deposits may be invested in any "qualified public depository" as defined by State Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit, in an "out of state bank", as defined by the State Statutes, which is not a "qualified public depository".

The State Statutes also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and is regulated under 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 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.

The following is a summary of cash and cash equivalents at June 30, 2019:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	Statement of Net Position	Statement of Fiduciary Net Position
Demand, savings and money market accounts	\$ 4,684,186	\$ 36,688
Petty cash	100	-
Connecticut Short-term Investment Fund (STIF)	<u>908,178</u>	<u>-</u>
 Total cash and cash equivalents	 <u>\$ 5,592,464</u>	 <u>\$ 36,688</u>

At June 30, 2019, the carrying amount of the Town's deposits with financial institutions was \$4,720,874 and the bank balance was \$5,805,367.

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Custodial credit risk is the risk that, in the event of a bank failure, the Town would not be able to recover its deposits or would not be able to recover collateral securities that are in possession of an outside party. The Town does not have a deposit policy for custodial risk. Of the June 30, 2019 bank balance, \$1,018,673 was covered by Federal Depository Insurance. 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. A minimum of \$478,669, based on the June 30, 2019 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$4,308,025 was uninsured and uncollateralized.

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, 2019, the Town's cash equivalents amounted to \$908,178.

STIF is rated AAA by Standard & Poor's. The Town's cash equivalents held in the STIF are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

### **Investments**

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (a) obligations of the United States and its agencies; (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (c) 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 assets 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 does 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.

Investments as of June 30, 2019 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:

Equity mutual funds	\$ 230,542
Fixed income mutual funds	294,678
Other	<u>753</u>
Total	<u><u>\$ 525,973</u></u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
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*Interest Rate Risk* - The Town 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* - As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. All of the investments held in the Volunteer Fire Department Supplemental Benefit Fund have expected maturities of less than one year and are not rated by nationally recognized statistical rating organizations.

*Concentration of Credit Risk* - The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments.

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities of the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. At June 30, 2019 the Town did not have any uninsured or unregistered securities held by the counterparty, or its trust department or agent that were not in the Town's name.

*Fair Value Measures* - The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

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A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2019.

**4. Property Taxes and Other Receivables**

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

	General Fund	Lake Beseck	Reserve CNRE Fund	Housing Rehabilitation Programs	Other Governmental Funds	Total
Property taxes, net	\$ 493,360	\$ -	\$ -	\$ -	\$ -	\$ 493,360
Interest and liens, net	153,364	-	-	-	-	153,364
Intergovernmental	-	-	36,872	-	-	36,872
Loans	-	-	-	581,669	-	581,669
Assessments	-	177,193	-	-	-	177,193
Others	32,736	93,551	-	-	14,224	140,511
Net total receivables	<u>\$ 679,460</u>	<u>\$ 270,744</u>	<u>\$ 36,872</u>	<u>\$ 581,669</u>	<u>\$ 14,224</u>	<u>\$ 1,582,969</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
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**5. Interfund Transactions**

**Interfund Balances**

Interfund balances consisted of the following at June 30, 2019, as reported in the fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ 30,133	\$ 2,872,057
Reserve Fund for Capital and Nonrecurring Expenditures	2,484,511	-
Lake Besek	5,682	11,022
Housing Rehabilitation Programs	-	874
<b>Nonmajor Governmental Funds:</b>		
Route 66 Sewer Project	-	12,305
Town Aid Road	385,567	46,507
Park and Recreation Commission	22,950	11,942
Old Indian Trail Water System	7,404	1,966
Miscellaneous Grants	6,580	-
Special Purpose Fund	-	29,539
Donation Fund	1,037	-
<b>Fiduciary Funds:</b>		
Performance Bonds	<u>42,348</u>	<u>-</u>
	<u><u>\$ 2,986,212</u></u>	<u><u>\$ 2,986,212</u></u>

All interfund receivables and payables represent routine recurring transactions that are temporary in nature.

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**Interfund Transfers**

Interfund transfers for the year ended June 30, 2019, consisted of the following, as reported in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 245,569	\$ 683,216
Reserve Fund for Capital and Nonrecurring Expenditures	677,866	-
Lake Beseck	-	196,765
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	4,500
Miscellaneous Grants	-	1,392
Park and Recreation Commission	-	39,912
Old Indian Trail Water System	<u>5,350</u>	<u>3,000</u>
	<u>\$ 928,785</u>	<u>\$ 928,785</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**6. Capital Assets**

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions\Transfers	Disposals\Transfers	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,267,089	\$ 181,600	\$ -	\$ 4,448,689
Construction in progress	-	10,530	-	10,530
Powder Ridge development rights	<u>1,893,919</u>	-	-	<u>1,893,919</u>
Total capital assets, not being depreciated	<u>6,161,008</u>	<u>192,130</u>	-	<u>6,353,138</u>
Capital assets, being depreciated:				
Buildings and improvements	2,245,519	-	-	2,245,519
Machinery, equipment and vehicles	3,622,887	65,042	-	3,687,929
Infrastructure	<u>1,145,174</u>	-	-	<u>1,145,174</u>
Total capital assets, being depreciated	<u>7,013,580</u>	<u>65,042</u>	-	<u>7,078,622</u>
Less, accumulated depreciation for:				
Buildings and improvements	1,298,848	71,140	-	1,369,988
Machinery, equipment and vehicles	2,001,175	169,812	-	2,170,987
Infrastructure	<u>188,607</u>	<u>22,919</u>	-	<u>211,526</u>
Total accumulated depreciation	<u>3,488,630</u>	<u>263,871</u>	-	<u>3,752,501</u>
Total capital assets, being depreciated, net	<u>3,524,950</u>	<u>( 198,829)</u>	-	<u>3,326,121</u>
Total net capital assets, governmental activities	<u>\$ 9,685,958</u>	<u>(\$ 6,699)</u>	<u>\$ -</u>	<u>\$ 9,679,259</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 49,036
Public safety	100,390
Public works	97,152
Health and welfare	4,119
Parks and recreation	<u>13,174</u>
 Total depreciation expense-governmental activities	 <u>\$ 263,871</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
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## **7. Leases**

### **Operating Lease**

The Town entered into an operating lease agreement with Nextel Communications and/or other designees for the right to use certain premises on 393 Jackson Hill Road for wireless communication. The Town is to receive rental income payable in equal monthly installments with a scheduled increase every five years equal to 15% of the rent scheduled to be paid for each year of the previous term. Rental income for the year ended June 30, 2019 amounted to \$60,597.

## **8. Long-Term Obligations**

During the year ended June 30, 2019, the following changes occurred in long-term obligations:

	Balance July 1, 2018	Additions	Reductions/ Maturities	Balance June 30, 2019	Due Within One Year
<b>Long-term debt:</b>					
General obligation bonds	\$ 590,843	\$ -	\$ 193,279	\$ 397,564	\$ 196,925
Loans payable	<u>753,783</u>	<u>-</u>	<u>262,055</u>	<u>491,728</u>	<u>268,813</u>
<b>Total long-term debt</b>	<b><u>1,344,626</u></b>	<b><u>-</u></b>	<b><u>455,334</u></b>	<b><u>889,292</u></b>	<b><u>465,738</u></b>
<b>Other long-term liabilities:</b>					
Net pension liability	356,490	323,376	-	679,866	-
Compensated absences	<u>67,127</u>	<u>21,841</u>	<u>17,602</u>	<u>71,366</u>	<u>27,739</u>
<b>Total other long-term liabilities</b>	<b><u>423,617</u></b>	<b><u>345,217</u></b>	<b><u>17,602</u></b>	<b><u>751,232</u></b>	<b><u>27,739</u></b>
<b>Total long-term liabilities</b>	<b><u>\$ 1,768,243</u></b>	<b><u>\$ 345,217</u></b>	<b><u>\$ 472,936</u></b>	<b><u>\$ 1,640,524</u></b>	<b><u>\$ 493,477</u></b>

A schedule of long-term debt at June 30, 2019 is presented below:

Purpose/Project	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2019
<b>Loans payable:</b>				
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.75%	\$ 64,404
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.88%	142,711
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00%	274,613
Development rights - Merriam property	1/20/2011	7/31/2019	0.00%	10,000
General obligation bonds payable	3/5/2014	4/21/2021	1.87%	<u>397,564</u>
				<u><u>\$ 889,292</u></u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
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Annual debt service requirements to maturity for long-term debt maturities are as follows:

Year Ended June 30,	Principal	Interest
2020	\$ 465,738	\$ 20,289
2021	351,379	10,067
2022	<u>72,175</u>	<u>3,491</u>
	<u><u>\$ 889,292</u></u>	<u><u>\$ 33,847</u></u>

The Town's indebtedness does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit	Present Indebtedness	Balance
General purpose	\$ 31,686,050	\$ 614,679	\$ 31,071,371
Schools	63,372,101	1,468,896	61,903,205
Sewers	52,810,084	274,613	52,535,471
Urban renewal	45,768,739	-	45,768,739
Pension deficit	42,248,067	-	42,248,067

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$98,578,823.

Middlefield is a member of Regional School District Number 13 which provides educational facilities for the Towns of Middlefield and Durham. As of June 30, 2019, the outstanding indebtedness of the District was \$4,290,000. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 34.24% or \$1,468,896.

#### **Compensated Absences**

Employees can accumulate unused vacation and sick leave (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provides for payments to vested employees net of provisions to exchange selected amounts of accumulated sick time for pension service years.

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The following is a summary of management's estimate of vested potential liability for lump-sum payments to employees as of June 30, 2019:

Town:	
Sick	\$ 56,024
Vacation	<u>15,342</u>
Total	<u><u>\$ 71,366</u></u>

## **9. Fund Balances**

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2019:

General Fund:	
Nonspendable	\$ 751,654
Committed for subsequent year's budget	200,000
Assigned for encumbrances	21,199
Unassigned	<u>2,160,793</u>
Total General Fund Balance	<u><u>3,133,646</u></u>
Reserve Fund for Capital and Nonrecurring Expenditures:	
Committed for capital projects	2,509,550
Lake Beseck:	
Nonspendable	19,929
Committed for public works	<u>148,512</u>
Total Lake Beseck	<u><u>168,441</u></u>
Housing Rehabilitation Programs:	
Restricted for housing loans	149,651
Other Governmental Funds:	
Restricted for general government	5,028
Restricted for public works	343,298
Restricted for health and welfare	10,170
Committed for public works	48,023
Committed for parks and recreation	7,708
Unassigned	<u>( 39,709)</u>
Total Other Governmental Fund Balances	<u><u>374,518</u></u>
Total Governmental Fund Balances	<u><u>\$ 6,335,806</u></u>

The Special Purpose Fund had a fund balance deficit of \$39,709 at June 30, 2019. This fund balance deficits represent the excess of expenditures over actual revenues. It is anticipated that this deficit will be funded by revenues to be generated in future years.

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## **10. Connecticut Municipal Employees' Retirement System**

### **General Information about the Plan**

#### Plan Description

Substantially all Town employees participate in the Connecticut Municipal Employees' Retirement System (CMERS), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. The State Retirement Commission acts solely as the administrator and custodian of the assets of CMERS. The State makes no contribution to CMERS.

Title 7, Chapter 113 of the Connecticut General Statutes, which can be amended by legislative action, establishes plan benefits, cost-of-living adjustments, contribution requirements for plan members and participating municipalities, and other plan provisions.

The plan has four sub plans as follows:

- General employees with social security
- General employees without social security
- Policemen and firemen with social security
- Policemen and firemen without social security

#### Benefit Provisions

**Normal Retirement:** A member may retire at age 55 with 5 years of continuous services, or 15 years of active aggregate service, or 25 years of aggregate service. There is compulsory retirement at age 65 for police and fire members. A member not covered by Social Security is eligible for vested benefits of 2% of average final compensation times years of service. A member covered by Social Security is eligible for vested benefits of 1.5% of average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service. The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and maximum include Workers Compensation and Social Security benefits.

**Early Retirement:** A member is eligible after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

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**Disability Retirement:** Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

**Contributions**

Members not covered by Social Security are required to contribute 5% of compensation. Members covered by Social Security are required to contribute 2.25% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

Each participating municipality makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded liability and a prior service amortization payment which covers the liabilities of the System not met by member contributions. The current rate is 10.67% of annual covered payroll.

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

At June 30, 2019, the Town reported a liability of \$679,866 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018. The Town's proportionate share of the net pension liability was based upon the Town's 2018 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2018, the Town's proportional share was .177762% for general employees.

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For the year ended June 30, 2019, the Town recognized pension expense of \$78,647. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ 40,932	\$ -
Differences between expected and actual experience	96,856	-
Employer change in proportional share	- -	106,149
Changes in assumptions	231,625	-
Town contributions subsequent to measurement date	<u>53,760</u>	<u>-</u>
	<u><u>\$ 423,173</u></u>	<u><u>\$ 106,149</u></u>

Net differences between projected and actual earnings and the employer change in proportional share are amortized over 5 years. Difference between expected and actual experience, and changes in assumptions are amortized over the average remaining service period of actives and inactives, which is 4.97 years.

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

Fiscal year ending June 30

2020	\$ 69,030
2021	56,702
2022	62,213
2023	75,319

Actuarial assumptions - the actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 through June 30, 2017.

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The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following key actuarial assumptions:

Inflation	2.50%
Salary increases, including inflation	3.50 - 10.00%
Long-term investment rate of return, net of pension plan investment expenses, including inflation	7.00%

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement.

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	20.0 %	5.3 %
Developed non-U.S. equities	11.0	5.1
Emerging markets (non-U.S.)	9.0	7.4
Core fixed income	16.0	1.6
Inflation linked bond funds	5.0	1.3
Emerging market bonds	5.0	2.9
High yield bonds	6.0	3.4
Real estate	10.0	4.7
Private equity	10.0	7.3
Alternative investments	7.0	3.2
Liquidity fund	1.0	0.9
	<hr/> <u>100.0 %</u>	

Discount rate - the discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
<b>Town's net pension liability:</b>			
General employees with social security	\$ 917,154	\$ 679,866	\$ 404,914

### **Plan fiduciary net position**

Detailed information about the CMERS plan's fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report.

### **11. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

### **12. Contingent Liabilities**

The Town is currently a defendant in a number of lawsuits. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined as to result individually or in the aggregate in a final judgment against the Town which would materially adversely affect its financial position.

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowances, if any, will not be material.

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**13. Jointly Governed Organization**

The Town is a participant in the organization described below:

Durham Middlefield Interlocal Agreement Advisory Board (DMIAAB) - The Town and the Town of Durham Town Meetings each appoint four members to the governing board of DMIAAB, which operates a shared refuse transfer station. The Town expended \$154,534 for operations for the year ended June 30, 2019.

**14. Subsequent Event**

On August 5, 2019, the Town approved a transfer and use of \$243,205 of General Fund fund balance into the Reserve Fund for Capital and Nonrecurring Expenditures for the purchase of LED streetlights for the Town.

On November 4, 2019, the Town entered into a finance lease agreement with TD Equipment Finance in the amount of \$325,000 at 2.59% interest for seven year to purchase emergency radio equipment.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Taxes, interest and lien fees:</b>				
Property tax collections	\$ 14,035,230	\$ 14,035,230	\$ 14,365,765	\$ 330,535
<b>Total taxes, interest and lien fees</b>	<b>14,035,230</b>	<b>14,035,230</b>	<b>14,365,765</b>	<b>330,535</b>
<b>Intergovernmental:</b>				
PILOT - state owned property	30	30	4,920	4,890
Pequot-Mohegan grant	5,616	5,616	5,616	-
Municipal projects grant	248,652	248,652	248,652	-
Municipal stabilization grant	4,848	4,848	14,971	10,123
PILOT - veterans relief	4,758	4,758	5,057	299
PILOT - disabled program	412	412	407	( 5)
Judicial fines	6,000	6,000	9,530	3,530
DUI grant	18,000	18,000	17,993	( 7)
Senior/disabled bus service	12,100	12,100	11,470	( 630)
Other	2,500	2,500	18,000	15,500
Education cost sharing grant	1,788,070	1,788,070	1,945,055	156,985
<b>Total Intergovernmental</b>	<b>2,090,986</b>	<b>2,090,986</b>	<b>2,281,671</b>	<b>190,685</b>
<b>Charges for services:</b>				
Licenses and permits	2,000	2,000	2,180	180
Land use department	65,000	65,000	53,645	( 11,355)
Town Clerk	85,000	85,000	73,810	( 11,190)
Police department services	15,500	15,500	6,731	( 8,769)
Health department	-	-	4,282	4,282
Dog licenses and fees	3,750	3,750	4,965	1,215
Miscellaneous	2,850	2,850	476	( 2,374)
<b>Total charges for services</b>	<b>174,100</b>	<b>174,100</b>	<b>146,089</b>	<b>( 28,011)</b>

. . .Continued. . .

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Other revenue:				
Middlefield Housing Authority	\$ 21,735	\$ 21,735	\$ 18,251	(\$ 3,484)
Joseph E. Coe trust fund	9,135	9,135	9,114	( 21)
Property and equipment sales	5,000	5,000	-	( 5,000)
Telephone access line tax	7,746	7,746	7,533	( 213)
Rental of Town property	53,911	53,911	60,597	6,686
Miscellaneous	200	200	19,906	19,706
Total other revenue	<u>97,727</u>	<u>97,727</u>	<u>115,401</u>	<u>17,674</u>
Transfers from other funds:				
Miscellaneous grants fund	-	-	1,392	1,392
Park and recreation fund - summer camp	48,472	48,472	39,912	( 8,560)
Old Indian Trial fund	5,350	5,350	3,000	( 2,350)
WPCA - Route 66 sewer system	4,500	4,500	4,500	-
WPCA - Lake Beseck sewer system	212,765	212,765	196,765	( 16,000)
Total transfers from other funds	<u>271,087</u>	<u>271,087</u>	<u>245,569</u>	<u>( 25,518)</u>
Revenue from the use of money:				
Interest income	20,000	20,000	84,797	64,797
Total revenue from the use of money	<u>20,000</u>	<u>20,000</u>	<u>84,797</u>	<u>64,797</u>
Other financing sources:				
General Fund balance	196,000	196,000	196,000	-
Total other financing sources	<u>196,000</u>	<u>196,000</u>	<u>196,000</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 16,885,130</u>	<u>\$ 16,885,130</u>	<u>\$ 17,435,292</u>	<u>\$ 550,162</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>General Government:</b>				
Selectman's Office:				
First Selectman's salary	\$ 77,384	\$ 79,125	\$ 79,125	\$ -
Selectmen's salaries	9,808	10,004	10,004	-
Administrative Assistant	49,195	49,362	49,362	-
Finance Director	88,057	89,987	89,986	1
Accounting software license	10,889	13,405	13,405	-
Payroll service fees	7,200	7,512	7,512	-
Dues and organizations	4,600	4,828	4,828	-
Office expenses	5,000	2,953	2,953	-
<b>Total Selectman's office</b>	<b>252,133</b>	<b>257,176</b>	<b>257,175</b>	<b>1</b>
Professional Services:				
Town Engineer	30,860	30,860	21,936	8,924
Town and regional planning	12,000	12,000	8,813	3,187
Town counsel	15,000	15,000	5,721	9,279
Labor counsel	20,000	20,000	14,452	5,548
Legal notices	5,800	6,237	6,187	50
Town auditor	23,000	23,600	23,600	-
Consultants	5,000	3,963	-	3,963
Computer network support	13,750	13,750	13,140	610
Town web site	3,000	3,000	708	2,292
<b>Total professional services</b>	<b>128,410</b>	<b>128,410</b>	<b>94,557</b>	<b>33,853</b>
Municipal Insurances:				
Property/auto/liability	57,549	57,549	57,369	180
Insurance deductibles	2,000	2,000	-	2,000
Worker's compensation	48,025	48,025	47,025	1,000
<b>Total municipal insurances</b>	<b>107,574</b>	<b>107,574</b>	<b>104,394</b>	<b>3,180</b>
General and Central Services:				
Town Hall building expenses	17,750	14,102	14,103	( 1)
Community Center building expenses	37,500	38,502	38,501	1
Street lighting	57,000	57,816	57,816	-
Lake Beseck drawdown expense	3,650	3,626	3,626	-
Telephone/postage/copier expenses	31,000	37,534	37,533	1
Custodian salary	24,322	26,489	26,489	-
Automobile maintenance	4,710	854	854	-
Town vehicle fuel	20,000	18,213	12,447	5,766
<b>Total general and central services</b>	<b>195,932</b>	<b>197,136</b>	<b>191,369</b>	<b>5,767</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Employee Benefits:</b>				
Social security	\$ 77,021	\$ 83,539	\$ 83,539	\$ -
Health/life insurance	258,542	263,894	263,894	-
Pension - municipal employees	52,941	53,760	53,760	-
Pension - elected officials	<u>4,535</u>	<u>4,635</u>	<u>4,634</u>	<u>1</u>
<b>Total employee benefits</b>	<b>393,039</b>	<b>405,828</b>	<b>405,827</b>	<b>1</b>
<b>Town Clerk:</b>				
Town Clerk salary	51,658	52,691	52,691	-
Index, recording, vital statistics	3,000	2,176	1,484	692
Records system license	12,444	12,444	12,175	269
Town Clerk assistant	33,191	33,191	32,911	280
Town records restoration	1,500	1,500	618	882
Conferences and dues	800	1,127	1,127	-
Office expenses	<u>2,850</u>	<u>3,347</u>	<u>3,347</u>	<u>-</u>
<b>Total Town Clerk</b>	<b>105,443</b>	<b>106,476</b>	<b>104,353</b>	<b>2,123</b>
<b>Tax Collector:</b>				
Tax Collector's salary	39,680	40,594	40,594	-
Tax Collector assistant	2,500	2,410	2,410	-
System software license	9,292	8,755	8,755	-
Conferences and dues	250	95	95	-
Office expenses	<u>370</u>	<u>3,977</u>	<u>488</u>	<u>3,489</u>
<b>Total Tax Collector</b>	<b>52,092</b>	<b>55,831</b>	<b>52,342</b>	<b>3,489</b>
<b>Treasurer:</b>				
Treasurer's salary	<u>8,758</u>	<u>8,933</u>	<u>8,933</u>	<u>-</u>
<b>Total Treasurer</b>	<b>8,758</b>	<b>8,933</b>	<b>8,933</b>	<b>-</b>
<b>Registrars of Voters:</b>				
Registrars' salary	16,154	16,477	16,477	-
Election expenses	10,280	12,332	12,332	-
Education and training	2,300	526	526	-
Conferences and dues	1,250	763	758	5
Office expenses	<u>800</u>	<u>3,854</u>	<u>3,854</u>	<u>-</u>
<b>Total Registrars of Voters</b>	<b>30,784</b>	<b>33,952</b>	<b>33,947</b>	<b>5</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Land Use/Health Department:</b>				
Building official	\$ 37,187	\$ 37,335	\$ 37,335	\$ -
Office assistant	38,914	48,744	48,744	-
Zoning officer	10,330	15,858	15,858	-
Sanitarian	-	28,695	28,695	-
Inland/wetlands agent	12,870	14,418	14,418	-
DEEP/education fees	6,300	3,430	3,430	-
Regional health district	50,000	33,261	33,261	-
Water testing/lab fees	1,000	1,154	1,154	-
Water filter service	3,845	5,291	5,291	-
Conferences and dues	400	234	234	-
Office expenses	<u>3,100</u>	<u>1,814</u>	<u>1,814</u>	<u>-</u>
<b>Total land use/health department</b>	<b><u>163,946</u></b>	<b><u>190,234</u></b>	<b><u>190,234</u></b>	<b><u>-</u></b>
<b>Assessor's Office:</b>				
Assessor	41,391	35,041	35,041	-
System software license	11,020	17,611	17,611	-
Conferences and dues	770	936	936	-
GIS system software	1	1	-	1
Office expenses	<u>520</u>	<u>981</u>	<u>981</u>	<u>-</u>
<b>Total Assessor's office</b>	<b><u>53,702</u></b>	<b><u>54,570</u></b>	<b><u>54,569</u></b>	<b><u>1</u></b>
<b>Boards and Commissions:</b>				
Board of Selectmen	2,000	2,363	2,363	-
Board of Finance	2,500	2,500	2,100	400
Board of Assessment Appeals	750	750	750	-
Planning and Zoning Commission	38,000	36,925	25,987	10,938
Economic Development Commission	500	500	-	500
Inland Wetlands Agency	6,400	7,112	7,112	-
Zoning Board of Appeals	3,800	3,800	3,461	339
Conservation Commission	800	800	17	783
Park and Recreation Commission	800	800	778	22
Charter Revision Commission	1	1	-	1
Lake Beseck Ad-Hoc Committee	<u>10,240</u>	<u>10,240</u>	<u>10,240</u>	<u>-</u>
<b>Total boards and commissions</b>	<b><u>65,791</u></b>	<b><u>65,791</u></b>	<b><u>52,808</u></b>	<b><u>12,983</u></b>
<b>Reserve for Contingencies:</b>				
Operational	91,000	13,596	-	13,596
Staff coverages	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<b>Total reserve for contingencies</b>	<b><u>101,000</u></b>	<b><u>23,596</u></b>	<b><u>-</u></b>	<b><u>23,596</u></b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Outside Agencies:</b>				
DMIAAB operations	\$ 166,975	\$ 166,975	\$ 154,534	\$ 12,441
Regional hazardous waste	4,000	4,000	3,165	835
Levi E. Coe Library	300,119	300,119	300,119	-
Youth and Family Services	14,000	14,000	14,000	-
911 - Valley Shore	57,566	57,566	57,566	-
Middlefield Cemetery Association	4,526	4,526	4,526	-
Probate Court	5,255	5,255	5,252	3
<b>Total outside agencies</b>	<b>552,441</b>	<b>552,441</b>	<b>539,162</b>	<b>13,279</b>
<b>Sewer System Services:</b>				
Brookside Drive system	6,480	7,946	7,946	-
WPCA - Route 66 system	190	334	334	-
WPCA - Lake Beseck system	1,200	1,288	1,288	-
<b>Total sewer system services</b>	<b>7,870</b>	<b>9,568</b>	<b>9,568</b>	<b>-</b>
<b>Total general government</b>	<b>2,218,915</b>	<b>2,197,516</b>	<b>2,099,238</b>	<b>98,278</b>
<b>Public Safety:</b>				
<b>Police Department:</b>				
Payroll	320,338	320,338	270,305	50,033
Overtime and private duty	58,116	58,116	24,654	33,462
Equipment	1,405	1,405	612	793
Secretary	5,566	7,012	6,298	714
Sundry expenses	5,400	5,400	4,742	658
<b>Total police department</b>	<b>390,825</b>	<b>392,271</b>	<b>306,611</b>	<b>85,660</b>
<b>Fire Department:</b>				
Fire house operations	31,800	31,800	31,610	190
Truck operations and maintenance	30,000	32,012	32,012	-
Communications	9,300	8,873	8,623	250
Equipment and supplies	20,000	20,585	20,584	1
Physicals and wellness	7,000	7,000	6,803	197
Training and preparedness	12,000	12,405	12,405	-
Life insurance	8,875	7,674	6,115	1,559
Appreciation Night	4,500	4,500	4,500	-
Supplemental benefits	26,792	24,217	22,354	1,863
Part time labor	17,325	17,672	15,954	1,718
<b>Total fire department</b>	<b>167,592</b>	<b>166,738</b>	<b>160,960</b>	<b>5,778</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Fire Marshal:</b>				
Fire Marshal salary	\$ 12,317	\$ 12,563	\$ 12,563	\$ -
Deputy callout expenses	1,500	1,940	510	1,430
Vehicle allowance	500	502	502	-
Conferences and dues	2,600	3,036	3,036	-
Sundry expenses	400	723	723	-
<b>Total fire marshal</b>	<b>17,317</b>	<b>18,764</b>	<b>17,334</b>	<b>1,430</b>
<b>Emergency Management:</b>				
Director's stipend	7,816	7,973	7,973	-
Assistant Director's stipend	500	500	-	500
Shelter equipment	1,500	1,493	331	1,162
Communications equipment	500	500	-	500
Emergency notification system	3,275	3,275	3,275	-
Sundry expenses	250	253	253	-
<b>Total emergency management</b>	<b>13,841</b>	<b>13,994</b>	<b>11,832</b>	<b>2,162</b>
<b>Animal Control:</b>				
Animal Control Officer	17,510	17,860	17,860	-
Shelter and animal expenses	2,500	2,421	892	1,529
State of Connecticut fees	2,346	2,346	1,929	417
Sundry expenses	1,416	1,498	1,495	3
<b>Total animal control</b>	<b>23,772</b>	<b>24,125</b>	<b>22,176</b>	<b>1,949</b>
<b>Total public safety</b>	<b>613,347</b>	<b>615,892</b>	<b>518,913</b>	<b>96,979</b>
<b>Public Works:</b>				
Payroll	283,691	289,910	271,816	18,094
Snow removal expenses	80,000	80,000	55,090	24,910
Equipment maintenance	41,250	41,250	35,360	5,890
Overtime expenses	30,000	30,675	28,771	1,904
Road maintenance	61,812	62,063	62,063	-
Garage expenses	15,000	18,787	18,787	-
Sundry expenses	10,000	5,962	5,912	50
Tree Warden stipend	2,084	2,084	2,084	-
<b>Total public works</b>	<b>523,837</b>	<b>530,731</b>	<b>479,883</b>	<b>50,848</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**... Continued ...**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Health and Welfare:</b>				
Senior/Social Services:				
Municipal agent	\$ 28,613	\$ 36,034	\$ 36,034	\$ -
Senior Center activities	9,000	8,732	6,854	1,878
Senior Center meals	1	1	-	1
State mandated renters rebate	11,000	11,000	-	11,000
Dial-A-Ride program	17,000	17,000	16,280	720
Office assistants	1,000	1,000	530	470
Social services agencies	3,236	3,236	2,500	736
Senior/disabled bus service	10,087	10,087	9,558	529
Conferences and dues	200	200	50	150
Office expenses	400	400	-	400
<b>Total senior/social services</b>	<b>80,537</b>	<b>87,690</b>	<b>71,806</b>	<b>15,884</b>
<b>Parks and Recreation:</b>				
Director's salary	34,533	35,224	35,224	-
Peckham Park expenses	33,100	35,815	35,815	-
Lake Beseck Park expenses	17,550	18,816	18,815	1
Summer camp payroll	40,420	40,627	40,627	-
Summer entertainment	1,000	1,250	1,250	-
Office expenses	4,300	3,978	3,976	2
<b>Total parks and recreation</b>	<b>130,903</b>	<b>135,710</b>	<b>135,707</b>	<b>3</b>
<b>Education:</b>				
Regional School District No. 13	<u>12,148,247</u>	<u>12,148,247</u>	<u>12,148,247</u>	<u>-</u>
<b>Total Education</b>	<b><u>12,148,247</u></b>	<b><u>12,148,247</u></b>	<b><u>12,148,247</u></b>	<b><u>-</u></b>
<b>Debt Service:</b>				
TDBank Loan (Powder Ridge)	203,469	203,469	203,468	1
Merriam property note	10,000	10,000	10,000	-
USDA loan	75,893	75,893	75,893	-
Clean water fund	196,766	196,766	196,765	1
<b>Total debt service</b>	<b>486,128</b>	<b>486,128</b>	<b>486,126</b>	<b>2</b>
<b>Transfers to Other Funds:</b>				
Capital/nonrecurring fund	677,866	677,866	677,866	-
Old Indian Trial fund	5,350	5,350	5,350	-
<b>Total transfers to other funds</b>	<b>683,216</b>	<b>683,216</b>	<b>683,216</b>	<b>-</b>
<b>Total expenditures and transfers</b>	<b>\$ 16,885,130</b>	<b>\$ 16,885,130</b>	<b>16,623,136</b>	<b>\$ 261,994</b>
Encumbrances expended in the current fiscal year			( 21,199)	
GAAP basis expenditures and transfers out			<u>\$ 16,601,937</u>	

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**(General Employees with Social Security)**  
**LAST FIVE FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.177762 %	0.215661 %	0.215661 %	0.248455 %	0.248455 %
Town's proportionate share of the net pension liability	\$ 679,866	\$ 356,490	\$ 423,294	\$ 340,162	\$ 241,151
Town's covered payroll	\$ 500,367	\$ 513,375	\$ 513,375	\$ 551,335	\$ 551,335
Town's proportionate share of the net pension liability as a percentage of its covered payroll	135.87 %	69.44 %	82.45 %	61.70 %	43.74 %
Plan fiduciary net position as a percentage of the total pension liability	73.60 %	91.68 %	88.29 %	92.72 %	90.48 %

**Notes to Schedule**

Change of Assumptions

In 2018, rates of inflation, mortality, withdrawal, retirement, and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2017.

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**(General Employees with Social Security)**  
**LAST FIVE FISCAL YEARS**

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 53,402	\$ 54,653	\$ 67,594	\$ 80,123	\$ 77,986
Contributions in relation to the contractually required contribution	<u>53,402</u>	<u>54,653</u>	<u>67,594</u>	<u>80,123</u>	<u>77,986</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Town's covered payroll	\$ 500,367	\$ 513,375	\$ 513,375	\$ 551,335	\$ 551,335
Contributions as a percentage of covered payroll	10.67 %	10.65 %	13.17 %	14.53 %	14.14 %

## Notes to Schedule

Valuation Date June 30, 2018

Measurement Date June 30, 2018

The actuarially determined contributions are calculated as of June 30, each biennium for the fiscal years ending two years after the valuation date.

Methods and assumptions used to determine the most recent contributions:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	23 years
Asset valuation method	5 year smoothed market
Inflation	3.25%
Salary increases	4.25%-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**(Policemen and Firemen with Social Security)**

---

	<b>2016</b>	<b>2015</b>
Town's proportion of the net pension liability	0.400432 %	0.400432 %
Town's proportionate share of the net pension liability	\$ 122,521	\$ 90,599
Town's covered payroll	\$ 160,422	\$ 160,422
Town's proportionate share of the net pension liability as a percentage of its covered payroll	76.37 %	56.48 %
Plan fiduciary net position as a percentage of the total pension liability	92.72 %	90.48 %

**Notes to Schedule**

The Town of Middlefield Police withdrew from MERS during fiscal year 2016.

Changes in Benefits                    None

Change of Assumptions                In 2013, rates of mortality, withdrawal, retirement, and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2012.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**  
**(Policemen and Firemen with Social Security)**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,095	\$ 29,968	\$ 31,727
Contributions in relation to the contractually required contribution	<u>5,095</u>	<u>29,968</u>	<u>31,727</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ -	\$ 160,422	\$ 160,422
Contributions as a percentage of covered payroll	0.00 %	18.68 %	19.78 %

**Notes to Schedule**

The Town of Middlefield Police withdrew from MERS during fiscal year 2016.

Valuation Date

June 30, 2016

Measurement Date

June 30, 2017

The actuarially determined contributions are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine the most recent contributions:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	25 years
Asset valuation method	5 year smoothed market
Inflation	3.25%
Salary increases	4.25%-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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Current List Year	Uncollected Taxes July 1, 2018 and Current Levy	Lawful Corrections		Transfer to Suspense	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2019
		Additions	Deductions			Taxes	Interest	Lien and Other Fees	Total	
2017	\$ 14,360,221	\$ 27,969	\$ 31,852	\$ -	\$ 14,356,338	\$ 14,054,624	\$ 45,096	\$ 2,006	\$ 14,101,726	\$ 301,714
2016	220,329	561	6,755	26,826	187,309	114,338	24,044	626	139,008	72,971
2015	62,787	1	5,898	-	56,890	14,371	2,714	216	17,301	42,519
2014	42,925	294	6,047	-	37,172	5,474	5,016	24	10,514	31,698
2013	19,429	110	414	-	19,125	5,966	3,147	96	9,209	13,159
2012	12,363	-	-	-	12,363	-	-	-	-	12,363
2011	2,860	-	-	-	2,860	-	-	-	-	2,860
2010	10,809	-	-	-	10,809	-	-	-	-	10,809
2009	10,081	-	-	-	10,081	-	-	-	-	10,081
2008	186	-	-	-	186	-	-	-	-	186
2007	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-	-
	<b>\$ 14,741,990</b>	<b>\$ 28,935</b>	<b>\$ 50,966</b>	<b>\$ 26,826</b>	<b>\$ 14,693,133</b>	<b>\$ 14,194,773</b>	<b>\$ 80,017</b>	<b>\$ 2,968</b>	<b>\$ 14,277,758</b>	<b>\$ 498,360</b>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	Special Revenue Funds								
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grant	Special Purpose Fund	Donation Fund	Town Clerk Fund	Total Special Revenue Funds
<b>Assets</b>									
Cash and cash equivalents	\$ 65,084	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,991	\$ 69,075
Other receivable	14,224	-	-	-	-	-	-	-	14,224
Due from other funds	-	<u>385,567</u>	<u>22,950</u>	<u>7,404</u>	<u>6,580</u>	-	<u>1,037</u>	-	<u>423,538</u>
<b>Total assets</b>	<b>\$ 79,308</b>	<b><u>\$ 385,567</u></b>	<b><u>\$ 22,950</u></b>	<b><u>\$ 7,404</u></b>	<b><u>\$ 6,580</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,037</u></b>	<b><u>\$ 3,991</u></b>	<b><u>\$ 506,837</u></b>
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 4,756	\$ -	\$ 3,300	\$ 1,200	\$ 295	\$ -	\$ -	\$ -	\$ 9,551
Unearned revenue - grants	-	-	-	-	6,285	-	-	-	6,285
Due to other funds	12,305	<u>46,507</u>	<u>11,942</u>	<u>1,966</u>	-	<u>29,539</u>	-	-	<u>102,259</u>
<b>Total liabilities</b>	<b>17,061</b>	<b><u>46,507</u></b>	<b><u>15,242</u></b>	<b><u>3,166</u></b>	<b><u>6,580</u></b>	<b><u>29,539</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>118,095</u></b>
<b>Deferred Inflows of Resources</b>									
Unavailable revenue - assessments receivable	14,224	-	-	-	-	-	-	-	14,224
<b>Total deferred inflows of resources</b>	<b>14,224</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,224</b>
<b>Fund Balances (Deficits)</b>									
Restricted	-	339,060	-	4,238	-	10,170	1,037	3,991	358,496
Committed	48,023	-	7,708	-	-	-	-	-	55,731
Unassigned	-	-	-	-	-	(39,709)	-	-	(39,709)
<b>Total fund balances (deficits)</b>	<b>48,023</b>	<b><u>339,060</u></b>	<b><u>7,708</u></b>	<b><u>4,238</u></b>	<b><u>-</u></b>	<b><u>(39,709)</u></b>	<b><u>1,037</u></b>	<b><u>3,991</u></b>	<b><u>374,518</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 79,308</b>	<b><u>\$ 385,567</u></b>	<b><u>\$ 22,950</u></b>	<b><u>\$ 7,404</u></b>	<b><u>\$ 6,580</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,037</u></b>	<b><u>\$ 3,991</u></b>	<b><u>\$ 506,837</u></b>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Special Revenue Funds								
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grant	Special Purpose Fund	Donation Fund	Town Clerk Fund	Total Special Revenue Funds
<b>Revenues</b>									
Intergovernmental	\$ -	\$ 197,295	\$ -	\$ 5,350	\$ 12,190	\$ -	\$ -	\$ -	\$ 214,835
Licenses, fees and charges for goods and services	37,144	-	87,917	-	-	-	-	2,048	127,109
Investment income	628	-	-	-	-	-	-	-	628
Miscellaneous	144	-	1,183	-	-	-	-	-	1,327
<b>Total revenues</b>	<b>37,916</b>	<b>197,295</b>	<b>89,100</b>	<b>5,350</b>	<b>12,190</b>	<b>-</b>	<b>-</b>	<b>2,048</b>	<b>343,899</b>
<b>Expenditures</b>									
Current:									
General government	-	-	-	-	10,798	9,470	-	3,989	24,257
Public works	22,420	243,802	-	10,866	-	-	-	-	277,088
Health and welfare	-	-	-	-	-	3,536	-	-	3,536
Parks and recreation	-	-	64,430	-	-	-	-	-	64,430
<b>Total current expenditures</b>	<b>22,420</b>	<b>243,802</b>	<b>64,430</b>	<b>10,866</b>	<b>10,798</b>	<b>13,006</b>	<b>-</b>	<b>3,989</b>	<b>369,311</b>
Excess (deficiency) of revenues over expenditures	15,496	(46,507)	24,670	(5,516)	1,392	(13,006)	-	(1,941)	(25,412)
Other Financing Sources (Uses):									
Operating transfers in	-	-	-	5,350	-	-	-	-	5,350
Operating transfers out	(4,500)	-	(39,912)	(3,000)	(1,392)	-	-	-	(48,804)
<b>Total other financing sources (uses)</b>	<b>(4,500)</b>	<b>-</b>	<b>(39,912)</b>	<b>2,350</b>	<b>(1,392)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(43,454)</b>
Net change in fund balances	10,996	(46,507)	(15,242)	(3,166)	-	(13,006)	-	(1,941)	(68,866)
Fund balances (deficits), July 1, 2018	37,027	385,567	22,950	7,404	-	(16,533)	1,037	5,932	443,384
Fund balances (deficits), June 30, 2019	<b>\$ 48,023</b>	<b>\$ 339,060</b>	<b>\$ 7,708</b>	<b>\$ 4,238</b>	<b>\$ -</b>	<b>(\$ 29,539)</b>	<b>\$ 1,037</b>	<b>\$ 3,991</b>	<b>\$ 374,518</b>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF NET POSITION**  
**AGENCY FUNDS**  
**JUNE 30, 2019**

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	Performance Bonds	Volunteer Fire Department Supplementary Benefit Fund	Giving Garden	Total
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 36,688	\$ -	\$ 36,688
Investments	-	525,973	-	525,973
Due from other funds	<u>40,416</u>	-	<u>1,932</u>	<u>42,348</u>
Total assets	<u>\$ 40,416</u>	<u>\$ 562,661</u>	<u>\$ 1,932</u>	<u>\$ 605,009</u>
<b>Liabilities</b>				
Due to others	<u>\$ 40,416</u>	<u>\$ 562,661</u>	<u>\$ 1,932</u>	<u>\$ 605,009</u>
Total liabilities	<u>\$ 40,416</u>	<u>\$ 562,661</u>	<u>\$ 1,932</u>	<u>\$ 605,009</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
<b><u>Performance Bonds:</u></b>				
<b>ASSETS</b>				
Due from other funds	\$ 72,588	\$ 5,000	\$ 37,172	\$ 40,416
Total assets	<u>\$ 72,588</u>	<u>\$ 5,000</u>	<u>\$ 37,172</u>	<u>\$ 40,416</u>
<b>LIABILITIES</b>				
Due to others	\$ 72,588	\$ 5,000	\$ 37,172	\$ 40,416
Total liabilities	<u>\$ 72,588</u>	<u>\$ 5,000</u>	<u>\$ 37,172</u>	<u>\$ 40,416</u>
<b><u>Volunteer Fire Department Supplementary Benefit Fund:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,781	\$ 10,907	\$ -	\$ 36,688
Investments	506,037	50,875	30,939	525,973
Total assets	<u>\$ 531,818</u>	<u>\$ 61,782</u>	<u>\$ 30,939</u>	<u>\$ 562,661</u>
<b>LIABILITIES</b>				
Due to others	\$ 531,818	\$ 61,782	\$ 30,939	\$ 562,661
Total liabilities	<u>\$ 531,818</u>	<u>\$ 61,782</u>	<u>\$ 30,939</u>	<u>\$ 562,661</u>
<b><u>Giving Gardens:</u></b>				
<b>ASSETS</b>				
Due from other funds	\$ -	\$ 8,375	\$ 6,443	\$ 1,932
Total assets	<u>\$ -</u>	<u>\$ 8,375</u>	<u>\$ 6,443</u>	<u>\$ 1,932</u>
<b>LIABILITIES</b>				
Due to others	\$ -	\$ 8,375	\$ 6,443	\$ 1,932
Total liabilities	<u>\$ -</u>	<u>\$ 8,375</u>	<u>\$ 6,443</u>	<u>\$ 1,932</u>
<b><u>Totals:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 25,781	\$ 10,907	\$ -	\$ 36,688
Investments	506,037	50,875	30,939	525,973
Due from other funds	72,588	13,375	43,615	42,348
Total assets	<u>\$ 604,406</u>	<u>\$ 75,157</u>	<u>\$ 74,554</u>	<u>\$ 605,009</u>
<b>LIABILITIES</b>				
Due to others	\$ 604,406	\$ 75,157	\$ 74,554	\$ 605,009
Total liabilities	<u>\$ 604,406</u>	<u>\$ 75,157</u>	<u>\$ 74,554</u>	<u>\$ 605,009</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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	Appropriations			Expenditures			Unexpended (Overexpended) Balance
	Balance July 1, 2018 Restated	Current Year	Balance June 30, 2019	Balance July 1, 2018	Current Year	Balance June 30, 2019	
Accounting software	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 17,955	\$ 17,955	\$ 12,045
Town Hall improvements	152,135	-	152,135	140,856	5,953	146,809	5,326
Community Center improvements	274,562	33,534	308,096	193,765	242	194,007	114,089
Community Center underground tank	26,520	13,015	39,535	-	-	-	39,535
Vehicle replacements	42,641	4,513	47,154	-	-	-	47,154
Telephone system upgrade	18,000	( 12,000)	6,000	5,923	-	5,923	77
Computer replacement and upgrades	160,697	5,000	165,697	160,212	6,137	166,349	( 652)
Server replacement	20,000	1,575	21,575	10,502	55	10,557	11,018
Facilities asset management plan	12,000	-	12,000	-	-	-	12,000
Accrued benefits	142,579	11,500	154,079	130,074	18,198	148,272	5,807
Town Clerk - ordinance codification	1,000	-	1,000	-	-	-	1,000
Building code books	500	-	500	-	-	-	500
Revaluation	427,922	19,700	447,622	406,722	-	406,722	40,900
Senior/disabled bus	-	65,138	65,138	-	65,042	65,042	96
Mattabesseeck bridge	402,359	23,001	425,360	425,360	-	425,360	-
Storm contingency	51,795	5,923	57,718	22,718	-	22,718	35,000
Tree removal	192,580	30,000	222,580	185,005	25,300	210,305	12,275
Garage improvements	83,000	4,090	87,090	62,742	-	62,742	24,348
Road improvements	474,663	74,899	549,562	283,144	36,872	320,016	229,546
Garage environmental compliance	64,000	-	64,000	37,486	-	37,486	26,514
Lake Beseck remediation	168,649	12,500	181,149	133,974	9,471	143,445	37,704
Dump truck replacement	777,750	52,526	830,276	648,215	-	648,215	182,061
Small dump truck replacement	264,232	13,275	277,507	178,392	-	178,392	99,115
Snow plow replacement	10,866	1,345	12,211	-	-	-	12,211
LED street light assessment	-	10,500	10,500	-	10,530	10,530	( 30)
Emergency repairs	10,000	-	10,000	-	-	-	10,000
Pickup replacement	29,132	5,066	34,198	21,274	-	21,274	12,924
Paver replacement	3,184	3,737	6,921	-	-	-	6,921
Roller and trailer replacement	20,875	-	20,875	-	-	-	20,875
Guard rail tractor replacement	174,359	18,861	193,220	91,799	4,877	96,676	96,544
Sweeper replacement	123,852	-	123,852	-	24,396	24,396	99,456

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
 . . . Continued . . .

	Appropriations			Expenditures			Unexpended (Overexpended) Balance
	Balance July 1, 2018	Current Year	Balance June 30, 2019	Balance July 1, 2018	Current Year	Balance June 30, 2019	
Front-end loader replacement	\$ 145,056	\$ 14,324	\$ 159,380	\$ 88,632	\$ -	\$ 88,632	\$ 70,748
Zero turn mower	3,536	3,537	7,073	-	-	-	7,073
Backhoe replacement	58,561	13,261	71,822	-	-	-	71,822
Tractor/mower replacement	34,568	4,868	39,436	-	-	-	39,436
Town property remediation	-	5,000	5,000	-	-	-	5,000
Park improvements	96,845	23,450	120,295	81,584	32,930	114,514	5,781
Playscape replacement	12,668	12,668	25,336	-	-	-	25,336
Animal shelter	6,000	-	6,000	-	-	-	6,000
Enforcement equipment	2,600	1,723	4,323	3,323	-	3,323	1,000
Water supply development	142,500	-	142,500	134,594	-	134,594	7,906
Fire hose replacement	46,000	4,000	50,000	44,620	867	45,487	4,513
State EMS plan	-	7,500	7,500	-	-	-	7,500
Breathing apparatus	174,935	60,559	235,494	87,321	8,890	96,211	139,283
Thermal imaging camera	20,564	3,810	24,374	11,499	12,963	24,462	( 88)
Communications equipment	121,475	-	121,475	31,475	2,500	33,975	87,500
Computer upgrades	21,682	-	21,682	15,174	-	15,174	6,508
Rescue truck replacement	436,438	56,875	493,313	254,563	-	254,563	238,750
Medical truck replacement	129,793	6,480	136,273	124,253	-	124,253	12,020
All terrain vehicle	31,691	-	31,691	29,474	-	29,474	2,217
Fire Chief's vehicle	15,738	2,439	18,177	10,000	-	10,000	8,177
Tanker replacement	385,000	-	385,000	385,852	-	385,852	( 852)
Life saving equipment	70,000	4,000	74,000	65,323	-	65,323	8,677
Building maintenance/improvements	140,000	-	140,000	95,118	-	95,118	44,882
Pumper replacement '02	1,037,391	97,391	1,134,782	782,409	-	782,409	352,373
Pumper replacement '13	26,500	35,000	61,500	-	-	-	61,500
Emergency repairs and purchases	15,067	-	15,067	5,067	-	5,067	10,000
50 KW generator	6,380	6,380	12,760	-	-	-	12,760
Siren - Lyman/Rockfall	8,077	8,077	16,154	-	-	-	16,154
Boat replacement	2,873	1,410	4,283	-	-	-	4,283
Industrial park projects	333,243	-	333,243	322,244	-	322,244	10,999
Plan of conservation and development	13,857	1,340	15,197	10,084	-	10,084	5,113
Planning & zoning regulation revisions	-	10,000	10,000	-	-	-	10,000
Land bank reserve	2,500	-	2,500	-	-	-	2,500
Open space property improvements	9,695	1,000	10,695	7,663	-	7,663	3,032
Open space acquisitions	2,500	-	2,500	-	-	-	2,500
Old Indian Trail emergency generator	5,150	4,850	10,000	-	-	-	10,000
Levi E. Coe improvements	23,523	7,507	31,030	3,500	12,742	16,242	14,788
Local wellness council	21,871	( 21,871)	-	-	-	-	-
	<u>\$ 7,764,129</u>	<u>\$ 773,276</u>	<u>\$ 8,537,405</u>	<u>\$ 5,731,935</u>	<u>\$ 295,920</u>	<u>\$ 6,027,855</u>	<u>\$ 2,509,550</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Total tax collections (including interest, penalties and late payment of taxes) for immediate preceding fiscal year	\$ 14,082,689
State reimbursement for revenue loss on tax relief for elderly under CGS Sections 12-129d and 7-528 for immediate preceding fiscal year	-
Annual receipts from taxation (total of above) (the "Base")	<u>\$ 14,082,689</u>

The Connecticut General Statutes provide that the total authorized debt of the Town shall not exceed seven times the annual receipts from taxation, or \$98,578,823, nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Water Pollution Control	Urban Renewal	Pension Deficit
<b>Debt Limitation:</b>					
2 1/4 times base	\$ 31,686,050	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	63,372,101	-	-	-
3 3/4 times base	-	-	52,810,084	-	-
3 1/4 times base	-	-	-	45,768,739	-
3 times base	-	-	-	-	<u>42,248,067</u>
<b>Total debt limitation</b>	<b>31,686,050</b>	<b>63,372,101</b>	<b>52,810,084</b>	<b>45,768,739</b>	<b>42,248,067</b>
<b>Indebtedness:</b>					
General obligation bonds	397,564	-	-	-	-
Notes payable	217,115	-	274,613	-	-
Regional School District #13 bonds	-	1,468,896	-	-	-
<b>Total indebtedness</b>	<b>614,679</b>	<b>1,468,896</b>	<b>274,613</b>	<b>-</b>	<b>-</b>
<b>Debt limitation in excess of outstanding and authorized debt</b>	<b>\$ 31,071,371</b>	<b>\$ 61,903,205</b>	<b>\$ 52,535,471</b>	<b>\$ 45,768,739</b>	<b>\$ 42,248,067</b>

**Note:**

The Town of Middlefield is a member of Regional School District #13 which provides education facilities for grades kindergarten through twelve for the Towns of Middlefield and Durham. As of June 30, 2019, based on the most current and available information, the indebtedness of the District was \$4,290,000. The Town of Middlefield's share will be approximately 34.24% of the debt, of \$1,468,896. These are the general obligations of Regional School District #13 and its member towns.

## **SEWARD AND MONDE**

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
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### **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members  
of the Board of Finance  
Town of Middlefield, Connecticut

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Middlefield's basic financial statements, and have issued our report thereon dated January 9, 2020.

#### ***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Town of Middlefield's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Middlefield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Middlefield's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Middlefield's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Seward and Monde*

North Haven, Connecticut  
January 9, 2020

# **SEWARD AND MONDE**

CERTIFIED PUBLIC ACCOUNTANTS

296 STATE STREET

NORTH HAVEN, CONNECTICUT 06473-2165

(203) 248-9341

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## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT**

To the Honorable Members  
of the Board of Finance  
Town of Middlefield, Connecticut

### ***Report on Compliance for Each Major State Program***

We have audited the Town of Middlefield, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Middlefield's major state programs for the year ended June 30, 2019. The Town of Middlefield's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

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

Our responsibility is to express an opinion on compliance for each of the Town of Middlefield's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the audit requirements of the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Middlefield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Middlefield's compliance.

ASSOCIATED WORLD-WIDE WITH



### ***Opinion on Each Major State Program***

In our opinion, the Town of Middlefield, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

### ***Report on Internal Control over Compliance***

Management of the Town of Middlefield is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Middlefield's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Middlefield's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

*Seward and Monde*

North Haven, Connecticut  
January 9, 2020

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2019**

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State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core - CT Number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Municipal grants-in-aid	12052-OPM20600-43587	\$ 248,652
Local capital improvement program	12050-OPM20600-40254	36,872
Property tax relief for veterans	11000-OPM20600-17024	5,057
Property tax relief on property of totally disabled persons	11000-OPM20600-17011	407
Payment in lieu of taxes (PILOT) on state-owned property	11000-OPM20600-17004	4,920
<b><u>Department of Transportation:</u></b>		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	98,648
Town aid road grants transportation fund	12052-DOT57131-43459-34005	<u>98,648</u>
		<u>197,296</u>
Bus operations	12001-DOT57000-12175	21,029
<b><u>Connecticut State Library:</u></b>		
Historic documents preservation grants	12060-CSL66094-35150	4,500
<b><u>Judicial Branch:</u></b>		
Judicial fines and fees	34001-JUD95162-40001	<u>7,612</u>
Total State Financial Assistance Before Exempt Programs		<u>526,345</u>
<b><u>Exempt Programs:</u></b>		
<b><u>Office of Policy and Management:</u></b>		
Mashantucket Pequot and Mohegan fund grant	12009-OPM20600-17005	5,616
Municipal stabilization grant	11000-OPM20600-17104	14,971
<b><u>Department of Education:</u></b>		
Education cost sharing	11000-SDE64000-17041	<u>1,945,055</u>
Total Exempt Programs		<u>1,965,642</u>
Total State Financial Assistance		<u>\$ 2,491,987</u>

See notes to schedule.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2019**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Middlefield, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, road maintenance, and capital improvements.

### **1. Summary of Significant Accounting Policies**

The accounting policies of the Town of Middlefield, Connecticut conform to U.S. generally accepted accounting principles as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

#### **Basis of Accounting**

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

### **2. Loan Programs**

In accordance with Section 4-233-23(a)(4)(F) of the Regulations of the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2019:

Department of Energy and Environmental Protection:  
Clean Water Fund

Issue Date	Interest Rate	Original Amount	Beginning Balance	Retired	Ending Balance
5/31/2001	2.00%	\$ 3,271,712	\$ 463,830	\$ 189,217	\$ 274,613

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**

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**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' opinion issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	

*State Financial Assistance*

Internal control over major programs:			
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no	
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported	
Type of auditors' opinion issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no		

- The following schedule reflects the major programs included in the audit:

<b><u>State Grantor and Program</u></b>	<b><u>State Core - CT Number</u></b>	<b><u>Expenditures</u></b>
Department of Transportation:		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	\$ 98,648
Town aid road grants transportation fund	12052-DOT57131-43459-34005	<u>98,648</u>
		<u>197,296</u>

Office of Policy and Management:

Municipal grants-in-aid	12052-OPM20600-43587	248,652
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- Dollar threshold used to distinguish between Type A and Type B programs \$ 100,000

. . . Continued . . .

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2019**  
**... Continued ...**

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**II. FINANCIAL STATEMENT FINDINGS**

There were no findings.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs.