

TOWN OF MIDDLEFIELD, CONNECTICUT

**AUDITED FINANCIAL STATEMENTS
TOGETHER WITH SUPPLEMENTAL
REPORTS AND SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2013

TOWN OF MIDDLEFIELD, CONNECTICUT
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SUPPLEMENTAL SCHEDULES
YEAR ENDED JUNE 30, 2013

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ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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 (the Town) as of and for the year ended June 30, 2013, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 auditor's 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 entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 9 and 35 - 43 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

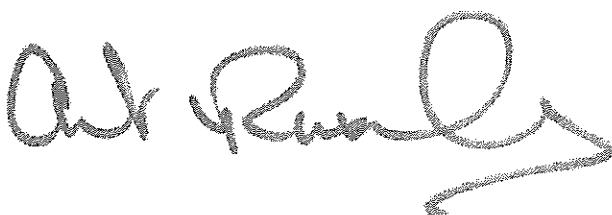
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Connecticut Single Audit Act, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, supplemental schedules and the schedule 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 auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements, supplemental schedules the schedule 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 *Government Auditing Standards*, I have also issued my report dated February 24, 2014, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Albert J. Rusilowicz, CPA, LLC
Killingworth, Connecticut
February 24, 2014

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

TOWN OF MIDDLEFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 \$619,671 or approximately 5.71%.
- The total cost of all of the Town's governmental activities was \$15,753,959.
- The General Fund reported a fund balance of \$1,863,766 at June 30, 2013.
- For the year ended June 30, 2013, the resources available for appropriation were \$177,914 more than budgeted for the general fund. Expenditures were \$123,212 less than budgeted for the general fund.
- The Town's total bonded debt decreased by \$395,169 to a level of \$4,328,465.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

These two statements report the Town's net position and changes in it during the current fiscal year. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. The reader need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall financial health of the Town.

(Continued)

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

The fund financial statements begin with Exhibit III and 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 Water Purchase Fund, Sewer Fund and 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 fund is divided into two categories; governmental and fiduciary.

- *Governmental funds* (Exhibit III and IV) – 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 an accounting method called modified accrual 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 Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Fiduciary funds* (Exhibits V) – 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 changes in fiduciary net assets. 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.

(Continued)

Government-wide Financial Analysis

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

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 6,768,633	\$ 5,847,245
Capital assets, net	9,467,245	10,179,765
 Total assets	 <u>16,235,878</u>	 <u>16,027,010</u>
Long-term liabilities outstanding	4,475,010	4,163,477
Other liabilities	297,825	300,161
 Total liabilities	 <u>4,772,835</u>	 <u>4,463,638</u>
Net position:		
Invested in capital assets, net of related debt	7,134,578	5,536,131
Unrestricted	4,328,465	5,307,241
 Total net position	 <u>\$ 11,463,043</u>	 <u>\$ 10,843,372</u>

The net position of the Town's governmental activities increased by \$619,671 or 5.71%. 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 – decreased by \$979,198 to \$4,328,465 at June 30, 2013.

(Continued)

Governmental Activities		
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 542,657	\$ 592,508
Operating grants and contributions	2,284,374	2,310,942
Capital grants and contributions	168,906	30,142
General revenues:		
Property taxes	12,917,215	12,657,264
Grants and contributions not restricted to specific purposes	320,367	230,164
Unrestricted investment earnings	9,707	9,210
Other general revenues	130,404	126,044
Total revenues	<u>16,373,630</u>	<u>15,956,274</u>
Program expenses:		
General government	2,427,905	2,394,801
Public safety	590,943	536,884
Public works	836,985	880,870
Health and welfare	75,450	81,958
Parks and recreation	178,927	142,540
Education	11,549,668	11,332,311
Interest on long-term debt	94,081	111,290
Total program expenses	<u>15,753,959</u>	<u>15,480,654</u>
Increase (decrease) in net position	<u>\$ 619,671</u>	<u>\$ 475,620</u>

The Town's total revenue (excluding special items) was \$16,373,630. The total cost of all programs and services was \$15,753,959. Our analysis above separately considers the operations of governmental activities.

(Continued)

Governmental activities

Governmental activities increased the Town's net assets by \$619,671. Revenues in excess of budgeted levels as well as expenditures below budgeted levels were the main contributors to this year's results. General government expenditures came in under budget by \$123,212.

The table below presents the cost of each of the Town's five largest programs – general government, public works, public safety, health and welfare 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.

Governmental Activities

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 2,427,905	2,119,484
Public works	836,985	476,111
Public safety	590,943	492,013
Parks and recreation	178,927	75,716
Education	11,549,668	9,416,892
		11,332,311
		9,232,072

Town Fund Financial Analysis

Governmental funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$3,931,061 which is an increase of \$651,279 from last year's total of \$3,279,782. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$206,806, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$329,494. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted in Exhibit IV. The increase in the Town's Reserve Fund is attributable primarily to the transfers in from the General Fund.

General Fund budgetary highlights

General property taxes-property tax revenue was \$43,772 more than budgeted due primarily to an overall increase in current and prior year tax collections and related interest. Intergovernmental revenue-grant revenues in total were higher than budgeted due primarily to greater than anticipated State funding of the municipal revenue sharing grant. Local revenues in total were greater than budgeted amounts primarily as a result land use department fees and police department services.

(Continued)

Capital asset and debt administration

At June 30, 2013, the Town had a net balance of \$9,467,245 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 \$712,520, or approximately 1% from the prior year.

Capital Assets at Year-End (net of Depreciation)

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Land	\$ 4,512,857	\$ 7,002,276
Construction in progress	-	183,884
Powder Ridge development rights	1,893,919	-
Buildings and improvements	1,198,904	1,060,891
Equipment and vehicles	1,254,072	1,311,409
Infrastructure	607,493	621,305
 Totals	 \$ 9,467,245	 \$ 10,179,765

The Town's 2013/2014 budget calls for no major capital expenditures from the General Fund.

Long-term debt

At June 30, 2013, the Town had outstanding debt obligations, excluding compensated absences, as shown below:

Outstanding Debt at Year-End

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Bond anticipation notes	\$ 2,360,000	\$ 2,530,000
Loans	1,968,465	2,193,634
Capital lease obligations	11,457	22,385
 Totals	 \$ 4,339,922	 \$ 4,746,019

(Continued)

The Town's general obligation continues to carry an A-rating with Standard and Poor's Rating Service, a rating that has been assigned by national rating agencies for the Town's debt since 2001. 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 mil rate. One of those factors is the state and local economy. Other factors include anticipated tax collections as well as uncertainty regarding the levels of state funding to be received.

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.

FINANCIAL STATEMENTS

TOWN OF MIDDLEFIELD, CONNECTICUT

STATEMENT OF NET POSITION

June 30, 2013

		<u>Governmental Activities</u>
ASSETS:		
Cash and cash equivalents		\$ 3,946,893
Receivables, net		2,821,740
Capital assets not being depreciated		6,406,776
Capital assets being depreciated, net of depreciation		3,060,469
Total Assets		<u>16,235,878</u>
LIABILITIES:		
Accounts payable and accrued expenses		181,421
Unearned revenue		29,307
Due to Fiduciary Funds		87,097
Noncurrent liabilities:		
Due within one year		2,654,499
Due in more than one year		1,820,511
Total Liabilities		<u>4,772,835</u>
NET POSITION:		
Invested in capital assets, net of related debt		7,134,578
Unrestricted		4,328,465
Total Net Position	<u>\$ 11,463,043</u>	

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

TOWN OF MIDDLEFIELD, CONNECTICUT
STATEMENT OF ACTIVITIES

For the year ended June 30, 2013

Exhibit II

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 2,427,905	163,545	22,621	122,255	(2,119,484)
Public safety	590,943	54,060	26,200	18,670	(492,013)
Public works	836,985	258,097	102,777	-	(476,111)
Health and welfare	75,450	(8,275)	-	-	(83,726)
Parks and recreation	178,927	75,230	-	27,981	(75,716)
Education	11,549,668	-	2,132,776	-	(9,416,892)
Interest/fees on long-term debt	94,081	-	-	-	(94,081)
Total governmental activities	\$ 15,753,959	542,657	2,284,374	168,906	(12,758,022)
 Total government	 <hr/>	 <hr/>	 <hr/>	 <hr/>	 <hr/>
General revenues:					
Property taxes					12,917,215
Grants and contributions not restricted to specific programs					320,367
Unrestricted investment earnings					9,707
Miscellaneous					130,404
Total general revenues and transfers	\$ 15,753,959	542,657	2,284,374	168,906	(12,758,022)
 Change in net position	 <hr/>	 <hr/>	 <hr/>	 <hr/>	 <hr/>
Net position-beginning					10,843,372
Net position-ending					\$ 11,463,043

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

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
June 30, 2013

ASSETS	Reserve Fund For Capital And Nonrecurring Expenditures		Lake Beswick	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
	General					
Cash and cash equivalents	\$ 3,475,855	-	347,887	55,425	67,726	3,946,893
Receivables, net	453,239	-	1,070,994	-	20,218	1,544,451
Loans receivable	-	-	-	677,289	-	677,289
Prepaid expenses	-	-	-	-	-	-
Due from other funds	3,415	1,159,305	-	-	435,777	1,598,497
Total Assets	\$ 3,932,509	1,159,305	1,418,881	732,714	523,721	7,767,130
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 50,502	921	4,318	-	2,302	58,043
Due to other funds	1,682,179	-	-	-	3,415	1,685,594
Total Liabilities	1,732,681	921	4,318	-	5,717	1,743,637
Deferred Inflows of Resources:						
Unavailable revenue	310,563	-	1,070,994	677,289	4,279	2,063,125
Unearned revenue	25,499	-	-	-	3,808	29,307
Total Deferred Inflows of Resources	336,062	-	1,070,994	677,289	8,087	2,092,432
Fund Balances:						
Restricted	-	-	343,569	55,425	509,917	908,911
Committed	-	1,158,384	-	-	-	1,158,384
Assigned	253,075	-	-	-	-	253,075
Unassigned	1,610,691	-	-	-	-	1,610,691
Total Fund Balances	1,863,766	1,158,384	343,569	55,425	509,917	3,931,061
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 3,932,509	1,159,305	1,418,881	732,714	523,721	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,467,245
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	2,663,125
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(4,575,010)
Accrued interest payable on long-term liabilities is not recorded in the funds	(23,378)

Net assets of governmental activities	\$ 11,463,043
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The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2013

	<u>General</u>	<u>Reserve Fund For Capital And Nonrecurring Expenditures</u>	<u>Lake Beseck</u>	<u>Housing Rehabilitation Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:						
Property taxes	\$ 12,943,264	-	-	-	-	12,943,264
Intergovernmental	2,487,016	64,406	-	-	117,725	2,669,147
Licenses, fees and charges for goods and services	223,205	-	441,717	-	103,733	768,655
Interest and investment income	9,051	-	432	123	102	9,708
Miscellaneous	95,819	-	2,496	19,150	25,240	142,705
Total Revenues	15,758,355	64,406	444,645	19,273	246,800	16,533,479
EXPENDITURES:						
Current:						
General government	2,142,046	26,940	-	-	15,774	2,184,760
Public safety	473,535	28,709	-	-	-	502,244
Public works	462,818	75,725	180,013	-	37,041	755,597
Health and welfare	71,675	-	-	3,775	-	75,450
Parks and recreation	95,846	7,899	-	-	67,713	171,458
Education	11,549,668	-	-	-	-	11,549,668
Debt service	524,670	-	-	-	-	524,670
Capital outlays	-	118,353	-	-	-	118,353
Total Expenditures	15,320,258	257,626	180,013	3,775	120,528	15,882,200
Excess of Revenues Over (Under) Expenditures	438,097	(193,220)	264,632	15,498	126,272	651,279
Other Financing Sources (Uses):						
Operating transfers in	295,423	522,714	-	-	4,000	822,137
Operating transfers out	(526,714)	-	(212,765)	-	(82,658)	(822,137)
Total Other Financing Sources (Uses)	(231,291)	522,714	(212,765)	-	(78,658)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	206,806	329,494	51,867	15,498	47,614	651,279
Fund Balances, June 30, 2012	1,656,960	828,890	291,702	39,927	462,303	
Fund Balances, June 30, 2013	\$ 1,863,766	1,158,384	343,569	55,425	509,917	

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

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 depreciation expense exceeded net capital outlays in the current year.	(12,520)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	(152,047)
Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets. This is the amount by which principal payments exceeded proceeds.	406,097
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(73,138)
	\$ 819,671

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

TOWN OF MIDDLEFIELD, CONNECTICUT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ -
Investments	448,677
Due from the General Fund	87,097
Total Assets	<u>\$ 535,774</u>
LIABILITIES	
Bonds deposited and amounts due to volunteers/employees	\$ 535,774
Total Liabilities	<u>\$ 535,774</u>

The accompanying notes to the financial statements are an integral part of this statement

TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town of Middlefield, Connecticut 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.

B. Government-Wide and Fund Financial Statements

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. For the most part, the effect of interfund activity has been removed from these statements. 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 net position presents the Town's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in Capital Assets Net of Related Debt – This category 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 those capital assets.

Restricted – This category consists of net assets whose use is 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 – This category consists of net assets which do not meet the definition of the two preceding categories.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

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

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. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 "Other Governmental Funds".

The various funds included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most of the governmental functions are financed.

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds - Special Revenue Funds are used to account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Agency Funds – The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Performance Bond and Volunteer Fire Department Supplement Benefit Fund are the Town's agency funds.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies, Continued

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. 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.

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.

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 fiduciary fund types:

Agency Funds-These funds are used to account for monies held as a custodian for performance bonds held by the Town for various projects and the Volunteer Fire Department Supplement Benefit Fund.

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

(Continued)

**TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies, Continued

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

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.

D. Deposits and Investments

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.

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.

E. Receivables and Payables

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 Assets.

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 tax 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, 2013 are stated net of an allowance for uncollectible amounts of \$2,945.

F. Prepaid Expenses

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. At June 30, 2013, the Town had no prepaid expenses.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013**

Note 1 - Summary of Significant Accounting Policies, Continued

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

G. 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.

Fixed 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:

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

H. 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, 2013 amounted to \$135,088. This liability for unpaid vacation and sick leave is reflected in the government-wide statement of net assets.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies, Continued

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

I. Long-Term Obligations

In the government-wide financial statements, all long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the 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. Debt issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

J. Fund Equity-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.

Committed Fund Balance – represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Middlefield Town Meeting).

Assigned Fund Balance – represents amounts that are constrained by the Town's intent to be used for a specific purpose, but are neither restricted or committed. Intent is expressed by a governing board or body or official that has been delegated the authority to assign, modify, or rescind amounts to be used for 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.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies, Continued

J. Fund Equity-Fund Financial Statements, Continued

Appropriated Assigned Fund Balance is 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.

Unassigned Fund Balance – represents is 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.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds." The details of this (\$4,475,010) are as follows:

Bond anticipation notes payable	\$ 2,360,000
Loans payable	1,968,465
Compensated absences	135,088
Capital lease payable	11,457
Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities	<u>\$ 4,475,010</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this (\$12,520) are as follows:

Capital outlays	\$ 216,451
Depreciation expense	(228,971)

Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities

\$ (12,520)

Another element of that reconciliation states that "Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets." The details of this \$406,097 difference are as follows:

Principal repayments:

Bond anticipation notes payable	\$ 170,000
Loans payable	225,169
Capital lease financing	10,928

Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities

\$ 406,097

Another element of that reconciliation states that "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." The details of this (\$20,023) difference are as follows:

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities, Continued

Change in accrued interest payable	\$ 24,492
Change in compensated absences payable	2,370
Change in liability related to Powder Ridge sale	(100,000)
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets-governmental activities	<u>\$ (73,138)</u>

3. Stewardship, Compliance and Accountability

Not later than one hundred twenty (120) days before the end of the 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 year.

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 Route 66 Sewer Fund and a Lake Beseck Fund (Special Revenue Funds) which are utilized to account for the operation of the sanitary sewer 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.

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.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

4. Cash, Cash Equivalents and Investments

The deposit of public funds is controlled by Connecticut General Statutes (Section 7-402). 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 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.

The State Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain 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.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2013:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	Statement of <u>Net Position</u>	Statement of <u>Fiduciary Net Position</u>
Deposits:		
Demand, savings and money market accounts	\$ 3,081,458	-
Petty cash and cash on hand	170	-
Cash equivalents:		
State Short-Term Investment Fund (STIF)	865,265	-
Total Cash and Cash Equivalents	<u>\$ 3,946,893</u>	<u>-</u>

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013**

4. Cash, Cash Equivalents and Investments, Continued

Deposits

At June 30, 2013, the carrying amount of the Town's deposits with financial institutions was \$3,081,458 and the bank balance was \$3,116,390.

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, 2013 bank balance, \$701,044 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 \$375,823, based on the June 30, 2013 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$2,039,523 was uninsured and uncollateralized.

Cash Equivalents

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, 2013, the Town's cash equivalents amounted to \$865,265 and represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut.

The Short Term Investment Fund pool 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.

B. Investments

Investments as of June 30, 2013 in all funds are as follows:

lunteer Fire Department Supplemental Benefit Fund:		
Flexible annuities	\$	405,823
Brokerage accounts		26,485
Flexible savings accounts		16,369
<hr/>		
	\$	448,677

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. The following table provides a summary of the Town's investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

4. Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

	<u>Moody's Investor Service</u>	<u>Fitch Ratings</u>	<u>Not Rated</u>
Volunteer Fire Department Supplemental Benefit Fund:			
Flexible annuities	Aa3	AA-	
Flexible savings accounts			X

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, 2013, 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.

5. Receivables and 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 has no items that qualify for reporting in this category.

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 thus, will not be recognized as an inflow of resources (revenue) until then. The Town reports unavailable and unearned in this category and more fully described below.

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:

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

5. Receivables and Deferred Inflows of Resources, Continued

	General Fund	Reserve Fund for Capital and Nonrecurring Expenditures	Lake Beswick Fund	Housing Rehabilitation Programs	Nonmajor Governmental Funds	<u>Total</u>
Receivables:						
Taxes	\$ 352,232	-	-	-	-	352,232
Interest	58,957	-	17,859	-	991	77,807
Accounts	44,995	-	49,992	-	3,288	98,275
Assessments	-	-	1,003,143	-	-	1,003,143
Intergovernmental	-	-	-	-	15,939	15,939
Loans	-	-	-	677,289	-	677,289
Gross receivables	<u>456,184</u>	<u>-</u>	<u>1,070,994</u>	<u>677,289</u>	<u>20,218</u>	<u>2,224,685</u>
Less: allowance for uncollectibles	<u>(2,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,945)</u>
Net total receivables	<u>\$ 453,239</u>	<u>-</u>	<u>1,070,994</u>	<u>677,289</u>	<u>20,218</u>	<u>2,221,740</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 272,235	-
Accrued interest and fees on delinquent property taxes	38,328	-
Grants receivable not collected within 60 days	-	-
Advance tax collections	-	13,246
Grant drawdowns prior to meeting all eligibility requirements	-	3,808
Other receipts not yet earned	-	12,253
Assessments not yet due	1,003,143	-
Accrued interest on delinquent sewer usage and assessment fees	18,850	-
Sewer user fees receivable	53,280	-
Loans receivable-not yet due	677,289	-
	<u>\$ 2,063,125</u>	<u>29,307</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

6. Capital Assets

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,002,276	298,700	(2,788,119)	4,512,857
Construction in progress	183,884	-	(183,884)	-
Powder Ridge development rights	-	1,893,919	-	1,893,919
	<u>7,186,160</u>	<u>2,192,619</u>	<u>(2,972,003)</u>	<u>6,406,776</u>
Capital assets being depreciated:				
Buildings and improvements	2,003,531	203,500	-	2,207,031
Machinery and equipment	3,037,686	104,637	(195,157)	2,947,166
Infrastructure	702,749	-	-	702,749
Total assets being depreciated	<u>5,743,966</u>	<u>308,137</u>	<u>(195,157)</u>	<u>5,856,946</u>
Less: accumulated depreciation for:				
Buildings and improvements	(942,640)	(65,487)	-	(1,008,127)
Machinery and equipment	(1,726,277)	(149,672)	182,855	(1,693,094)
Infrastructure	(81,444)	(13,812)	-	(95,256)
	<u>(2,750,361)</u>	<u>(228,971)</u>	<u>182,855</u>	<u>(2,796,477)</u>
Total capital assets being depreciated, net	2,993,605	79,166	(12,302)	3,060,469
Total Government-Wide Capital Assets, Net	\$ 10,179,765	2,271,785	(2,984,305)	9,467,245

The Town has elected not to capitalize infrastructure assets acquired prior to July 1, 2003, the implementation date of GASB Statement Number 34.

Depreciation expense was charged to functions/programs as follows:

General government	\$ 47,586
Public safety	87,536
Public works	86,380
Parks and recreation	7,469
Total depreciation expense-governmental activities	\$ 228,971

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

7. Interfund Accounts

At June 30, 2013, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 3,415	1,682,179
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	1,159,305	-
Lake Beseck	-	-
Nonmajor Governmental Funds:		
Town Aid Road	405,577	-
Old Indian Trail Water System	30,103	-
Miscellaneous Grants	-	3,415
Donation Fund	97	-
Fiduciary Funds:		
Performance Bonds	<u>87,097</u>	-
	<u>\$ 1,685,594</u>	<u>1,685,594</u>

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

Interfund transfers:

Interfund transfers represent routine recurring transactions to move resources from one fund to another. Interfund transfers for the year ended June 30, 2013 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 295,423	526,714
Major Governmental Funds:		
Reserve Fund for Capital and Nonrecurring Expenditures	522,714	-
Lake Beseck	-	212,765
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	4,500
Parks and Recreation Commission	-	36,064
Old Indian Trail Water System	4,000	5,975
Eastern Connecticut Regional Water Company Purchase		36,119
	<u>\$ 822,137</u>	<u>822,137</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

8. 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, 2013 amounted to \$50,667.

Capital Lease

The Town entered into a lease-purchase agreement with TD Bank Leasing Corporation to finance the acquisition of a sweeper. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013 are as follows:

<u>Fiscal year ending:</u>	<u>Amount</u>
June 30, 2014	\$ 12,012
Total future minimum lease payments	12,012
Less: amounts representing interest	(555)
Present value of the future minimum lease payments	<u>\$ 11,457</u>

9. Long-term Debt

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions/</u> <u>Maturities</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bond anticipation notes payable	\$ 2,530,000	2,360,000	2,530,000	2,360,000	2,360,000
Loans payable	2,193,634	-	225,169	1,968,465	230,846
Compensated absences	137,458	5,791	8,161	135,088	52,196
Capital leases	22,385	-	10,928	11,457	11,457
Total Governmental Activities					
long-term liabilities	\$ 4,883,477	2,365,791	2,774,258	4,475,010	2,654,499

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

9. Long-term Debt, Continued

A schedule of bonds and loans payable at June 30, 2013 is presented below:

<u>Purpose/Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u> <u>June 30, 2013</u>
Loans payable:				
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.75%	\$ 169,337
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.875%	373,908
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00%	1,355,220
Development rights-Merriam property	1/20/2011	7/31/2019	0%	70,000
Bond anticipation notes payable:				
Powder Ridge acquisition-taxable	6/5/2013	9/13/2013	1.65%	300,000
Powder Ridge acquisition-taxable	6/5/2013	3/6/2014	1.65%	2,060,000
				<u>\$ 4,328,465</u>

The following is a schedule of loan and note maturities as of June 30, 2013:

<u>Fiscal year ending:</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2014	\$ 2,590,846	90,326
June 30, 2015	236,702	51,812
June 30, 2016	242,744	45,956
June 30, 2017	248,978	39,915
June 30, 2018	255,412	33,680
June 30, 2019	262,055	27,246
June 30, 2020	268,913	20,604
June 30, 2021	150,640	13,745
June 30, 2022	72,175	7,239
	<u>\$ 4,328,465</u>	<u>330,523</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

9. Long-term Debt, Continued

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

<u>Category</u>	<u>Debt Limit</u>	<u>Present Indebtedness</u>	<u>Balance</u>
General purpose	\$ 29,002,039	2,973,245	26,028,794
Schools	58,004,078	5,024,404	52,979,674
Sewers	48,336,731	1,386,220	46,950,511
Urban renewal	41,891,834	-	41,891,834
Pension deficit	38,669,385	-	38,669,385

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$90,228,565.

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, 2013, the outstanding indebtedness of the District was \$14,830,000. 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 33.88% or \$5,024,404.

A schedule of bonds authorized but unissued is presented below:

	<u>Authorized</u>	<u>Permanent Loans/BAN's</u>	<u>Authorized But Unissued</u>
Lake Beseck-Storm Drainage	\$ 990,000	959,000	31,000
Powder Ridge Ski Resort	\$ 2,850,000	2,850,000	-

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.

The following is a summary of management's estimate of vested potential liability for lump-sum payments to employees as of June 30, 2013:

Compensated Absences

Town:

Sick	\$ 110,293
Vacation	24,795
Total	\$ 135,088

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

10. Fund Balances

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2013:

General Fund:	
Assigned:	
Appropriation of fund balance	\$ 253,075
Unassigned	<u>1,610,691</u>
Total General Fund Balance	<u>1,863,766</u>
Reserve Fund for Capital and Nonrecurring Expenditures:	
Committed to Capital Projects	1,158,384
Lake Beseck:	
Restricted for Public Works	343,569
Housing Rehabilitation Programs:	
Restricted for Health and Welfare	55,425
Other Governmental Funds:	
General Government	97
Restricted for Public Works	501,544
Restricted for Parks and Recreation	14,560
Unassigned	<u>(6,284)</u>
Total Other Governmental Fund Balances	<u>509,917</u>
Total Governmental Fund Balances	<u>\$ 3,931,061</u>

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. Employees Retirement Systems and Pension Plans

Municipal Employees' Retirement Fund

Full-time policemen and Town employees participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of the participating municipalities. Chapter 113 Part II of the Connecticut General Statutes, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2013

12. Employees Retirement Systems and Pension Plans, Continued

Municipal Employees' Retirement Fund, Continued

MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Funding Policy

Plan members are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The current rate of contribution for the Town is 16.96% of covered payroll for police and 11.98% for other Town employees. The Town's contribution to MERF for the years ended June 30, 2013, 2012 and 2011, excluding amortization and assessments, was \$109,800, \$90,304 and \$75,739 respectively, equal to the required contributions for each year.

13. 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.

14. Subsequent Events

The Town has evaluated subsequent events from the period after June 30, 2013 through February 24, 2014, the date the financial statements were available to be issued.

In September, 2012, the Town completed the sale of the Powder Ridge Ski Area to Powder Ridge Mountain Park & Resort, LLC for \$700,000 with \$25,000 being received as deposit, \$75,000 received at the closing and the remaining \$600,000 to be paid in annual installments of \$100,000 for the next 6 years. In September, 2013 the Town received the second installment of \$100,000. In December, 2013 Powder Ridge Mountain Park & Resort, LLC made the final payment of \$500,000 to the Town.

Also as part of the sale, the Town agreed to pay Middlefield Holdings, LLC, a settlement of \$200,000 to be paid in \$100,000 installments in fiscal years 2013 and 2014.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Property Taxes:				
Property tax collections	\$ 12,846,023	12,846,023	12,889,795	43,772
Intergovernmental Revenue:				
State of Connecticut:				
PILOT-State owned property	9,413	9,413	9,277	(136)
Mohegan-Pequot grant	19,161	19,161	19,406	245
Municipal revenue sharing	198,671	198,671	238,340	39,669
PILOT-homeowners tax credit	44,250	44,250	41,444	(2,806)
PILOT-veterans tax relief	12,250	12,250	11,250	(1,000)
PILOT-disabled program	680	680	650	(30)
Local Capital Improvement Program (LOCIP)	-	-	-	-
DUI grant	11,625	11,625	10,883	(742)
Senior/Disabled bus service	10,059	10,059	8,612	(1,447)
Education cost sharing	2,132,776	2,132,776	2,132,776	-
Other	12,000	12,000	14,378	2,378
Total State of Connecticut	2,450,885	2,450,885	2,487,016	36,131
Total Intergovernmental Revenues	2,450,885	2,450,885	2,487,016	36,131
Charges for Services:				
Licenses and permits	2,150	2,150	4,129	1,979
Land use departments	54,300	54,300	90,059	35,759
Town Clerk	65,600	65,600	66,545	945
Police department services	32,000	32,000	50,170	18,170
Fire department services	800	800	50	(750)
Fire Marshal fees	350	350	-	(350)
Health department	2,150	2,150	5,600	3,450
Dog licenses and fees	4,200	4,200	3,840	(360)
Miscellaneous	400	400	2,812	2,412
Total Charges for Services	\$ 161,950	161,950	223,205	61,255

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2013**

	Original <u>Budget</u>	Revised <u>Budget</u>	Actual	Variance- Favorable (Unfavorable)
Other Revenues:				
Middlefield Housing Authority	\$ 18,000	18,000	14,630	(3,370)
Joseph E. Coe trust fund	7,812	7,812	7,861	49
Sale of property and equipment	2,200	2,200	1,750	(450)
Telephone access line tax	12,000	12,000	11,792	(208)
Rental of Town property	50,735	50,735	50,667	(68)
Miscellaneous	250	250	9,119	8,869
Total Other Revenues	90,997	90,997	95,819	4,822
Transfers From Other Funds:				
Park and recreation fund-summer camp payroll expenses	40,600	40,600	36,064	(4,536)
Old Indian Trail fund	5,975	5,975	5,975	-
Water system residual	-	-	36,119	36,119
WPCA-Route 66 water system	4,500	4,500	4,500	-
WPCA-Lake Beseck	212,765	212,765	212,765	-
Total Transfers	263,840	263,840	295,423	31,583
Revenue From the Use of Money:				
Interest income	8,700	8,700	9,051	351
Total Revenue From the Use of Money	8,700	8,700	9,051	351
Other Financing Sources:				
General Fund Balance	150,000	150,000	150,000	-
Total Other Financing Sources	150,000	150,000	150,000	-
Total Revenues	\$ 15,972,395	15,972,395	16,150,309	177,914

Budgetary revenues are different from GAAP revenues because:

Fund Balance and prior year surplus are not recognized as revenues for GAAP purposes (150,000)

Property taxes are budgeted on a cash basis:

Change in net property taxes, interest and fees receivable	27,420
Change in deferred property tax revenue	26,049

Total General Fund Revenues and Other Financing Sources as reported on the "Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds"-Exhibit IV	<u>16,053,778</u>
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TOWN OF MIDDLEFIELD, CONNECTICUT

Schedule RSI-2

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
General Government:				
Selectman's Office:				
First Selectmans Salary	\$ 62,397	62,397	62,397	-
Selectmen's Salaries	7,464	7,464	7,464	-
Administrative Assistant	45,564	45,724	45,724	-
Finance Director	79,694	79,694	79,694	-
Accounting Software Fees	4,250	4,250	4,250	-
Payroll Service Fees	6,000	6,000	5,996	4
Dues and Organizations	4,025	4,025	3,523	502
Office Expenses	5,000	5,000	4,792	208
Total Selectman's Office	214,394	214,554	213,840	714
Professional and Legal Costs:				
Town Engineer	25,000	14,530	13,326	1,204
Town Planner	21,000	21,000	9,961	11,039
Town Counsel	40,000	56,069	56,069	-
Labor Counsel	5,000	5,000	-	5,000
Bond Counsel	6,500	6,500	6,060	440
Legal Notices	10,500	10,500	7,302	3,198
Total Professional Services	108,000	113,599	92,718	20,881
Municipal Insurances:				
Property/Auto/Liability	53,000	59,253	59,253	-
Insurance Deductibles	5,700	5,700	-	5,700
Workers Compensation	65,125	65,125	64,378	747
Total Municipal Insurances	123,825	130,078	123,631	6,447
General and Central Services:				
Town Hall Building Expenses	13,250	13,929	13,928	1
Community Center Building Expenses	40,000	40,000	38,210	1,790
Street Lighting	48,000	48,084	48,083	1
Lake Beseck Drawdown Cost	3,000	3,000	2,408	592
Town Audit	15,200	15,200	15,200	-
Annual Town Report	450	685	685	-
Telephone Expense	11,000	13,482	13,481	1
Copier Expenses and Supplies	10,250	11,417	11,416	1
Postage	11,000	11,000	7,042	3,958
Custodian Salary	19,154	19,363	19,049	314
Custodial Supplies	1,650	1,665	1,665	-
Automobile Maintenance	5,350	5,350	224	5,126
Town Vehicle Fuel	36,750	40,128	40,128	-
Town Web Site	1,000	1,000	-	1,000
Computer Network Support	11,500	11,500	10,981	519
Total General and Central Services	227,554	235,803	222,500	13,303

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED**
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Employee Benefits:				
Social Security	\$ 87,360	87,723	87,722	1
Health Insurance	300,050	300,050	291,760	8,290
Life/short-term Disability Insurance	2,650	2,650	1,551	1,099
Pension-Municipal Employees	107,400	109,801	109,800	1
Pension-Elected Officials	3,600	3,600	3,597	3
Total Employee Benefits	501,060	503,824	494,430	9,394
Town Clerk:				
Town Clerk Salary	40,757	40,757	40,757	-
Indexing, recording and vital statistics	2,125	2,125	2,117	8
Records System License	11,244	11,244	10,980	264
Town Clerk Assistant	22,104	22,787	22,528	259
Town Records and Restoration	2,000	2,000	2,000	-
Conferences and Dues	500	500	115	385
Office Expenses	2,000	2,048	2,047	1
Total Town Clerk	80,730	81,461	80,544	917
Tax Collector:				
Tax Collector Salary	29,902	29,902	29,902	-
Tax Collector Assistant	3,000	3,000	1,384	1,616
State-Delinquent Autos Fee	1,013	1,013	1,012	1
System Software License	5,703	5,703	5,602	101
Conferences and Dues	300	300	133	167
Office Expenses	1,000	1,000	677	323
Total Tax Collector	40,918	40,918	38,710	2,208
Treasurer:				
Treasurer's Salary	5,694	5,694	5,694	-
Office expenses	50	50	10	40
Total Treasurer	5,744	5,744	5,704	40
Registrar of Voters:				
Registrar's Salary	13,863	13,863	13,862	1
Election Expenses	18,000	18,000	14,706	3,294
Office Expenses	1,100	1,100	765	335
Conferences and Dues	1,250	1,250	813	437
Total Registrar of Voters	34,213	34,213	30,146	4,067

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

Schedule RSI-2, Continued

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Land Use/Health Department:				
Building Official	\$ 38,861	46,145	46,145	-
Office Assistant	35,529	35,709	35,709	-
Zoning Officer	23,783	26,586	26,585	1
Sanitarian	74,938	75,202	75,201	1
Health Director	1,775	1,775	1,775	-
D.E.P./Education Fees	5,000	5,511	5,510	1
Building code books	2,000	2,000	309	1,691
Water Testing Lab Fees	1,650	1,650	686	964
Water Filter Service	4,200	4,200	3,563	637
Conferences and Dues	1,750	1,750	493	1,257
Office Expenses	2,500	2,500	1,988	512
Total Land Use/Health Department	191,986	203,028	197,964	5,064
Assessor's Office:				
Assessor	56,004	56,201	56,201	-
System Software License	9,900	9,900	9,900	-
Conferences and Dues	605	605	519	86
Office Expenses	605	605	602	3
Total Assessor's Office	67,114	67,311	67,222	89
Boards and Commissions:				
Board of Selectmen	2,000	2,000	1,288	712
Board of Finance	1,750	1,750	1,425	325
Board of Assessment Appeals	750	750	690	60
Planning and Zoning Commission	45,000	45,669	45,668	1
Economic Development Commission	1,000	1,000	230	770
Inland/Wetlands Agency	12,500	14,876	14,875	1
Zoning Board of Appeals	4,000	5,574	5,574	-
Conservation Commission	750	750	-	750
Total Board and Commissions	67,750	72,369	69,750	2,619
Contingencies:				
Operational (Board of Finance)	55,000	(32,323)	(32,323)	-
Total Contingencies	55,000	(32,323)	(32,323)	-

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED**
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Outside Agencies:				
DMIAAB Operations	\$ 186,271	186,271	181,091	5,180
Regional Hazardous Waste	5,850	5,850	5,577	273
Levi E. Coe Library	270,125	270,125	270,125	-
Youth and Family Services	11,500	11,500	11,500	-
911 Valley Shore	47,612	47,612	47,162	450
Middlefield Cemetery	4,300	4,300	4,287	13
Probate Court	5,030	5,030	5,010	20
Old homes day committee	2,000	2,000	2,000	-
Total Outside Agencies	532,688	532,688	526,752	5,936
Sewer System Services:				
Brookside Drive Sewer System	4,900	8,593	8,593	-
WPCA-Route 66	500	500	152	348
WPCA-Lake Besek	2,250	2,250	1,710	540
Total Interfund Services	7,650	11,343	10,455	888
Total General Government	2,258,626	2,214,610	2,142,043	72,567
Public Safety:				
Police Department:				
Resident State Trooper	93,000	96,171	96,171	-
Constables Salary	116,715	116,715	116,709	6
Constables Overtime	27,650	27,650	16,828	10,822
Private Duty Wages	17,500	29,372	29,372	-
Equipment	4,300	4,316	4,315	1
Training Clinics	1,750	1,750	-	1,750
Secretary	15,146	15,160	15,160	-
Sundry Expenses	5,150	5,150	4,883	267
Total Police Department	281,211	296,284	283,438	12,846
Fire Department:				
Fire House Operations	25,000	25,132	25,131	1
Truck Operations and Maintenance	30,000	35,652	35,651	1
Communications	5,000	5,009	5,008	1
Equipment and Supplies	20,000	20,016	20,016	-
Physicals and Wellness	5,500	6,287	6,287	-
Training and Preparedness	8,000	8,000	7,999	1
Life Insurance	5,700	7,400	7,389	11
Appreciation Night	1,500	1,500	1,500	-
Supplemental Benefits	28,325	26,625	24,198	2,427
Part-time Labor	15,794	15,794	14,832	962
Total Fire Department	144,819	151,415	148,011	3,404

(Continued)

Schedule RSI-2, Continued

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Fire Marshal:				
Fire Marshal Salary	\$ 10,645	10,645	10,645	-
Deputy Callout Expenses	200	200	80	120
Vehicle Mileage	800	850	850	-
Conference and Dues	1,500	1,500	565	935
Sundry Expenses	300	300	22	278
Total Fire Marshal	13,445	13,495	12,162	1,333
Incident Management				
Director's Stipend	3,045	3,045	3,045	-
Shelter Equipment	500	500	-	500
Communications Equipment	500	1,009	1,009	-
Generator Expenses	700	878	878	-
Emergency notification system	2,000	2,184	2,183	1
Sundry Expenses	100	1,945	1,945	-
Total Incident Management	6,845	9,561	9,060	501
Animal Control:				
Animal Control Officer	15,911	15,911	15,910	1
Vehicle Allowance	750	750	750	-
Shelter Expenses	1,500	1,500	799	701
Animal Expenses	750	750	239	511
State of Connecticut Fees	2,900	2,900	2,451	449
Sundry Expenses	1,675	1,675	1,088	587
Total Animal Control	23,486	23,486	21,237	2,249
Total Public Safety	469,806	494,241	473,908	20,333
Public Works:				
Payroll	264,813	267,110	267,110	-
Snow Removal Materials	50,000	62,532	62,531	1
Equipment Maintenance	40,000	42,611	42,611	-
Overtime Expenses	31,250	31,250	27,908	3,342
Road Maintenance	63,000	63,000	52,044	10,956
Garage Expenses	14,400	14,400	12,363	2,037
Sundry Expenses	5,550	5,550	4,653	897
Total Public Works	469,013	486,453	469,220	17,233

(Continued)

Schedule RSI-2, Continued

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Health and Welfare:				
Senior/Social Services:				
Municipal Agent	\$ 35,529	35,650	35,649	1
Senior Center Activities	5,200	7,200	6,883	317
Elderly Transportation	15,343	15,343	14,800	543
Office Assistant	1,400	1,400	1,224	176
Social Services Agencies	4,036	4,036	4,036	-
Public Health	500	500	-	500
Senior/Disabled Bus Service	10,059	10,059	7,138	2,921
Conferences and Dues	150	170	170	-
Office Expenses	600	600	444	156
Total Senior/Social Services	72,817	74,958	70,344	4,614
Park and Recreation:				
Director	32,578	32,578	32,578	-
Peckam Park Expenses	25,000	25,000	20,861	4,139
Lake Beseck Park Expenses	8,500	8,500	8,440	60
Summer Camp Payroll	34,000	34,000	30,169	3,831
Summer Entertainment	500	500	500	-
Office Expenses	500	500	66	434
Total Park and Recreation	101,078	101,078	92,614	8,464

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Education:				
Regional School District Number 13	\$ 11,549,668	11,549,668	11,549,668	-
Total Education	<u>11,549,668</u>	<u>11,549,668</u>	<u>11,549,668</u>	<u>-</u>
Debt Service and Capital Leases:				
Powder Ridge financing	230,000	230,000	230,000	-
Merriam property note	10,000	10,000	10,000	-
TD Banknorth sweeper lease	12,012	12,012	12,012	-
U.S.D.A. Principal-Beseck storm drainage	47,333	47,333	47,333	-
U.S.D.A. Interest-Beseck storm drainage	28,561	28,561	28,561	-
Clean Water Fund Principal-Lake Beseck	167,838	167,838	167,838	-
Clean Water Fund Interest-Lake Beseck	28,929	28,929	28,928	1
Total Debt Service and Capital Leases	<u>524,673</u>	<u>524,673</u>	<u>524,672</u>	<u>1</u>
Total Expenditures	<u>15,445,681</u>	<u>15,445,681</u>	<u>15,322,469</u>	<u>123,212</u>
Transfers to Other Funds:				
Reserve Fund for Capital and Nonrecurring Expenditures	522,714	522,714	522,714	-
Old Indian Trail	4,000	4,000	4,000	-
Total Transfers to Other Funds	<u>526,714</u>	<u>526,714</u>	<u>526,714</u>	<u>-</u>
Total Expenditures and Transfers	<u>\$ 15,972,395</u>	<u>15,972,395</u>	<u>15,849,183</u>	<u>123,212</u>

Budgetary expenditures are different from GAAP expenditures because:

Encumbrances for purchases and commitments ordered but not received are reported in the year that the order is placed for budgetary purposes, but in the year received for financial reporting purposes.

(2,211)

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

15,846,972

SUPPLEMENTAL SCHEDULES

Schedule 1

TOWN OF MIDDLEFIELD, CONNECTICUT
GENERAL FUND
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2013

<u>Grand List Year</u>	<u>Uncollected Taxes July 1, 2012 and Current Levy</u>	<u>Lawful Corrections</u>	<u>Suspense Collections</u>	<u>Transfers (To)</u>	<u>Taxes Collectible</u>	<u>Tax Collections</u>	<u>Interest and Fees</u>	<u>Total Collections</u>	<u>Uncollected Taxes June 30, 2013</u>
2011	\$ 12,878,313		(5,703)	-	12,872,610	12,664,082	36,799	12,700,881	208,528
2010	210,663	(5,054)	2,246	(18,924)	188,931	113,358	24,753	138,111	75,573
2009	53,217	(2,282)	8,171	-	59,106	19,323	8,273	27,596	39,783
2008	26,524	(2,137)	410	-	24,797	8,141	4,790	12,931	16,656
2007	9,957	(2,157)	432	-	8,232	4,835	2,111	6,946	3,397
2006	5,304	(2,006)	403	-	3,701	557	579	1,136	3,144
2005	4,310	(1,728)	210	-	2,792	210	254	464	2,582
2004	4,289	(1,720)	235	-	2,804	235	318	553	2,569
2003	824	(824)	-	-	-	-	54	54	-
2002	-	-	157	-	-	157	272	429	-
2001	-	-	113	-	-	113	195	308	-
2000	-	-	99	-	-	99	199	298	-
1999	-	-	28	-	-	28	60	88	-
\$ 13,193,401	(23,611)	12,504	(18,924)	13,163,370	12,811,138	78,657	12,889,795	352,232	

Schedule 2

TOWN OF MIDDLEFIELD, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET

June 30, 2013

	Special Revenue						Total Nonmajor Governmental Funds	
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grants	Water Company Purchase	Donation Fund	Total Special Revenue
ASSETS								
Cash and cash equivalents	\$ 53,166	-	14,560	-	-	-	-	67,726
Accounts receivable	4,279	-	-	15,000	939	-	-	20,218
Due from other funds	-	405,577	-	30,103	-	-	97	435,777
Total Assets	\$ 57,445	405,577	14,560	45,103	939	-	97	523,721
LIABILITIES AND FUND BALANCE								
Liabilities:								
Accounts payable and accrued expenses	\$ 2,302	-	-	-	-	-	-	2,302
Due to other funds	-	-	-	-	3,415	-	-	3,415
Deferred revenue	4,279	-	-	-	3,808	-	-	8,087
Total Liabilities	6,581	-	-	-	7,223	-	-	13,804
Fund Balance:								
Restricted Unassigned	50,864	405,577	14,560	45,103	(6,284)	-	97	516,201 (6,284)
Total Fund Balance	50,864	405,577	14,560	45,103	(6,284)	-	97	509,917
Total Liabilities and Fund Balance	\$ 57,445	405,577	14,560	45,103	939	-	97	523,721

Schedule 3

TOWN OF MIDDLEFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2013

Special Revenue

	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grants	Eastern Connecticut Regional Water Company Purchase	Donation Fund	Total Special Revenue	Total Nonmajor Governmental Funds
REVENUES:									
Intergovernmental Licenses, fees and charges for goods and services	\$ 28,503	98,777	-	4,000	14,948	-	-	117,725	117,725
Revenues from the use of money	102	-	75,230	-	-	-	-	103,733	103,733
Other revenue	-	-	-	-	-	25,000	240	102	102
Total Revenues	28,605	98,777	75,230	4,000	14,948	25,000	240	25,240	25,240
EXPENDITURES:									
Current:									
General government	-	-	-	-	14,948	-	-	826	15,774
Public safety	-	-	-	-	-	-	-	-	-
Public works	35,354	-	-	1,987	-	-	-	37,041	37,041
Health and welfare	-	-	67,713	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	67,713	67,713
Capital Outlays	-	-	-	-	-	-	-	-	-
Total Expenditures	35,354	-	67,713	1,987	14,948	-	826	120,528	120,528
Excess of Revenues Over (Under) Expenditures	(6,449)	98,777	7,517	2,013	-	25,000	(586)	126,272	126,272
Other Financing Sources (Uses):									
Operating transfers in									
Operating transfers out									
Total Other Financing Sources (Uses)	(4,500)	-	(36,064)	(5,975)	4,000	-	(36,119)	-	4,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,949)	98,777	(28,547)	38	-	(11,119)	(586)	47,614	47,614
Fund Balance, June 30, 2012	61,813	306,800	43,107	45,065	(6,284)	11,119	683	462,303	462,303
Fund Balance (Deficit), June 30, 2013	\$ 50,864	405,577	14,560	45,103	(6,284)	-	97	509,917	509,917

TOWN OF MIDDLEFIELD, CONNECTICUT

AGENCY FUNDS

Combining Balance Sheet

June 30, 2013

	<u>Performance Bonds</u>	<u>Volunteer Fire Department Supplementary Benefit Fund</u>	<u>Total</u>
ASSETS			
Cash and equivalent investments	\$ -	-	-
Investments	-	448,677	448,677
Due from the General Fund	87,097	-	87,097
Total Assets	\$ -	448,677	535,774
LIABILITIES			
Liabilities			
Due To Contractors and Others	\$ 87,097	448,677	535,774
Total Liabilities	\$ 87,097	448,677	535,774

Schedule 5

TOWN OF MIDDLEFIELD, CONNECTICUT
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2013

PERFORMANCE BONDS				
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash	\$ 45,348	42,089	1,000	86,437
Total Assets	\$ 45,348	42,089	1,000	86,437
LIABILITIES				
Due To Contractors and Others	\$ 45,348	42,089	1,000	86,437
Total Liabilities	\$ 45,348	42,089	1,000	86,437
VOLUNTEER FIRE DEPARTMENT SUPPLEMENTARY BENEFIT FUND				
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Investments	\$ 444,556	4,121	-	448,677
Total Assets	\$ 444,556	4,121	-	448,677
LIABILITIES				
Due to Others	\$ 444,556	4,121	-	448,677
Total Liabilities	\$ 444,556	4,121	-	448,677
TOTAL AGENCY FUNDS				
	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
ASSETS				
Cash	\$ 45,348	42,089	1,000	86,437
Investments	444,556	4,121	-	448,677
Total Assets	\$ 489,904	46,210	1,000	535,114
LIABILITIES				
Due To Contractors and Others	\$ 489,904	46,210	1,000	535,114
Total Liabilities	\$ 489,904	46,210	1,000	535,114

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2013

Project	Appropriation			Expenditures			Unexpended Balance
	Beginning Balance	Current Year	Ending Balance	Beginning Balance	Current Year	Ending Balance	
Town Hall improvements	\$ 55,500	10,000	65,500	21,961	33,112	55,073	10,427
Community Center improvements	142,500	27,000	169,500	93,819	-	93,819	75,681
Web site development	5,000	-	5,000	5,000	-	5,000	-
Computer replacement and upgrade	119,800	5,000	124,800	110,790	20,845	131,635	(6,835)
Accrued benefits	70,000	10,000	80,000	14,370	-	14,370	65,630
Record management survey	5,000	-	5,000	5,000	-	5,000	-
Document computerization	10,675	-	10,675	10,675	-	10,675	-
Revaluation	447,000	18,000	465,000	358,222	-	358,222	106,778
Community Center boiler	9,163	-	9,163	9,163	-	9,163	-
Mattabesecck bridge	264,358	23,000	287,358	425,360	-	425,360	(138,002)
Guardrail replacement	32,050	-	32,050	32,050	-	32,050	-
Tree removal	63,000	15,000	78,000	57,080	11,320	68,400	9,600
Garage improvements	51,000	-	51,000	23,953	-	23,953	27,047
Road improvements	192,028	27,000	219,028	74,208	-	74,208	144,820
Miller Road bridge-STEAP	-	250,000	250,000	2,422	43,793	46,215	203,785
Bridge repairs	50,000	-	50,000	-	-	-	50,000
Garage environmental compliance	70,000	10,000	80,000	33,761	-	33,761	46,239
Environmental remediation	-	20,000	20,000	-	-	-	20,000
Dump truck replacement	375,250	55,000	430,250	348,858	-	348,858	81,392
Small dump truck replacement	194,927	28,500	223,427	178,392	-	178,392	45,035
Pickup replacement	18,000	3,000	21,000	-	21,274	21,274	(274)
Tractor replacement	98,299	6,500	104,799	91,799	-	91,799	13,000
Sweeper replacement	13,500	13,500	27,000	-	-	-	27,000
Front-end loader replacement	102,882	14,250	117,132	88,632	-	88,632	28,500
Park improvements	59,000	-	59,000	51,100	7,900	59,000	-
Peckham Field parking	38,420	-	38,420	38,420	-	38,420	-
Peckham Park-STEAP	203,500	-	203,500	183,884	19,616	203,500	-
Animal control vehicle replacement	-	-	-	-	-	-	-
Cruiser replacement	100,700	22,750	123,450	94,826	27,721	122,547	903
Enforcement equipment	-	7,000	7,000	-	7,000	7,000	-

(Continued)

Schedule 6

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2013

<u>Project</u>	<u>Appropriation</u>			<u>Expenditures</u>			<u>Unexpended Balance</u>
	<u>Beginning Balance</u>	<u>Current Year</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Current Year</u>	<u>Ending Balance</u>	
Water supply development	\$ 115,000	5,000	120,000	94,417	10,488	104,905	15,095
Fire hose replacement	27,500	2,500	30,000	14,816	6,094	20,910	9,090
Breathing apparatus	85,000	5,000	90,000	82,229	-	82,229	7,771
Thermal imaging camera	1,500	2,500	4,000	-	-	-	4,000
Communications equipment	32,500	8,000	40,500	17,110	-	17,110	23,390
Computer upgrades	-	4,000	4,000	-	-	-	4,000
Rescue truck replacement	254,563	5,000	259,563	254,563	-	254,563	5,000
Brush truck replacement	49,793	5,000	54,793	49,793	-	49,793	5,000
Pickup replacement	-	5,000	5,000	-	-	-	5,000
Fire chief's vehicle	5,000	5,000	10,000	-	-	-	10,000
Tanker replacement	90,000	50,000	140,000	-	-	-	140,000
Life saving equipment	41,000	6,000	47,000	26,171	9,000	35,171	11,829
Building maintenance/improvements	60,000	25,000	85,000	46,888	6,615	53,503	31,497
Pumper replacement	635,000	80,000	715,000	324,887	-	324,887	390,113
Industrial park-phase III	380,700	-	380,700	314,244	-	314,244	66,456
Planning and zoning studies	17,570	-	17,570	17,570	-	17,570	-
Plan of conservation and development	12,500	-	12,500	-	-	-	12,500
Land bank reserve	1,083,363	-	1,083,363	1,083,363	-	1,083,363	-
Open space property improvements	20,000	(12,305)	7,695	6,695	-	6,695	1,000
Open space acquisition	3,592,065	-	3,592,065	3,592,065	-	3,592,065	-
Coe Hill house demolition	24,700	-	24,700	24,700	-	24,700	-
Dinosaur footprint area	1,745	-	1,745	1,745	-	1,745	-
Powder Ridge development	40,000	25,000	65,000	36,513	20,024	56,537	8,463
Powder Ridge bonding	66,267	-	66,267	65,943	324	66,267	-
Coe Hill sanctuary	60,456	-	60,456	60,456	-	60,456	-
Levi Coe Library improvements	51,908	20,000	71,908	51,908	12,500	64,408	7,500
Boat replacement	9,272	-	9,272	9,272	-	9,272	-
Voting machines	-	-	-	-	-	-	-
Community Center-STEAP grant	350,000	-	350,000	350,000	-	350,000	-
	\$ 9,898,954	806,195	10,705,149	8,879,093	257,626	9,136,719	1,568,430

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
June 30, 2013

Schedule 7

Total Current Year Tax Collections, Including Interest and Lien Fees					<u>\$ 12,889,795</u>
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 29,002,039				
4-1/2 times base		58,004,078			
3-3/4 times base			48,336,731		
3-1/4 times base				41,891,834	
3 times base					38,669,385
Total Debt Limitation	<u>29,002,039</u>	<u>58,004,078</u>	<u>48,336,731</u>	<u>41,891,834</u>	<u>38,669,385</u>
Indebtedness:					
Loans payable	613,245			1,355,220	
Bonds payable					
Bond anticipation notes payable	2,360,000				
Bonds authorized and unissued				31,000	
Overlapping debt:					
Town Share of Regional School District					
Number 13 Bonded Indebtedness		5,024,404			
Total Indebtedness	<u>2,973,245</u>	<u>5,024,404</u>	<u>1,386,220</u>	-	-
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 26,028,794</u>	<u>52,979,674</u>	<u>46,950,511</u>	<u>41,891,834</u>	<u>38,669,385</u>
Total Capacity For Borrowing (7 times annual receipts from taxation)				<u>\$ 90,228,565</u>	

Note 1: The Town of 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, 2012, the outstanding indebtedness of the District was \$14,830,000. 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 33.88% or \$5,024,404.

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

INDEPENDENT AUDITOR'S 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:

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated February 24, 2014.

Internal Control Over Financial Reporting

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

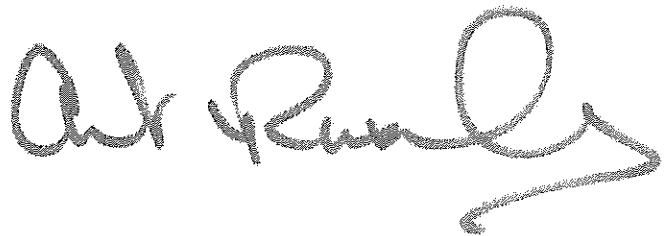
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

(Continued)

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink, appearing to read "Albert J. Rusilowicz".

Albert J. Rusilowicz, CPA, LLC
Killingworth, Connecticut
February 24, 2014

**REPORT AND SCHEDULES REQUIRED
BY THE STATE SINGLE AUDIT**

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

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

Report on Compliance for Each Major State Program

I have audited the Town of Middlefield, Connecticut's (the Town) compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2013. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

My responsibility is to express an opinion on compliance for each of the Town's major state programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 State Single Audit Act require that I 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's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

Opinion on Each Major State Program

In my 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, 2013.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town's internal control over compliance with the 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 my 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, I do not express an opinion on the effectiveness of the Town'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 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.

My 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 weakness or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I 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 my 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.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

I have audited the financial statements of the Town as of and for the year ended June 30, 2013, and have issued my report thereon dated February 24, 2014, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.



Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
February 24, 2014

Schedule 8

TOWN OF MIDDLEFIELD, CONNECTICUT
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2013

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	98,777
Alcohol Open Container Requirements	12062-DOT57513-22091	10,883
Bus Operations	12001-DOT57931-12175	8,612
Total Department of Transportation		<u>118,272</u>
Office of Policy and Management:		
Property Tax Relief For Elderly And Totally Disabled Homeowners	11000-OPM20600-17018	41,444
Local Capital Improvement Fund (LOCIP)	12050-OPM20600-40254	45,311
Property Tax Relief For Veterans	11000-OPM20600-17024	11,250
Payment In-Lieu of Taxes-State Owned Property	11000-OPM20600-17004	9,277
Property Tax Reimbursement-Disabled Exemption	11000-OPM20600-17011	650
Total Office of Policy and Management		<u>107,932</u>
Department of Environmental Protection:		
Small Town Economic Assistance Program (STEAP)	12052-DEP43153-40531	19,095
Judicial Department:		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	10,492
State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	4,000
Total State Financial Assistance Before Exempt Programs		<u>259,791</u>
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	2,132,776
Office of Policy and Management:		
Municipal Revenue Sharing	12060-OPM20600-35458	238,340
Municipal Video Competition Grant	12060-OPM20600-35362	1,269
Total Office of Policy and Management		<u>239,609</u>
Office of the State Comptroller:		
Mashantucket Pequot Grant	12009-OPM20600-17005	19,406
Total Exempt Programs		<u>2,391,791</u>
Total State Financial Assistance		<u>\$ 2,651,582</u>

TOWN OF MIDDLEFIELD, CONNECTICUT

**Notes to the Schedule of Expenditures of
State Financial Assistance**

For the Year Ended June 30, 2013

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Middlefield, Connecticut 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
Public works
Property tax relief

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Middlefield, Connecticut conform to generally accepted accounting principles accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the Town of Middlefield, Connecticut's annual audit report are generally prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are generally recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recorded when goods or services are received and actual liabilities are incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), 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

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

**Notes to the Schedule of Expenditures of
State Financial Assistance, Continued**

For the Year Ended June 30, 2013

2. Loan Programs

In accordance with Section 4-236-23(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, 2013:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
5/31/01	2%	\$3,271,712	\$1,523,057	\$ -	\$ 167,837	\$ 1,355,220

TOWN OF MIDDLEFIELD, CONNECTICUT

**State Financial Assistance Programs
Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
Significant deficiency(ies)?	<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 auditor's report 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?

yes no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$ 98,777
Office of Policy and Management:		
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	\$ 41,444

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

**State Financial Assistance Programs
Schedule of Findings and Questioned Costs, Continued**

For the Year Ended June 30, 2013

I. Summary of Auditor's Results, Continued

State Financial Assistance, Continued

- Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

II. Financial Statement Findings

- I have issued reports dated February 24, 2014 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*.
- My report on compliance and other matters indicated no reportable instances of noncompliance.
- My report on internal control over financial reporting indicated no significant deficiencies.

III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs are reported relating to State financial assistance programs.