

TOWN OF MIDDLEFIELD, CONNECTICUT

AUDITED FINANCIAL STATEMENTS

TOGETHER WITH SUPPLEMENTAL

REPORTS AND SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2015

TOWN OF MIDDLEFIELD, CONNECTICUT
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SUPPLEMENTAL SCHEDULES
YEAR ENDED JUNE 30, 2015

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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, 2015, 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, 2015, 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 on pages 3 – 9, the budgetary comparison information on pages 36-44 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 January 14, 2016, 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.

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

Albert J. Rusilowicz, CPA, LLC
Killingworth, Connecticut
January 14, 2016

TOWN OF MIDDLEFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 \$495,498 or approximately 4.34%.
- The total cost of all of the Town's governmental activities was \$16,972,021.
- The General Fund reported a fund balance of \$1,771,749 at June 30, 2015.
- For the year ended June 30, 2015, the resources available for appropriation were \$307,524 less than budgeted for the general fund, excluding the use of prior year fund balance. Expenditures were \$191,538 less than budgeted for the general fund.
- The Town's total bonded debt decreased by \$414,226 to a level of \$2,650,392.

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 position and the statement of activities) and governmental funds is described in a reconciliation following each 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 position increased from a year ago. The analysis below focuses on the net position and changes in net position of the Town's governmental and business-type activities.

	Governmental Activities	
	2014	2015
	2015	Restated
Current and other assets	\$ 5,920,521	5,763,280
Capital assets, net	9,425,454	9,674,715
Total assets	15,345,975	15,437,995
Long-term liabilities outstanding	3,096,889	3,687,448
Other liabilities	342,748	339,707
Total liabilities	3,439,637	4,027,155
Net position:		
Invested in capital assets, net of related debt	6,775,062	6,610,097
Unrestricted	5,131,276	4,800,743
Total net position	\$ 11,906,338	11,410,840

The net position of the Town's governmental activities increased by \$495,498 or 4.34%. Unrestricted net position – the part of net assets than can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased by \$330,533 to \$5,131,276 at June 30, 2015.

(Continued)

	Activities	
	2014	2015
		Restated
Revenues:		
Program revenues:		
Charges for services	\$ 564,265	522,256
Operating grants and contributions	2,432,837	2,892,447
Capital grants and contributions	110,960	130,965
General revenues:		
Property taxes	13,854,455	13,500,102
Grants and contributions not restricted to specific purposes	321,247	390,523
Unrestricted investment earnings	7,035	9,915
Other general revenues	176,720	271,709
Total revenues	17,467,519	17,717,917
Program expenses:		
General government	2,431,400	3,527,807
Public safety	657,400	627,426
Public works	1,230,240	1,202,703
Health and welfare	69,702	65,788
Parks and recreation	189,818	166,709
Education	12,323,644	11,969,987
Interest/fees on long-term debt	69,817	209,700
Total program expenses	16,972,021	17,770,120
Increase (decrease) in net position	\$ 495,498	(52,203)

The Town's total revenue (excluding special items) was \$17,467,519. The total cost of all programs and services was \$16,972,021. Our analysis above separately considers the operations of governmental activities.

(Continued)

Governmental activities

Governmental activities increased the Town's net position by \$495,498. Expenditures below budgeted levels were the main contributors to this years results.

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		Year Ended June 30, 2014	
	<u>Year Ended June 30, 2015</u>		<u>Restated</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 2,431,400	2,110,523	\$ 3,527,807	2,723,257
Public works	1,230,240	762,444	1,202,703	744,140
Parks and recreation	189,818	82,345	166,709	59,472
Public safety	657,400	558,949	627,426	555,262
Education	12,323,644	10,180,859	11,969,987	9,831,858

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 \$3,826,887 which is an increase of \$380,222 from last year's total of \$3,446,665. Included in this year's total change in fund balance is a decrease in the Town's General Fund balance of \$69,631, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$465,383. The primary reasons for the General Fund's shortfall mirror the governmental activities analysis highlighted in Exhibit IV. The increase in the Town's Reserve Fund is attributable primarily to operating transfers in from the General Fund which were not expended during the year.

General Fund budgetary highlights

General property taxes-property tax revenue was \$73,445 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 DUI police grants and other state funding. Local revenues in total were greater than budgeted amounts primarily as a result of police department services.

(Continued)

Capital asset and debt administration

At June 30, 2015, the Town had a net balance of \$9,425,454 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 \$249,261, or approximately 2.589% from the prior year.

Capital Assets at Year-End (net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 4,249,457	4,249,457
Powder Ridge development rights	1,893,919	1,893,919
Buildings and improvements	1,066,098	1,136,170
Machinery, equipment and vehicles	1,588,524	1,753,088
Infrastructure	627,456	642,081
 Totals	 \$ 9,425,454	 9,674,715

The Town's 2014/2015 budget calls for no major capital expenditures from the General Fund.

Long-term obligations

At June 30, 2015, the Town had outstanding debt obligations, including compensated absences and net pension liability, as shown below:

Long-term obligations at year-end

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 1,149,476	1,327,000
Loans	1,500,916	1,737,618
Compensated absences	94,098	133,850
Net pension liability	352,399	488,980
 Totals	 \$ 3,096,889	 3,687,448

(Continued)

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.

TOWN OF MIDDLEFIELD, CONNECTICUT**STATEMENT OF NET POSITION****June 30, 2015**

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,921,567
Receivables, net	1,888,842
Capital assets not being depreciated	6,143,376
Capital assets being depreciated, net of depreciation	3,282,078
Total Assets	15,235,863
DEFERRED OUTFLOWS OF RESOURCES:	
Pension contributions after the measurement date	110,112
Total Deferred Outflows of Resources	110,112
LIABILITIES:	
Accounts payable and accrued expenses	146,613
Due to Fiduciary Funds	73,088
Noncurrent liabilities:	
Due within one year	457,823
Due in more than one year	2,639,066
Total Liabilities	3,316,590
DEFERRED INFLOWS OF RESOURCES:	
Unearned revenue	13,520
Net difference between projected and actual investment earnings on pension plan investments	109,527
Total Deferred Inflows of Resources	123,047
NET POSITION:	
Invested in capital assets, net of related debt	6,775,062
Unrestricted	5,131,276
Total Net Position	\$ 11,906,338

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, 2015

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
		Governmental Activities			
Governmental activities:					
General government	\$ 2,431,400	172,961	36,956	110,960	(2,110,523)
Public safety	657,400	47,724	50,727	-	(558,949)
Public works	1,230,240	265,427	202,369	-	(762,444)
Health and welfare	69,702	(29,320)	-	-	(99,022)
Parks and recreation	189,818	107,473	-	-	(82,345)
Education	12,323,644	-	2,142,785	-	(10,180,859)
Capital outlays	-	-	-	-	-
Interest/fees on long-term debt	69,817	-	-	-	(69,817)
Total governmental activities	<u>16,972,021</u>	<u>564,265</u>	<u>2,432,837</u>	<u>110,960</u>	<u>(13,863,959)</u>
Total government	<u>\$ 16,972,021</u>	<u>564,265</u>	<u>2,432,837</u>	<u>110,960</u>	
General revenues:					
Property taxes					13,854,455
Grants and contributions not restricted to specific programs					321,247
Unrestricted investment earnings					7,035
Miscellaneous					176,720
Total general revenues and transfers					<u>14,359,457</u>
Change in net position					495,498
Net position-beginning (restated)					11,410,840
Net position-ending					<u>\$ 11,906,338</u>

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

Exhibit III**TOWN OF MIDDLEFIELD, CONNECTICUT****GOVERNMENTAL FUNDS****BALANCE SHEET**
June 30, 2015

	<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>
ASSETS						
Cash and cash equivalents	\$ 3,511,933	-	215,019	127,023	67,592	3,921,567
Receivables, net	467,801	-	789,108	-	25,964	1,282,873
Loans receivable	-	-	-	605,969	-	605,969
Due from other funds	12,425	1,170,817	-	-	474,393	1,657,635
Total Assets	\$ 3,992,159	1,170,817	1,004,127	732,992	567,949	7,468,044
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 105,468	4,935	5,086	-	4,692	120,181
Due to other funds	1,718,298	-	-	-	12,425	1,730,723
Total Liabilities	1,823,766	4,935	5,086	-	17,117	1,850,904
Deferred Inflows of Resources:						
Unavailable revenue	383,124	-	779,001	605,969	8,639	1,776,733
Unearned revenue	13,520	-	-	-	-	13,520
Total Deferred Inflows of Resources	396,644	-	779,001	605,969	8,639	1,790,253
Fund Balances:						
Restricted	-	-	220,040	127,023	552,293	899,356
Committed	-	1,165,882	-	-	-	1,165,882
Assigned	270,455	-	-	-	-	270,455
Unassigned	1,501,294	-	-	-	(10,100)	1,491,194
Total Fund Balances	1,771,749	1,165,882	220,040	127,023	542,193	3,826,887
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 3,992,159	1,170,817	1,004,127	732,992	567,949	7,468,044

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

Exhibit IIIA

TOWN OF MIDDLEFIELD, CONNECTICUT

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION-GOVERNMENTAL ACTIVITIES**

June 30, 2015

Fund Balances-Government Funds	\$ 3,826,887
Amounts Reported for Governmental Activities in the Statement of Net Position are Difference Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
	9,425,454
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	1,776,733
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bonds payable	(1,149,476)
Loans payable	(1,500,916)
Net pension liability	(352,399)
Deferred outflows-pension contributions after the measurement date	110,112
Deferred inflows-net difference between projected and actual investment earnings on pension plan investments	(109,527)
Compensated absences	(94,098)
Accrued interest payable on long-term debt liabilities is not recorded in the funds	(26,432)
Net Position of Governmental Activities	<u>\$ 11,906,338</u>

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

Exhibit IV

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2015

	<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	\$ 13,794,575	-	-	-	-	13,794,575
Intergovernmental	2,530,552	110,960	-	-	223,532	2,865,044
Licenses, fees and charges for goods and services	224,610	-	377,165	-	141,347	743,122
Interest and investment income	6,505	-	298	189	43	7,035
Miscellaneous	165,232	-	591	33,245	2,770	201,838
Total Revenues	16,721,474	110,960	378,054	33,434	367,692	17,611,614
EXPENDITURES:						
Current:						
General government	2,302,926	95,246	-	-	31,263	2,429,435
Public safety	507,099	54,383	-	-	-	561,482
Public works	548,159	163,185	264,849	-	162,501	1,138,694
Health and welfare	69,702	-	-	-	-	69,702
Parks and recreation	108,254	-	-	-	69,008	177,262
Education	12,323,644	-	-	-	-	12,323,644
Debt service	486,126	-	-	-	-	486,126
Capital outlays	-	45,047	-	-	-	45,047
Total Expenditures	16,345,910	357,861	264,849	-	262,772	17,231,392
Excess of Revenues Over (Under) Expenditures	375,564	(246,901)	113,205	33,434	104,920	380,222
Other Financing Sources (Uses):						
Proceeds from general obligation bonds	-	-	-	-	-	-
Operating transfers in	272,114	712,284	-	-	5,025	989,423
Operating transfers out	(717,309)	-	(212,765)	-	(59,349)	(989,423)
Total Other Financing Sources (Uses)	(445,195)	712,284	(212,765)	-	(54,324)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(69,631)	465,383	(99,560)	33,434	50,596	380,222
Fund Balances, June 30, 2014	1,841,380	700,499	319,600	93,589	491,597	3,446,665
Fund Balances, June 30, 2015	\$ 1,771,749	1,165,882	220,040	127,023	542,193	3,826,887

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

TOWN OF MIDDLEFIELD, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2015

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Net Change in Fund Balances-Total Government Funds (Exhibit IV) \$ 380,222

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 capital outlays in the current period.

Plus capital outlays treated as expenditures on Exhibit IV	45,047
Less depreciation expense in Exhibit II but not in Exhibit IV	(269,190)

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, including the change in:

Pension liability and related deferred inflows and outflows	27,453
Compensated absences	39,752
Accrued interest payable on long-term debt	2,083

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 position. Repayment of bond and capital lease obligation principal is an expenditures in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net position. Principal repayments during the year are as follows:

General obligation bonds payable	177,524
Loans payable	236,702

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. (118,977)

The net realized gain/loss on the sale of fixed assets is not recorded in the funds. (25,118)

Change in Net Position of Governmental Activities (Exhibit II) \$ 495,498

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

Exhibit V

TOWN OF MIDDLEFIELD, CONNECTICUT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
Investments	495,514
Due from the General Fund	73,088
Total Assets	\$ 568,602
<u>LIABILITIES</u>	
Bonds deposited and amounts due to volunteers/employees	\$ 568,602
Total Liabilities	\$ 568,602

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

TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015**

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 Supplemental Benefit Fund are the Town's agency funds.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

Required supplementary information

In addition to the government-wide and governmental fund financial statements, budgetary comparison schedules are presented for the general fund. The Town of Middlefield adopts an annual budget for both revenue and expenditures for the general fund. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures.

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.

(Continued)

**TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies, Continued

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

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.

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 Position.

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, 2015 are stated net of an allowance for uncollectible amounts of \$3,953.

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies, Continued

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

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, 2015, the Town had no prepaid expenses.

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, 2015 amounted to \$94,098. This liability for unpaid vacation and sick leave is reflected in the government-wide statement of position.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies, Continued

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

I. Pension

The Town of Middlefield is a participating municipality in the Connecticut Municipal Employees Retirement System (CMERS) which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The CMERS was established in 1947 and is governed by Connecticut General Statute Title 7, Chapter 113.

The CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of the CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members.

The net pension liability represents the Town of Middlefield's proportionate share of the net pension liability of the CMERS. The financial reporting of these amounts is presented in accordance with the provisions of GASB Statements No. 68 *Accounting and Financial Reporting for Pensions* and No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

J. 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 position. 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.

K. 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).

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies, Continued

K. Fund Equity-Fund Financial Statements, Continued

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.

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.

L. 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. Stewardship, Compliance and Accountability

A. Budget Basis

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. Additional appropriations from General Fund balance totaled \$137,082 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.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

2. Stewardship, Compliance and Accountability, Continued

A. Budget Basis, Continued

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.

B. Application of Accounting Standards

For the year ended June 30, 2015, the Town of Middlefield implemented the following standards:

- GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. The statement, and GASB Statement No. 67 applicable to pensions, improves accounting and financial reporting by state and local governments for pensions. The Statement intends to provide for better decision making, accountability, interperiod equity, and creating additional transparency.
- GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to improve financial and reporting by addressing an issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans.

C. Cumulative Effect of Change in Accounting Principle

For the year ended June 30, 2015, the Town of Middlefield implemented GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred inflows/outflows of resources and expenses/expenditures. As a result of adopting these standards, the government-wide financial statements reflect a cumulative effect for the change in accounting principle of \$379,267 (a reduction in net position).

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

3. 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, 2015:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	<u>Statement of</u>	<u>Statement of</u>
	<u>Net Position</u>	<u>Fiduciary</u>
<u>Net Position</u>		
Deposits:		
Demand, savings and money market accounts	\$ 3,053,700	-
Petty cash and cash on hand	100	-
Cash equivalents:		
State Short-Term Investment Fund (STIF)	867,767	-
Total Cash and Cash Equivalents	<u>\$ 3,921,567</u>	<u>-</u>

Deposits

At June 30, 2015, the carrying amount of the Town's deposits with financial institutions was \$3,053,700 and the bank balance was \$3,199,370.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

3. Cash, Cash Equivalents and Investments, Continued

Deposits, Continued

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, 2015 bank balance, \$702,280 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 \$368,312, based on the June 30, 2015 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$2,128,778 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, 2015, the Town's cash equivalents amounted to \$867,767 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, 2015 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:

Flexible annuities	\$ 426,929
Mutual funds	34,483
Cash equivalents	34,102
<hr/>	
	<u>\$ 495,514</u>

Interest Rate Risk

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

Credit Risk

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

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015

3. Cash, Cash Equivalents and Investments, Continued

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, 2015, 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.

4. 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 recognized \$110,112 of deferred outflows of resources related to pension contributions made after the measurement date.

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 as 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:

	<u>General Fund</u>	<u>Lake Beseck Fund</u>	<u>Housing Rehabilitation Programs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 384,395	-	-	-	384,395
Interest and liens	72,260	21,734	-	2,270	96,264
Accounts	15,099	67,843	-	6,369	89,311
Assessments	-	699,531	-	-	699,531
Intergovernmental	-	-	-	17,325	17,325
Loans	-	-	605,969	-	605,969
Gross receivables	471,754	789,108	605,969	25,964	1,892,795
Less: allowance for uncollectibles					
					(3,953)
Net total receivables	\$ 467,801	789,108	605,969	25,964	1,888,842

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015

4. Receivables and Deferred Outflows/Inflows of Resources, Continued

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. Additionally, \$109,527 has been recognized as a deferred inflow of resources representing the "net difference between projected and actual investment earnings on pension plan investments". This amount is being amortized and recognized in future periods.

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	\$ 327,424	-
Accrued interest and fees on delinquent property taxes	55,700	-
Advance tax collections	-	3,925
Other receipts not yet earned	-	9,595
Assessments not yet due	706,462	-
Accrued interest on delinquent sewer usage and assessment fees	8,639	-
Sewer user fees receivable	72,539	-
Loans receivable-not yet due	605,969	-
	<hr/> <u>\$ 1,776,733</u>	<hr/> <u>13,520</u>

5. Capital Assets

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

	<u>Balance</u>		<u>Balance</u>	
	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,249,457	-	-	4,249,457
Powder Ridge development rights	1,893,919	-	-	1,893,919
	<hr/> 6,143,376	<hr/> -	<hr/> -	<hr/> 6,143,376
Capital assets being depreciated:				
Buildings and improvements	2,214,614	-	-	2,214,614
Machinery and equipment	3,594,067	45,047	(288,628)	3,350,486
Infrastructure	751,556	-	-	751,556
Total assets being depreciated	<hr/> 6,560,237	<hr/> 45,047	<hr/> (288,628)	<hr/> 6,316,656
Less: accumulated depreciation for:				
Buildings and improvements	(1,078,444)	(70,072)	-	(1,148,516)
Machinery and equipment	(1,840,979)	(184,493)	263,510	(1,761,962)
Infrastructure	(109,475)	(14,625)	-	(124,100)
	<hr/> (3,028,898)	<hr/> (269,190)	<hr/> 263,510	<hr/> (3,034,578)
Total capital assets being depreciated, net	<hr/> 3,531,339	<hr/> (224,143)	<hr/> (25,118)	<hr/> 3,282,078
Total Government-Wide Capital Assets, Net	\$ 9,674,715	(224,143)	(25,118)	9,425,454

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015

5. Capital Assets, Continued

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	\$ 52,132
Public safety	110,825
Public works	93,677
Parks and recreation	12,556
 Total depreciation expense-governmental activities	<u>\$ 269,190</u>

6. Interfund Accounts

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

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 12,425	1,718,298
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	1,170,817	-
Nonmajor Governmental Funds:		
Town Aid Road	461,048	-
Old Indian Trail Water System	12,798	-
Miscellaneous Grants	-	2,325
Special Purpose Fund	-	10,100
Donation Fund	547	-
Fiduciary Funds:		
Performance Bonds	73,088	-
	<u>\$ 1,730,723</u>	<u>1,730,723</u>

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

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

6. Interfund Accounts, Continued

Interfund transfers:

Interfund transfers represent routine recurring transactions to move resources from one fund to another. Interfund transfers for the year ended June 30, 2015 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 272,114	717,309
Major Governmental Funds:		
Reserve Fund for Capital and Nonrecurring Expenditures	712,284	-
Lake Beseck	-	212,765
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	4,500
Parks and Recreation Commission	-	48,574
Old Indian Trail Water System	5,025	6,275
	<hr/> <u>\$ 989,423</u>	<hr/> <u>989,423</u>

7. Leases

Operating Lease

The Town entered into an operating lease agreement with Nextel Communications and/or other designees for the right to use certain premises on 393 Jackson Hill Road for wireless communication. The Town is to receive rental income payable in equal monthly installments with a scheduled increase every five years equal to 15% of the rent scheduled to be paid for each year of the previous term. Rental income for the year ended June 30, 2015 amounted to \$54,913.

8. Long-term Debt

Changes in Long-Term Liabilities

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

	<u>Balance</u>		<u>Reductions/</u>	<u>Balance</u>		
	<u>July 1, 2014</u>		<u>Additions</u>	<u>Maturities</u>	<u>June 30, 2015</u>	<u>Due Within</u>
	<u>(Restated)</u>					<u>One Year</u>
Governmental Activities:						
General obligation bonds payable	\$ 1,327,000		-	177,524	1,149,476	182,743
Loans payable	1,737,618		-	236,702	1,500,916	242,743
Compensated absences	133,850		-	39,752	94,098	32,337
Net pension liability	488,980		-	136,581	352,399	-
Total Governmental Activities						
long-term liabilities	<hr/> <u>\$ 3,687,448</u>		<hr/> <u>-</u>	<hr/> <u>590,559</u>	<hr/> <u>3,096,889</u>	<hr/> <u>457,823</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015

8. Long-term Debt, Continued

A schedule of bonds and loans payable at June 30, 2015 is presented below:

<u>Purpose/Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2015</u>
Loans payable:				
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.75%	\$ 137,551
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.875%	304,051
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00%	1,009,314
Development rights-Merriam property	1/20/2011	7/31/2019	0%	50,000
General obligation bonds payable	3/5/2014	4/21/2021	1.87%	\$ 1,149,476
				<u>\$ 2,650,392</u>

The following is a schedule of loan and note maturities as of June 30, 2015:

<u>Fiscal year ending:</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2016	\$ 415,486	60,640
June 30, 2017	425,167	50,959
June 30, 2018	435,114	41,013
June 30, 2019	445,334	30,793
June 30, 2020	455,837	20,289
June 30, 2021	351,279	10,068
June 30, 2022	72,175	3,491
	<u>\$ 2,600,392</u>	<u>217,253</u>

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

<u>Category</u>	<u>Debt Limit</u>	<u>Present Indebtedness</u>	<u>Balance</u>
General purpose	\$ 30,986,656	1,641,078	29,345,578
Schools	61,973,312	3,317,341	58,655,971
Sewers	51,644,426	1,009,314	50,635,112
Urban renewal	44,758,503	-	44,758,503
Pension deficit	41,315,541	352,399	40,963,142

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

8. Long-term Debt, Continued

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$96,402,929.

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, 2015, the outstanding indebtedness of the District was \$9,470,000. 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 35.03% or \$3,317,341.

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

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, 2015:

Compensated Absences

Town:	
Sick	\$ 84,272
Vacation	9,826
Total	<u><u>\$ 94,098</u></u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015

9. Fund Balances

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2015:

General Fund:

Assigned:

Appropriation of fund balance	\$ 270,455
Unassigned	<u>1,501,294</u>
Total General Fund Balance	<u>1,771,749</u>

Reserve Fund for Capital and Nonrecurring Expenditures:

Committed to Capital Projects	1,165,882
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Lake Beseck:

Restricted for Public Works	220,040
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Housing Rehabilitation Programs:

Restricted for Health and Welfare	127,023
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Other Governmental Funds:

General Government	547
Restricted for Public Works	533,040
Restricted for Parks and Recreation	18,706
Unassigned	<u>(10,100)</u>
Total Other Governmental Fund Balances	<u>542,193</u>

Total Governmental Fund Balances	<u>\$ 3,826,887</u>
----------------------------------	---------------------

The Special Purpose Fund had a fund balance deficit of \$10,100 at June 30, 2015. This fund balance deficit represents the excess of expenditures over actual revenues. It is anticipated that this deficit will be funded by revenues to be generated in future years.

10. 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.

11. Employees Retirement Systems and Pension Plans

Plan Description

The Town participates in the State of Connecticut Municipal Employee Retirement System (CMERS) which was established by the State of Connecticut and is administered by the State retirement system to provide for a cost sharing multiple employer public employee retirement system to provide pension benefits for the employees of participating municipalities. Plan provisions are set by statute of the State of Connecticut.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

11. Employees Retirement Systems and Pension Plans, Continued

Plan Membership

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, and other special districts may elect to participate in the plan. Full-time policemen and Town employees are eligible to participate in the CMERS. Only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible for participation.

Benefit Provisions

Plan provisions are established by State statute. The CMERS provides retirement benefits, as well as death and disability benefits. General employees (employees of the Town) are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. The compulsory retirement age for police is age 65.

Normal retirement: For members not covered by Social Security: the benefit is 2% of the average final compensation times years of service.

For members covered by Social Security, the benefit is 1.5% of the average final compensation not in excess of the year's breakpoint, plus 2% of the average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the benefit until age 62 is reached or a social security disability award is received, is computed as if the member is not under social security.

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

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

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

Pre-retirement death benefit: The plan also offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

Additional information and disclosures regarding benefit provisions can be found in Schedule RSI-3 accompanying this report.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2015**

11. Employees Retirement Systems and Pension Plans, Continued

Contributions

Employer:

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees and within those two groups, for populations covered by social security versus those not covered by social security. Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the system not met by member contributions.

The total amount contributed by the Town for both Town employees and Police was 110,112 for the year ended June 30, 2015.

Employees:

For employees not covered by social security, each person is required to contribute 5% of compensation.

For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

Relationship to Financial Statements:

The components associated with pension expense and deferred outflows and inflows of resources, as presented in Schedule RSI-3 of this report, have been determined based upon fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2014. The audited amounts as presented in the State of Connecticut Comprehensive Annual Financial Report have been adjusted by the Auditors of Public Accounts to be in accordance with GASB Statements No. 67 and 68. The CMERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State of Connecticut Comprehensive Annual Financial Report which is available to the public online at "<http://www.osc.ct.gov/2014/cafr>".

Additional/Required Supplementary Information:

Additional information and disclosures regarding the Town pension plans and its' relationship to the CMERS can be found in Schedule RSI-3 of this report.

12. Contingent Liabilities

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

13. Subsequent Events

The Town has evaluated subsequent events from the period after June 30, 2015 through January 14, 2016, the date the financial statements were available to be issued.

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, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Property Taxes:				
Property tax collections	\$ 13,698,402	13,698,402	13,771,847	73,445
Intergovernmental Revenue:				
State of Connecticut:				
PILOT-State owned property	10,401	10,401	10,411	10
Mohegan-Pequot grant	21,185	21,185	21,025	(160)
Municipal revenue sharing	245,908	245,908	233,857	(12,051)
PILOT-homeowners tax credit	44,587	44,587	38,929	(5,658)
PILOT-veterans tax relief	9,072	9,072	8,883	(189)
PILOT-disabled program	603	603	520	(83)
Judicial fines	9,100	9,100	7,622	(1,478)
DUI police grants	12,000	12,000	24,544	12,544
Senior/Disabled bus service	10,087	10,087	15,793	5,706
Education cost sharing	2,142,785	2,142,785	2,142,785	-
Other	3,250	3,250	26,183	22,933
Total State of Connecticut	<u>2,508,978</u>	<u>2,508,978</u>	<u>2,530,552</u>	<u>21,574</u>
Total Intergovernmental Revenues	<u>2,508,978</u>	<u>2,508,978</u>	<u>2,530,552</u>	<u>21,574</u>
Charges for Services:				
Licenses and permits	2,700	2,700	2,075	(625)
Land use departments	85,000	85,000	97,481	12,481
Town Clerk	73,500	73,500	69,921	(3,579)
Police department services	20,000	20,000	43,701	23,701
Fire department services	750	750	165	(585)
Fire Marshal fees	200	200	-	(200)
Health department fees	4,750	4,750	3,925	(825)
Dog licenses and fees	4,000	4,000	3,858	(142)
Miscellaneous	2,900	2,900	3,484	584
Total Charges for Services	<u>\$ 193,800</u>	<u>193,800</u>	<u>224,610</u>	<u>30,810</u>

(Continued)

Schedule RSI-1, 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, 2015**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Other Revenues:				
Middlefield Housing Authority	\$ 19,700	19,700	19,764	64
Joseph E. Coe trust fund	8,203	8,203	8,381	178
Sale of property and equipment	27,700	27,700	59,853	32,153
Telephone access line tax	10,300	10,300	10,138	(162)
Rental of Town property	50,228	50,228	54,913	4,685
Miscellaneous	100	100	12,183	12,083
Total Other Revenues	116,231	116,231	165,232	49,001
Transfers From Other Funds:				
Park and recreation fund-summer camp reimbursement	40,600	40,600	48,573	7,973
Old Indian Trail fund	6,275	6,275	6,275	-
WPCA-Route 66 water system	4,500	4,500	4,500	-
WPCA-Lake Beseck	212,765	212,765	212,765	-
Total Transfers	264,140	264,140	272,113	7,973
Revenue From the Use of Money:				
Interest income	9,750	9,750	6,505	(3,245)
Total Revenue From the Use of Money	9,750	9,750	6,505	(3,245)
Other Financing Sources:				
General Fund Balance	350,000	487,082	115,986	(371,096)
Total Other Financing Sources	350,000	487,082	115,986	(371,096)
Total Revenues	\$ 17,141,301	17,278,383	17,086,845	(191,538)

Budgetary revenues are different from GAAP revenues because:

Fund Balance and prior year surplus are not recognized as revenues for GAAP purposes (115,986)

Property taxes are budgeted on a cash basis:

Change in net property taxes, interest and fees receivable 82,609
Change in deferred property tax revenue (59,880)

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 **16,993,588**

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**
For the Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
General Government:				
Selectman's Office:				
First Selectmans Salary	\$ 64,849	64,849	64,848	1
Selectmen's Salaries	7,729	7,729	7,728	1
Administrative Assistant	46,479	46,479	46,479	-
Finance Director	82,873	82,873	82,873	-
Accounting System	5,100	5,100	5,100	-
Payroll Service Fees	6,600	6,600	6,383	217
Dues and Organizations	5,100	5,100	4,070	1,030
Office Expenses	5,500	5,500	4,735	765
Total Selectman's Office	224,230	224,230	222,216	2,014
Professional Services:				
Town Engineer	25,000	25,000	24,851	149
Town and Regional Planning	11,000	4,506	3,267	1,239
Town Counsel	21,850	28,344	28,344	-
Labor Counsel	2,500	51,877	51,876	1
Bond Counsel	-	-	-	-
Legal Notices	8,500	8,500	6,434	2,066
Town Auditor	16,200	16,200	16,200	-
Computer Network Consultant	16,000	16,000	16,000	-
Town Web Site	2,000	2,000	557	1,443
Total Professional Services	103,050	152,427	147,529	4,898
Municipal Insurances:				
Property/Auto/Liability	68,050	68,050	65,125	2,925
Insurance Deductibles	2,000	2,000	1,000	1,000
Workers Compensation	78,848	78,848	67,423	11,425
Total Municipal Insurances	148,898	148,898	133,548	15,350
General and Central Services:				
Town Hall Expenses	18,500	18,500	17,973	527
Community Center Expenses	47,850	46,906	39,105	7,801
Street Lighting	58,100	58,100	50,696	7,404
Lake Beseck Drawdown	3,500	3,500	-	3,500
Telephone/Postage/Copier/ Expenses	35,750	35,750	31,982	3,768
Custodian Salary	19,680	20,624	20,624	-
Automobile Maintenance	4,500	4,500	3,761	739
Town Vehicle Fuel	48,000	48,000	30,460	17,540
Total General and Central Services	235,880	235,880	194,601	41,279

(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, 2015

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Employee Benefits:				
Social Security	\$ 93,450	93,450	88,425	5,025
Health/Life Insurance	347,383	343,285	328,507	14,778
Pension-Municipal Employees	106,014	110,112	110,112	-
Pension-Elected Officials	3,739	3,739	3,738	1
Total Employee Benefits	550,586	550,586	530,782	19,804
Town Clerk:				
Town Clerk Salary	42,358	42,358	42,358	-
Indexing, recording and vital statistics	3,000	3,000	1,950	1,050
Records System License	11,244	11,244	10,980	264
Town Clerk Assistant	31,406	31,406	19,912	11,494
Town Records and Restoration	2,000	2,000	1,056	944
Conferences and Dues	600	600	600	-
Office Expenses	2,800	2,800	2,463	337
Total Town Clerk	93,408	93,408	79,319	14,089
Tax Collector:				
Tax Collector Salary	31,077	31,077	31,076	1
Tax Collector Assistant	3,000	3,000	1,648	1,352
State-Delinquent Autos Fee	1,057	1,057	1,056	1
Property Tax System	6,035	6,035	5,551	484
Conferences and Dues	300	300	133	167
Office Expenses	1,000	1,000	-	1,000
Total Tax Collector	42,469	42,469	39,464	3,005
Treasurer:				
Treasurer's Salary	5,896	5,896	5,895	1
Total Treasurer	5,896	5,896	5,895	1
Registrars:				
Registrar's Salary	14,352	14,352	14,352	-
Election Expenses	12,000	12,000	11,460	540
Machine Maintenance	1,100	1,100	-	1,100
Conferences and Dues	1,250	1,250	700	550
Office Expenses	1,000	1,000	433	567
Total Registrar of Voters	29,702	29,702	26,945	2,757

(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, 2015**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Land Use Department:				
Building Official	\$ 53,308	57,720	57,719	1
Office Assistant	36,246	36,246	36,246	-
Zoning Officer	24,000	26,064	26,063	1
Sanitarian	76,442	76,442	76,442	-
Health Director	1,800	1,800	1,800	-
Specialized Expert Inspections	2,000	2,320	2,320	-
D.E.P./Education Fees	6,750	6,750	4,196	2,554
Code Books	2,000	2,000	417	1,583
Water Testing Lab Fees	1,650	1,650	680	970
Water Filter Service	4,200	4,200	3,082	1,118
Conferences and Dues	750	750	705	45
Office Expenses	2,650	2,330	1,964	366
Total Land Use/Health Department	211,796	218,272	211,634	6,638
Assessor's Office:				
Assessor	57,131	56,314	47,687	8,627
Property Assessment System	10,650	10,650	9,650	1,000
Conferences and Dues	820	1,050	1,050	-
Office Expenses	655	1,242	1,242	-
Total Assessor's Office	69,256	69,256	59,629	9,627
Boards and Commissions:				
Board of Selectmen	1,500	1,500	831	669
Board of Finance	1,500	1,908	1,908	-
Board of Assessment Appeals	750	750	740	10
Planning and Zoning Commission	45,000	52,803	52,802	1
Economic Development Commission	4,000	4,000	-	4,000
Inland/Wetlands Agency	15,750	7,537	7,269	268
Zoning Board of Appeals	5,250	5,250	5,037	213
Charter Revision	1,000	1,002	1,002	-
Lane Beseck Ad Hoc	8,000	8,000	7,626	374
Total Board and Commissions	82,750	82,750	77,215	5,535
Contingencies:				
Operational (Board of Finance)	60,000	19,308	-	19,308
Total Contingencies	60,000	19,308	-	19,308

(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, 2015**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Outside Agencies:				
DMIAAB Operations	\$ 194,736	194,736	194,735	1
Regional Hazardous Waste	4,850	4,850	2,551	2,299
Levi E. Coe Library	285,884	285,884	285,884	-
Youth and Family Services	11,500	11,500	11,500	-
911 Valley Shore	50,136	50,136	50,136	-
Middlefield Cemetery	4,300	4,300	4,300	-
Probate Court	4,700	4,700	4,620	80
Total Outside Agencies	556,106	556,106	553,726	2,380
Sewer Systems:				
Brookside Drive Sewer System	7,800	14,504	14,504	-
WPCA-Route 66	500	500	110	390
WPCA-Lake Beseck	2,250	2,250	1,309	941
Total Sewer Systems:	10,550	17,254	15,923	1,331
Total General Government	2,424,577	2,446,442	2,298,426	148,016
Public Safety:				
Police Department:				
Resident State Trooper	123,560	139,308	139,308	-
Constables Salary	120,835	98,972	92,703	6,269
Constables Overtime	28,500	17,423	17,422	1
Private Duty Wages	11,000	28,192	28,191	1
Equipment	2,650	3,075	3,074	1
Training Clinics	1,200	1,200	-	1,200
Secretary	15,351	15,351	12,989	2,362
Sundry Expenses	5,200	4,775	4,439	336
Total Police Department	308,296	308,296	298,126	10,170
Fire Department:				
Fire House Operations	30,000	31,094	31,093	1
Truck Operations and Maintenance	30,000	35,084	35,083	1
Communications	6,500	6,542	6,541	1
Equipment and Supplies	20,000	20,623	20,623	-
Physicals and Wellness	6,500	6,069	5,767	302
Training and Preparedness	10,000	9,958	9,938	20
Life Insurance	8,250	6,964	6,631	333
Appreciation Night	1,500	1,500	1,500	-
Supplemental Benefits	27,225	27,225	26,422	803
Part-time Labor	15,959	15,959	15,050	909
Total Fire Department	155,934	161,018	158,648	2,370

(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, 2015**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Fire Marshal:				
Fire Marshal Salary	\$ 11,021	11,021	11,021	-
Deputy Callout Expenses	200	1,480	1,480	-
Vehicle Allowance	1,000	650	589	61
Conference and Dues	1,000	1,350	1,350	-
Sundry Expenses	500	500	387	113
Total Fire Marshal	13,721	15,001	14,827	174
Incident Management:				
Director's Stipend	4,100	5,100	5,100	-
Assistant Director's Stipend	1,000	1,000	500	500
Shelter Equipment	500	500	442	58
Communications	500	503	503	-
Emergency notification system	2,500	2,500	2,183	317
Sundry Expenses	250	247	243	4
Total Incident Management	8,850	9,850	8,971	879
Animal Control:				
Animal Control Officer	16,473	16,473	16,472	1
Vehicle Allowance	1,000	1,000	1,000	-
Shelter and Animal Expenses	2,800	2,800	2,435	365
State of Connecticut Fees	2,900	2,900	2,414	486
Sundry Expenses	1,600	1,600	1,053	547
Total Animal Control	24,773	24,773	23,374	1,399
Total Public Safety	511,574	518,938	503,946	14,992
Public Works:				
Payroll	269,123	269,123	269,102	21
Storm Expenses	50,000	103,848	103,848	-
Equipment Maintenance	45,000	78,857	78,857	-
Overtime Expenses	31,800	43,162	43,161	1
Road Maintenance	71,000	68,925	53,544	15,381
Garage Expenses	14,500	16,575	16,574	1
Sundry Expenses	6,750	6,750	6,204	546
Total Public Works	488,173	587,240	571,290	15,950

(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, 2015**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Health and Welfare:				
Senior/Social Services:				
Municipal Agent	\$ 31,093	31,093	28,380	2,713
Senior Center Activities	7,770	7,770	7,021	749
Dial-A-Ride	16,280	16,280	16,280	-
Office Assistant	1,400	1,400	1,285	115
Social Services Agencies	2,736	2,736	2,736	-
Public Health	500	500	-	500
Senior/Disabled Bus Service	10,087	13,123	13,122	1
Conferences and Dues	300	399	399	-
Office Expenses	600	501	480	21
Total Senior/Social Services	70,766	73,802	69,703	4,099
Park and Recreation:				
Director	40,630	40,630	40,629	1
Peckam Park Expenses	30,750	30,750	25,890	4,860
Lake Beseeck Expenses	12,750	12,750	9,279	3,471
Summer Camp Payroll	34,000	39,750	39,749	1
Summer Entertainment	500	500	500	-
Office Expenses	500	500	354	146
Total Park and Recreation	119,130	124,880	116,401	8,479
Total Health and Welfare	189,896	198,682	186,104	12,578

(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, 2015**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Education:				
Regional School District Number 13	\$ 12,323,644	12,323,644	12,323,644	-
Total Education	<u>12,323,644</u>	<u>12,323,644</u>	<u>12,323,644</u>	<u>-</u>
Financings:				
T.D. Bank Loan	203,469	203,469	203,468	1
Merriam Property	10,000	10,000	10,000	-
U.S.D.A.	75,893	75,893	75,893	-
Clean Water Fund	196,766	196,766	196,765	1
Total Debt Service and Capital Leases	<u>486,128</u>	<u>486,128</u>	<u>486,126</u>	<u>2</u>
Total Expenditures	<u>16,423,992</u>	<u>16,561,074</u>	<u>16,369,536</u>	<u>191,538</u>
Transfers to Other Funds:				
Reserve Fund for Capital and Nonrecurring Expenditures	712,284	712,284	712,284	-
Old Indian Trail	5,025	5,025	5,025	-
Total Transfers to Other Funds	<u>717,309</u>	<u>717,309</u>	<u>717,309</u>	<u>-</u>
Total Expenditures and Transfers	<u>\$ 17,141,301</u>	<u>17,278,383</u>	<u>17,086,845</u>	<u>191,538</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.

(23,626)

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

17,063,219

**TOWN OF MIDDLEFIELD, CONNECTICUT
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLANS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015**

Basis of Presentation and Allocation Methodology:**Basis of Presentation:**

The schedule of employer allocations, the schedule of pension amounts, and the schedule of sensitivity and remaining deferred inflows and outflows as presented below are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These schedules present amounts that are elements of the financial statements of the CMERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the net position of the CMERS or its participating employers.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires participating employers to recognize their proportional share of the collective net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The Schedules have been prepared to provide employers with their proportional share of these amounts. Contributions from employers are recognized when legally due, based upon statutory requirements.

The preparation of the Schedules requires management to make a number of estimates and assumptions relating to reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences could be material.

Allocation Methodology:

The schedule of employer allocations was calculated based upon the 2014 actuarial (expected) payroll amounts reported by participating employers. Expected payroll adjusts actual payroll for known changes in the status of employees, annualized salaries for partial year employees and anticipated salary increases. The employer allocations were then applied to the net pension liability, pension expense, deferred inflows, sensitivity analysis and the deferred inflow amounts to be recognized in the fiscal years subsequent to the reporting date to determine the amount applicable to each employer.

The schedule of employer allocations reflect actuarial employer payroll for the fiscal year ended June 30, 2014. Based upon the employer's payroll as compared to the total, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above.

I. Schedule of Employer Allocations as of June 30, 2014

2014 Reported Payroll-General Employees	\$551,335
Employer Allocation Percentage-General Employees	0.248455%
2014 Reported Payroll-Police	\$160,422
Employer Allocation Percentage-Police	0.400432%

II. Schedule of Pension Amounts as of June 30, 2014

Net Pension Liability June 30, 2013	Allocation Percentage	Net Pension Liability June 30, 2014	Total Deferred Outflows of Resources	Deferred Inflows of Resources				Total Employer Pension Expense	
				Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments					
				Differences Between Expected and Actual Experience					
General Employees:									
\$ 357,447	0.248455%	\$ 255,580	\$ -	\$ -	\$ 81,834	\$ 81,834	\$ 46,156		
Police:									
\$ 131,533	0.400432%	\$ 96,819	\$ -	\$ -	\$ 27,693	\$ 27,693	\$ 20,369		

III. Schedule of Sensitivity Analysis and Deferred Inflows Amounts as of June 30, 2014

Allocation Percentage	Discount Rate Sensitivity		Deferred Inflow Amounts to be Recognized in Subsequent in Subsequent Fiscal Years				Year 4	
	Net Pension Liability	Net Pension Liability	Deferred Inflow Amounts to be Recognized in Subsequent in Subsequent Fiscal Years					
	1% Decrease Discount Rate	1% Increase Discount Rate	Year 1	Year 2	Year 3	Year 4		
General Employees:								
0.248455%	\$ 519,007	\$ 32,568	\$ (20,458)	\$ (20,458)	\$ (20,458)	\$ (20,458)		
Police:								
0.400432%	\$ 198,688	\$ 11,973	\$ (6,923)	\$ (6,923)	\$ (6,923)	\$ (6,923)		

(Continued)

Schedule RSI-3, continued

**TOWN OF MIDDLEFIELD, CONNECTICUT
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLANS
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

IV. Statement of Actuarial Assumptions and Methods:

Valuation date:

June 30, 2014

Valuation interest rate:

8.00% per annum, compounded annually, net of investment expenses.

Salary increases:

Age	Annual Rates of				
	Merit & Seniority		Base (Economy)	Increase Next Year	
General Employees	Police	General Employees	Police		
20	7.50%	7.50%	3.50%	11.00%	11.00%
25	5.50%	7.50%	3.50%	9.00%	11.00%
30	4.50%	3.50%	3.50%	8.00%	7.00%
35	3.50%	2.50%	3.50%	7.00%	6.00%
40	2.50%	1.50%	3.50%	6.00%	5.00%
45	2.50%	1.00%	3.50%	6.00%	4.50%
50	2.00%	0.75%	3.50%	5.50%	4.25%
55	1.00%	0.75%	3.50%	4.50%	4.25%
60	0.75%	0.75%	3.50%	4.25%	4.25%
65	0.75%		3.50%	4.25%	
70	0.75%		3.50%	4.25%	

Cost of living adjustments:

Annually compounded increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.25% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 1, 2001, increases of 2.50% are assumed, regardless of age.

Social security wage base increases:

3.50% per annum.

Separation from active service:

Representative values of the assumed annual rates of separation before service retirement are as follows:

Age	General Employees				
	Withdrawal and Vesting- Male	Withdrawal and Vesting- Female	Non-Service Related Disability*	Death	Service Retirement
20	18.00%	20.00%	0.02%	0.01%	
25	18.00%	20.00%	0.02%	0.01%	
30	12.00%	15.00%	0.03%	0.01%	
35	10.00%	12.00%	0.04%	0.02%	
40	7.50%	10.00%	0.05%	0.02%	
45	5.00%	7.50%	0.07%	0.03%	15.00%
50	5.00%	5.00%	0.12%	0.05%	15.00%
55	5.00%	5.00%	0.44%	0.08%	7.00%
60	5.00%	5.00%	0.86%	0.12%	10.00%
65	5.00%	5.00%	1.84%	0.20%	20.00%
70	5.00%	5.00%	2.99%	0.31%	15.00%
75					100.00%

Age	Policemen			
	Withdrawal and Vesting- Service Related Disability*	Death	Service Retirement	
20	7.00%	0.11%	0.01%	
25	7.00%	0.14%	0.01%	
30	5.00%	0.15%	0.01%	
35	4.00%	0.22%	0.02%	
40	2.00%	0.32%	0.02%	
45	1.00%	0.49%	0.03%	25.00%
50	0.00%	1.11%	0.05%	20.00%
55	0.00%	3.03%	0.08%	12.00%
60	0.00%	6.88%	0.12%	20.00%
65				100.00%

Schedule RSI-3, continued

**TOWN OF MIDDLEFIELD, CONNECTICUT
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLANS
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

IV. Statement of Actuarial Assumptions and Methods Continued:

Deaths after retirement:

The RP2000 Mortality Table for Annuitants and Non-Annuitants (set forward one year for males and set back one year for females) is used for the period after retirement and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Men	Women	Age	Men	Women
40	0.114%	0.065%	65	1.441%	0.862%
45	0.162%	0.103%	70	2.457%	1.486%
50	0.245%	0.155%	75	4.217%	2.546%
55	0.420%	0.242%	80	7.204%	4.151%
60	0.768%	0.444%	85	12.280%	6.952%

For disabled retirees, the same table is used, adjusted with the male table set forward five years and the female table set forward one year.

Market value.

Entry age normal cost

Spouses: For members who have elected spouse coverage, husbands are assumed to be three years older than their wives.

Percent married: 80% of active members are assumed to be married.

Load: For those members who have retired under and joint & survivor option and have no reported information for a prospective beneficiary, a probabilistic factor was applied to the reversionary portion of the liability. The factor measures the survivorship of the assumed spouse (with men three years older than women) from the date of retirement to the valuation date, based on the assumptions for death after retirement.

Long-term rate of return:

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	16.00%	5.80%
Developed non-U.S. equities	14.00%	6.60%
Emerging markets (non-U.S.)	7.00%	8.30%
Core fixed income	8.00%	1.30%
Inflation linked bond fund	5.00%	1.00%
Emerging market bond	8.00%	3.70%
High yield bonds	14.00%	3.90%
Real estate	7.00%	5.10%
Private equity	10.00%	7.60%
Alternative investments	8.00%	4.10%
Liquidity fund	3.00%	0.40%
	100.00%	

(Continued)

Schedule RSI-3, continued

**TOWN OF MIDDLEFIELD, CONNECTICUT
MUNICIPAL EMPLOYEE RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLANS
REQUIRED SUPPLEMENTARY INFORMATION, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2015**

V. Other Information

Net Pension Liability for the Full Plan (includes all covered employees):

Total pension liability	\$ 2,500,840,000
Plan fiduciary net position	2,262,724,000
Net pension liability (asset)	<u>\$ 238,116,000</u>
Plan fiduciary net position as a percentage of total pension liability	90.48%

Town of Middlefield, Connecticut's Proportionate Share:

	<u>General Employees</u>	<u>Police</u>
Net pension liability	\$ 255,580	\$ 96,819
Net pension liability percentage of total	0.248455%	0.400432%
Deferred outflows of resources		
Pension contributions made subsequent to measurement date	\$ 80,123	\$ 29,988
Deferred inflows of resources		
Net difference between projected and actual earnings on pension investments	\$ 81,834	\$ 27,693
Pension expense	\$ 46,156	\$ 20,369
Proportion basis	Reported payroll	Reported payroll
Change in proportion since prior measurement date	None for 2015	None for 2015

The contributions subsequent to the measurement date, shown above as deferred inflows of resources, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows:

	<u>General Employees</u>	<u>Police</u>
2015	\$ 20,458	\$ 6,923
2016	20,458	6,923
2017	20,459	6,923
2018	20,459	6,924
	<u>\$ 81,834</u>	<u>\$ 27,693</u>

Schedule 1

TOWN OF MIDDLEFIELD, CONNECTICUT
GENERAL FUND
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2015

Grand List Year	Uncollected Taxes July 1, 2014 and Current Levy	Lawful Corrections	Suspense Collections	Transfers (To) Suspense	Taxes Collectible	Tax Collections	Interest and Fees	Total Collections	Uncollected Taxes June 30, 2015
2013	\$ 13,770,177	4,927	-	-	13,775,104	13,549,440	34,224	13,583,664	225,664
2012	192,644	(454)	2,455	(22,957)	171,688	103,173	26,313	129,486	68,515
2011	57,997	(44)	4,240	-	62,193	37,334	9,984	47,318	24,859
2010	26,558	(6)	534	-	27,086	4,176	853	5,029	22,910
2009	21,880	-	765	-	22,645	864	1,842	2,706	21,781
2008	10,206	-	517	-	10,723	1,749	1,128	2,877	8,974
2007	3,397	-	-	-	3,397	-	-	-	3,397
2006	3,144	-	-	-	3,144	-	-	-	3,144
2005	2,582	-	-	-	2,582	-	-	-	2,582
2004	2,569	-	-	-	2,569	-	-	-	2,569
2003	-	-	164	-	164	164	310	474	-
2002	-	-	96	-	96	96	197	293	-
	\$ 14,091,154	4,423	8,771	(22,957)	14,081,391	13,696,996	74,851	13,771,847	384,395

TOWN OF MIDDLEFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue								Total Nonmajor Governmental Funds
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grants	Special Purpose Fund	Donation Fund	Total Special Revenue	
ASSETS									
Cash and cash equivalents	\$ 48,886	-	18,706	-	-	-	-	67,592	67,592
Accounts/grants receivable	8,639	-	-	15,000	2,325	-	-	25,964	25,964
Due from other funds	-	461,048	-	12,798	-	-	547	474,393	474,393
Total Assets	\$ 57,525	461,048	18,706	27,798	2,325	-	547	567,949	567,949
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable and accrued expenses	\$ 2,125	-	-	2,567	-	-	-	4,692	4,692
Due to other funds	-	-	-	-	2,325	10,100	-	12,425	12,425
Deferred revenue	8,639	-	-	-	-	-	-	8,639	8,639
Total Liabilities	10,764	-	-	2,567	2,325	10,100	-	25,756	25,756
Fund Balance:									
Restricted	46,761	461,048	18,706	25,231	-	-	547	552,293	552,293
Unassigned	-	-	-	-	-	(10,100)	-	(10,100)	(10,100)
Total Fund Balance	46,761	461,048	18,706	25,231	-	(10,100)	547	542,193	542,193
Total Liabilities and Fund Balance	\$ 57,525	461,048	18,706	27,798	2,325	-	547	567,949	567,949

TOWN OF MIDDLEFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2015

	Special Revenue							Total Nonmajor Governmental Funds
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grants	Special Purpose Fund	Donation Fund	Total Special Revenue
REVENUES:								
Intergovernmental	\$ -	197,344	-	5,025	21,163	-	-	223,532
Licenses, fees and charges for goods and services	33,874	-	107,473	-	-	-	-	141,347
Revenues from the use of money	43	-	-	-	-	-	-	43
Other revenue	24	-	2,546	-	-	-	200	2,770
Total Revenues	33,941	197,344	110,019	5,025	21,163	-	200	367,692
EXPENDITURES:								
Current:								
General government	-	-	-	-	21,163	10,100	-	31,263
Public safety	-	-	-	-	-	-	-	-
Public works	22,813	117,206	-	22,482	-	-	-	162,501
Health and welfare	-	-	-	-	-	-	-	-
Parks and recreation	-	-	69,008	-	-	-	-	69,008
Debt Service	-	-	-	-	-	-	-	-
Capital Outlays								
Total Expenditures	22,813	117,206	69,008	22,482	21,163	10,100	-	262,772
Excess of Revenues Over (Under) Expenditures	11,128	80,138	41,011	(17,457)	-	(10,100)	200	104,920
Other Financing Sources (Uses):								
Operating transfers in	-	-	-	5,025	-	-	-	5,025
Operating transfers out	(4,500)	-	(48,574)	(6,275)	-	-	-	(59,349)
Total Other Financing Sources (Uses)	(4,500)	-	(48,574)	(1,250)	-	-	-	(54,324)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	6,628	80,138	(7,563)	(18,707)	-	(10,100)	200	50,596
Fund Balance, June 30, 2014	40,133	380,910	26,269	43,938	-	-	347	491,597
Fund Balance (Deficit), June 30, 2015	\$ 46,761	461,048	18,706	25,231	-	(10,100)	547	542,193

TOWN OF MIDDLEFIELD, CONNECTICUT

AGENCY FUNDS

Combining Balance Sheet

June 30, 2015

	Performance <u>Bonds</u>	Volunteer Fire Department	Supplementary <u>Benefit Fund</u>	<u>Total</u>
ASSETS				
Cash and equivalent investments	\$ -	-	-	-
Investments	-	495,514		495,514
Due from the General Fund	73,088	-		73,088
Total Assets	\$ -	495,514		568,602
LIABILITIES				
Liabilities				
Due To Contractors and Others	\$ 73,088	495,514		568,602
Total Liabilities	\$ 73,088	495,514		568,602

Schedule 5

TOWN OF MIDDLEFIELD, CONNECTICUT
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2015

PERFORMANCE BONDS				
	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Due from other funds	\$ 87,388	1,500	15,800	73,088
Total Assets	\$ 87,388	1,500	15,800	73,088
LIABILITIES				
Due To Contractors and Others	\$ 87,388	1,500	15,800	73,088
Total Liabilities	\$ 87,388	1,500	15,800	73,088
VOLUNTEER FIRE DEPARTMENT SUPPLEMENTARY BENEFIT FUND				
	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Investments	\$ 505,674	-	10,160	495,514
Total Assets	\$ 505,674	-	10,160	495,514
LIABILITIES				
Due to Others	\$ 505,674	-	10,160	495,514
Total Liabilities	\$ 505,674	-	10,160	495,514
TOTAL AGENCY FUNDS				
	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Due from other funds	\$ 87,388	1,500	15,800	73,088
Investments	505,674	-	10,160	495,514
Total Assets	\$ 593,062	1,500	25,960	568,602
LIABILITIES				
Due To Contractors and Others	\$ 593,062	1,500	15,800	568,602
Total Liabilities	\$ 593,062	1,500	15,800	568,602

Schedule 6

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2015

<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>	
Town Hall improvements	\$ 90,500	20,000	110,500	103,991	5,294	109,285	1,215
Community Center improvements	169,500	10,000	179,500	117,086	51,468	168,554	10,946
Web site development	5,000	-	5,000	5,000	-	5,000	-
Computer replacement and upgrade	132,800	11,000	143,800	133,625	9,187	142,812	988
Accrued benefits	90,000	10,000	100,000	16,753	20,147	36,900	63,100
Record management survey	5,000	-	5,000	5,000	-	5,000	-
Document computerization	10,675	-	10,675	10,675	-	10,675	-
Town Clerk-ordinance codification	12,480	8,320	20,800	12,480	-	12,480	8,320
Revaluation	440,000	16,600	456,600	358,222	-	358,222	98,378
Community Center boiler	9,163	-	9,163	9,163	-	9,163	-
Mattabesseeck bridge	310,358	23,000	333,358	425,360	-	425,360	(92,002)
Storm contingency	-	20,000	20,000	-	20,000	20,000	-
Guardrail replacement	32,050	-	32,050	32,050	-	32,050	-
Tree removal	93,000	15,000	108,000	89,380	26,250	115,630	(7,630)
Garage improvements	51,000	11,000	62,000	27,833	32,629	60,462	1,538
Road improvements	240,028	60,000	300,028	133,572	40,432	174,004	126,024
Miller Road bridge-STEAP	250,000	-	250,000	-	12,031	12,031	237,969
Bridge repairs	50,000	(876)	49,124	49,727	-	49,727	(603)
Garage environmental compliance	64,000	-	64,000	37,486	-	37,486	26,514
Lake Beseck remediation	95,000	25,000	120,000	62,962	31,843	94,805	25,195
Environmental remediaton	40,000	-	40,000	40,000	-	40,000	-
Dump truck replacement	567,250	97,700	664,950	497,164	-	497,164	167,786
Small dump truck replacement	223,427	9,300	232,727	178,392	-	178,392	54,335
Funnel plows	18,000	(367)	17,633	17,633	-	17,633	-
Pickup replacement	21,300	4,100	25,400	21,274	-	21,274	4,126
Tractor replacement	107,199	18,200	125,399	91,799	-	91,799	33,600
Sweeper replacement	27,000	26,200	53,200	-	-	-	53,200
Front-end loader replacement	117,132	-	117,132	88,632	-	88,632	28,500
Backhoe replacement	-	14,300	14,300	-	-	-	14,300
Tractor/mower replacement	16,500	8,200	24,700	-	-	-	24,700
Park improvements	62,000	5,000	67,000	59,000	-	59,000	8,000
Playscape replacement	-	12,500	12,500	-	-	-	12,500
Peckham Field parking	38,420	-	38,420	38,420	-	38,420	-
Peckham Park-STEAP	203,500	-	203,500	203,500	-	203,500	-
Animal control vehicle replacement	-	-	-	-	-	-	-
Vehicle replacements	144,200	15,000	159,200	123,027	26,338	149,365	9,835
Enforcement equipment	18,000	9,500	27,500	17,765	4,970	22,735	4,765

(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, 2015

Project	Appropriation			Expenditures			Unexpended Balance
	Beginning Balance	Current Year	Ending Balance	Beginning Balance	Current Year	Ending Balance	
Water supply development	\$ 125,000	5,000	130,000	105,131	16,973	122,104	7,896
Fire hose replacement	32,500	2,500	35,000	25,471	4,085	29,556	5,444
Breathing apparatus	95,000	5,000	100,000	82,229	-	82,229	17,771
Thermal imaging camera	7,200	2,500	9,700	-	-	-	9,700
Communications equipment	45,500	9,000	54,500	23,926	2,225	26,151	28,349
Computer upgrades	5,300	7,800	13,100	5,273	6,997	12,270	830
Rescue truck replacement	259,563	40,000	299,563	254,563	-	254,563	45,000
Brush truck replacement	67,093	15,000	82,093	49,793	-	49,793	32,300
All terrain vehicle	-	28,000	28,000	-	28,074	28,074	(74)
Fire chief's vehicle	10,000	-	10,000	10,000	-	10,000	-
Tanker replacement	199,000	40,000	239,000	-	-	-	239,000
Life saving equipment	52,000	5,000	57,000	42,025	-	42,025	14,975
Building maintenance/improvements	100,000	25,000	125,000	79,949	9,769	89,718	35,282
Pumper replacement '02	830,000	60,000	890,000	782,409	-	782,409	107,591
Pumper replacement '13	-	6,500	6,500	-	-	-	6,500
Emergency repairs and purchases	-	5,000	5,000	-	-	-	5,000
Industrial park projects	350,700	-	350,700	314,244	-	314,244	36,456
Planning and zoning studies	17,570	-	17,570	17,570	-	17,570	-
Plan of conservation and development	12,500	-	12,500	-	157	157	12,343
Land bank reserve	1,083,363	-	1,083,363	1,083,363	-	1,083,363	-
Open space property improvements	7,695	-	7,695	7,663	-	7,663	32
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	65,000	-	65,000	65,000	-	65,000	-
Powder Ridge bonding	66,267	-	66,267	66,267	-	66,267	-
Coe Hill sanctuary	60,456	-	60,456	60,456	-	60,456	-
Levi Coe Library improvements	94,408	35,000	129,408	120,416	8,992	129,408	-
Boat replacement	9,272	-	9,272	9,272	-	9,272	-
Voting machines	-	-	-	-	-	-	-
Community Center-STEAP grant	350,000	-	350,000	350,000	-	350,000	-
Middlefield 150th	-	5,000	5,000	-	-	-	5,000
	\$ 11,318,379	744,977	12,063,356	10,180,501	357,861	10,538,362	1,524,994

Schedule 7

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
June 30, 2015

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Total Current Year Tax Collections, Including Interest and Lien Fees					<u>\$ 13,771,847</u>
Debt Limitation:					
2-1/4 times base	\$ 30,986,656				
4-1/2 times base		61,973,312			
3-3/4 times base			51,644,426		
3-1/4 times base				44,758,503	
3 times base					41,315,541
Total Debt Limitation	<u>30,986,656</u>	<u>61,973,312</u>	<u>51,644,426</u>	<u>44,758,503</u>	<u>41,315,541</u>
Indebtedness:					
Loans payable	491,602			1,009,314	
Bonds payable					
General obligation bonds payable	1,149,476				
Net pension liability					352,399
Overlapping debt:					
Town Share of Regional School District					
Number 13 Bonded Indebtedness		3,317,341			
Total Indebtedness	<u>1,641,078</u>	<u>3,317,341</u>	<u>1,009,314</u>	<u>-</u>	<u>352,399</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 29,345,578</u>	<u>58,655,971</u>	<u>50,635,112</u>	<u>44,758,503</u>	<u>40,963,142</u>
Total Capacity For Borrowing (7 times annual receipts from taxation)					<u>\$ 96,402,929</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, 2015, the outstanding indebtedness of the District was \$9,470,000. 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 35.03% or \$3,317,341.

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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated January 14, 2016.

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
January 14, 2016

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, 2015. 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, 2015.

(Continued)

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, 2015, and have issued my report thereon dated January 14, 2016, 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
January 14, 2016

Schedule 8

TOWN OF MIDDLEFIELD, CONNECTICUT
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2015

<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	12062-DOT57131-43455	197,344
Alcohol Open Container Requirements	12062-DOT57513-22091	18,176
Highway Planning and Construction	12062-DOT57513-22108	6,368
Bus Operations	12001-DOT57931-12175	15,793
Total Department of Transportation		237,681
Office of Policy and Management:		
Municipal Grants-In-Aid	12052-OPM20600-43587	233,857
Property Tax Relief For Elderly And Totally Disabled Homeowners	11000-OPM20600-17018	38,929
Local Capital Improvement Fund (LOCIP)	12050-OPM20600-40254	110,960
Property Tax Relief For Veterans	11000-OPM20600-17024	8,883
Payment In-Lieu of Taxes-State Owned Property	11000-OPM20600-17004	10,411
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	520
Total Office of Policy and Management		403,560
Judicial Department:		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	7,622
State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	5,000
Total State Financial Assistance Before Exempt Programs		653,863
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	2,142,785
Office of the State Comptroller:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	21,025
Total Exempt Programs		2,163,810
Total State Financial Assistance		\$ 2,817,673

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2015

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, 2015

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, 2015:

<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	\$1,183,995	\$ -	\$ 174,681	\$ 1,009,314

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2015

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

Noncompliance material to financial statements noted? yes no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes no

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>
Office of Policy and Management: Municipal Grants-In-Aid	12052-OPM20600-43857	\$ 233,857
Department of Transportation: Town Aid Roads Grants Transportation Fund	12062-DOT57131-43455	\$ 197,344

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2015

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 January 14, 2016 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.