

TOWN OF MIDDLEFIELD, CONNECTICUT

AUDITED FINANCIAL STATEMENTS

TOGETHER WITH SUPPLEMENTAL

REPORTS AND SCHEDULES

FOR THE YEAR ENDED JUNE 30, 2016

TOWN OF MIDDLEFIELD, CONNECTICUT
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SUPPLEMENTAL SCHEDULES
YEAR ENDED JUNE 30, 2016

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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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Middlefield, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of 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 principles 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 36 through 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 did 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 of Middlefield, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, and the schedule of expenditures of state financial assistance as required by the State of Connecticut Single Audit Act are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules, and the schedule of expenditures of state financial assistance as required by the State of Connecticut Single Audit Act 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, and the schedule of expenditures of state financial assistance as required by the State of Connecticut Single Audit Act 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 November 11, 2016, on my consideration of the Town of Middlefield, Connecticut'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 of Middlefield, Connecticut's internal control over financial reporting and compliance.

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

Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
November 11, 2016

TOWN OF MIDDLEFIELD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2016

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, 2016. 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 \$884,793 or approximately 7.38%.
- The total cost of all of the Town's governmental activities was \$16,741,243.
- The General Fund reported a fund balance of \$1,852,266 at June 30, 2016.
- For the year ended June 30, 2016, the resources available for appropriation were \$71,984 more than budgeted for the general fund, excluding the use of prior year fund balance. Expenditures were \$303,836 less than budgeted for the general fund.
- The Town's total bonded debt decreased by \$425,486 to a level of \$2,224,906.

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	
		2015	2016
			Restated
Current and other assets		\$ 6,099,240	\$ 5,920,521
Capital assets, net		9,769,243	9,494,733
Total assets		15,868,483	15,415,254
Long-term liabilities outstanding		2,776,065	3,117,538
Other liabilities		211,359	342,748
Total liabilities		2,987,424	3,460,286
Net position:			
Invested in capital assets, net of related debt		7,544,337	6,844,341
Unrestricted		5,336,722	5,151,925
Total net position		\$ 12,881,059	\$ 11,996,266

The net position of the Town's governmental activities increased by \$884,793 or 7.38%. 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 \$184,797 to \$5,336,722 at June 30, 2016.

(Continued)

Changes in Net Position

Governmental Activities		
	2015	
	<u>2016</u>	<u>Restated</u>
Revenues:		
Program revenues:		
Charges for services	\$ 595,617	\$ 564,265
Operating grants and contributions	2,405,566	2,432,837
Capital grants and contributions	412,095	110,960
General revenues:		
Property taxes	13,796,820	13,854,455
Grants and contributions not restricted to specific purposes	323,668	321,247
Unrestricted investment earnings	8,117	7,035
Loss on disposal of fixed assets	(40,945)	-
Other general revenues	125,098	176,720
 Total revenues	 <u>17,626,036</u>	 <u>17,467,519</u>
 Program expenses:		
General government	2,369,815	2,410,751
Public safety	626,812	657,400
Public works	1,146,107	1,160,961
Health and welfare	77,109	69,702
Parks and recreation	224,185	189,818
Education	12,240,757	12,323,644
Interest/fees on long-term debt	56,458	69,817
 Total program expenses	 <u>16,741,243</u>	 <u>16,882,093</u>
 Increase (decrease) in net position	 <u>\$ 884,793</u>	 <u>\$ 585,426</u>

The Town's total revenue (excluding special items) was \$17,626,036. The total cost of all programs and services was \$16,741,243. Our analysis above separately considers the operations of governmental activities.

(Continued)

Governmental activities

Governmental activities increased the Town's net position by \$884,793. Expenditures below budgeted levels were the main contributors to this year's results.

The table below presents the cost of each of the Town's five largest programs – general government, public works, public safety, 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, 2015	
	<u>Year Ended June 30, 2016</u>		<u>Restated</u>	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,369,815	2,068,546	\$ 2,410,751	2,089,874
Public works	1,146,107	382,376	1,160,961	693,165
Parks and recreation	224,185	86,819	189,818	82,345
Public safety	626,812	580,101	657,400	558,949
Education	12,240,757	10,099,213	12,323,644	10,180,859

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 \$3,834,957 which is an increase of \$8,070 from last year's total of \$3,826,887. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$80,517, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$22,222. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted in Exhibit IV. The increase in the Town's Reserve Fund is attributable primarily to appropriations exceeding expenditures in the current fiscal year.

General Fund budgetary highlights

General property taxes-property tax revenue was \$40,009 more than budgeted due primarily to current and prior year tax collections and related interest greater than anticipated. Intergovernmental revenue-grant revenues in total were higher than budgeted due primarily to greater than anticipated State funding of the DUI police grants. Local revenues in total were greater than budgeted amounts primarily as a result of police department services and sales of Town fixed assets.

(Continued)

Capital asset and debt administration

At June 30, 2016, the Town had a net balance of \$9,769,243 invested in a broad range of capital assets, including land, buildings, vehicles and equipment, and infrastructure. This represents a net increase (including additions and deductions) of \$343,789, or approximately 3.65% from the prior year.

Capital Assets at Year-End (net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 4,267,089	\$ 4,249,457
Powder Ridge development rights	1,893,919	1,893,919
Buildings and improvements	1,057,843	1,066,098
Machinery, equipment and vehicles	1,558,193	1,588,524
Infrastructure	992,199	627,456
 Totals	 \$ 9,769,243	 \$ 9,425,454

The Town's 2016/2017 budget calls for no major capital expenditures from the General Fund.

Long-term obligations

At June 30, 2016, 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>2016</u>	<u>2015</u>
General obligation bonds	\$ 966,733	\$ 1,149,476
Loans	1,258,173	1,500,916
Compensated absences	114,178	94,098
Net pension liability	436,981	331,750
 Totals	 \$ 2,776,065	 \$ 3,076,240

(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, 2016**

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,943,300
Receivables, net	2,048,175
Capital assets not being depreciated	6,161,008
Capital assets being depreciated, net of depreciation	3,608,235
Total Assets	15,760,718
DEFERRED OUTFLOWS OF RESOURCES:	
Pension contributions after the measurement date	72,689
Net difference between projected and actual investment earnings on pension plan investments	35,076
Total Deferred Outflows of Resources	107,765
LIABILITIES:	
Accounts payable and accrued expenses	121,224
Due to Fiduciary Funds	71,588
Noncurrent liabilities:	
Due within one year	470,799
Due in more than one year	2,305,266
Total Liabilities	2,968,877
DEFERRED INFLOWS OF RESOURCES:	
Unearned revenue	18,547
Total Deferred Inflows of Resources	18,547
NET POSITION:	
Invested in capital assets, net of related debt	7,544,337
Unrestricted	5,336,722
Total Net Position	\$ 12,881,059

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, 2016

	<u>Expenses</u>	Program Revenues			<u>Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
Governmental activities:						
General government	\$ 2,369,815	160,892	31,803	108,574	(2,068,546)	
Public safety	626,812	17,150	29,561	-	(580,101)	
Public works	1,146,107	275,184	202,658	285,889	(382,376)	
Health and welfare	77,109	5,025	-	-	(72,084)	
Parks and recreation	224,185	137,366	-	-	(86,819)	
Education	12,240,757	-	2,141,544	-	(10,099,213)	
Capital outlays	-	-	-	17,632	17,632	
Interest/fees on long-term debt	56,458	-	-	-	(56,458)	
Total governmental activities	16,741,243	595,617	2,405,566	412,095		(13,327,965)
Total government	\$ 16,741,243	595,617	2,405,566	412,095		
General revenues:						
Property taxes					13,796,820	
Grants and contributions not restricted to specific programs					323,668	
Unrestricted investment earnings					8,117	
Loss on disposal of fixed assets					(40,945)	
Miscellaneous					125,098	
Total general revenues and transfers					14,212,758	
Change in net position					884,793	
Net position-beginning-restated					11,996,266	
Net position-ending					\$ 12,881,059	

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

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2016

	<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	\$ 3,615,501	-	149,180	125,750	52,869	3,943,300
Receivables, net	501,822	285,958	646,825	-	7,601	1,442,206
Loans receivable	-	-	-	605,969	-	605,969
Due from other funds	10,100	1,188,910	-	-	503,644	1,702,654
Total Assets	\$ 4,127,423	1,474,868	796,005	731,719	564,114	7,694,129
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 71,343	875	2,158	645	23,953	98,974
Due to other funds	1,764,142	-	-	-	10,100	1,774,242
Total Liabilities	1,835,485	875	2,158	645	34,053	1,873,216
Deferred Inflows of Resources:						
Unavailable revenue	421,125	285,889	646,825	605,969	7,601	1,967,409
Unearned revenue	18,547	-	-	-	-	18,547
Total Deferred Inflows of Resources	439,672	285,889	646,825	605,969	7,601	1,985,956
Fund Balances:						
Restricted	-	-	147,022	125,105	543,963	816,090
Committed	-	1,188,104	-	-	-	1,188,104
Assigned	275,000	-	-	-	-	275,000
Unassigned	1,577,266	-	-	-	(21,503)	1,555,763
Total Fund Balances	1,852,266	1,188,104	147,022	125,105	522,460	3,834,957
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 4,127,423	1,474,868	796,005	731,719	564,114	7,694,129

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, 2016

Fund Balances-Government Funds	\$ 3,834,957
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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	9,769,243
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds:	1,967,409
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bonds payable	(966,733)
Loans payable	(1,258,173)
Net pension liability	(436,981)
Deferred outflows-pension contributions after the measurement date	72,689
Deferred outflows-net difference between projected and actual investment earnings on pension plan investments	35,076
Compensated absences	(114,178)
Accrued interest payable on long-term debt liabilities is not recorded in the funds	(22,250)
Net Position of Governmental Activities	<u>\$ 12,881,059</u>

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

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	General	Reserve Fund For Capital And Nonrecurring Expenditures	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 13,758,819	-	-	-	-	13,758,819
Intergovernmental	2,511,862	74,574	-	-	251,372	2,837,808
Licenses, fees and charges for goods and services	183,067	-	370,333	-	175,431	728,831
Interest and investment income	7,579	-	283	187	68	8,117
Miscellaneous	128,279	-	629	-	550	129,458
Total Revenues	16,589,606	74,574	371,245	187	427,421	17,463,033
EXPENDITURES:						
Current:						
General government	2,171,519	112,925	-	2,105	14,734	2,301,283
Public safety	487,090	45,278	-	-	-	532,368
Public works	495,968	53,436	231,498	-	333,036	1,113,938
Health and welfare	77,109	-	-	-	-	77,109
Parks and recreation	115,081	-	-	-	96,239	211,320
Education	12,240,757	-	-	-	-	12,240,757
Debt service	486,126	-	-	-	-	486,126
Capital outlays	-	492,062	-	-	-	492,062
Total Expenditures	16,073,650	703,701	231,498	2,105	444,009	17,454,963
Excess of Revenues Over (Under) Expenditures	515,956	(629,127)	139,747	(1,918)	(16,588)	8,070
Other Financing Sources (Uses):						
Operating transfers in	255,185	681,349	-	-	39,275	975,809
Operating transfers out	(690,624)	(30,000)	(212,765)	-	(42,420)	(975,809)
Total Other Financing Sources (Uses)	(435,439)	651,349	(212,765)	-	(3,145)	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	80,517	22,222	(73,018)	(1,918)	(19,733)	8,070
Fund Balances, June 30, 2015	1,771,749	1,165,882	220,040	127,023	542,193	3,826,887
Fund Balances, June 30, 2016	\$ 1,852,266	1,188,104	147,022	125,105	522,460	3,834,957

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, 2016

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

Net Change in Fund Balances-Total Government Funds (Exhibit IV)	\$ 8,070
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Plus capital outlays treated as expenditures on Exhibit IV	555,085
Less depreciation expense in Exhibit II but not in Exhibit IV	(252,902)
Plus capital acquisitions not requiring capital outlays	17,632

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	1,949
Compensated absences	(20,080)
Accrued interest payable on long-term debt	4,182

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 expenditure 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	182,743
Loans payable	242,743

Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. 190,676

The net realized gain/loss on the sale of fixed assets is not recorded in the funds. (45,305)

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 884,793</u>
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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, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
Investments	489,177
Due from the General Fund	71,588
Total Assets	\$ 560,765
<u>LIABILITIES</u>	
Bonds deposited and amounts due to volunteers/employees	\$ 560,765
Total Liabilities	\$ 560,765

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

TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016**

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, 2016**

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, 2016**

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, 2016 are stated net of an allowance for uncollectible amounts of \$3,362.

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

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, 2016, 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, 2016 amounted to \$114,178. 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, 2016**

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, 2016**

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. There were no additional appropriations from General Fund balance during the fiscal year ended June 30, 2016.

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, 2016**

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. Restatement of Net Position

The Town of Middlefield obtains and relies on information received from the State of Connecticut relating to the Town's participation in the Connecticut Municipal Employees Retirement System (CMERS). The information provided to the Town for its' year ended June 30, 2016 financial statements disclosed a restatement of the Town's proportionate share of the CMERS net pension liability. As a result of this restatement of the CMERS net pension liability, the Town has restated its' net position for the effects of these changes. The Town's net position as of June 30, 2015, has been increased by \$20,649 as a result of this restatement.

The Town's net position as of June 30, 2015, has also been restated to recognize the capitalization of certain infrastructure fixed assets acquired/expended in a prior year. As a result of this restatement, net position and the related fixed assets have been increased by \$69,279 as of June 30, 2015.

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

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, 2016:

	<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	\$ 3,072,916	-
Petty cash and cash on hand	100	-
Cash equivalents:		
State Short-Term Investment Fund (STIF)	870,284	-
Total Cash and Cash Equivalents	<u>\$ 3,943,300</u>	<u>-</u>

Deposits

At June 30, 2016, the carrying amount of the Town's deposits with financial institutions was \$3,072,916 and the bank balance was \$3,107,116.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016**

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, 2016 bank balance, \$608,974 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 \$560,777, based on the June 30, 2016 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$1,937,365 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, 2016, the Town's cash equivalents amounted to \$870,284 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, 2016 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:

Flexible annuities	\$ 432,094
Mutual funds	40,977
Cash equivalents	16,106
<hr/>	
	<u>\$ 489,177</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, 2016

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, 2016 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 \$72,689 of deferred outflows of resources related to pension contributions made after the measurement date and \$35,076 of deferred outflows of resources representing the net difference between projected and actual investment earnings on pension plan investments.

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:

		Reserve Fund				
	General	for Capital and	Lake	Housing	Nonmajor	
	Fund	Nonrecurring	Beseck	Rehabilitation	Governmental	
Receivables:						
Taxes	\$ 420,720	-	-	-	-	420,720
Interest and liens	73,845	-	27,250	-	1,915	103,010
Accounts	10,619	69	66,054	-	5,686	82,428
Assessments	-	-	553,521	-	-	553,521
Intergovernmental	-	285,889	-	-	-	285,889
Loans	-	-	-	605,969	-	605,969
Gross receivables	505,184	285,958	646,825	605,969	7,601	2,051,537
Less: allowance for uncollectibles	(3,362)	-	-	-	-	(3,362)
Net total receivables	\$ 501,822	285,958	646,825	605,969	7,601	2,048,175

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

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.

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	\$ 331,935	-
Accrued interest and fees on delinquent property taxes	89,190	-
Advance tax collections	-	13,650
Other receipts not yet earned	-	4,897
Grant revenue not received within 60 days of year-end	285,889	-
Assessments not yet due	560,427	-
Accrued interest on delinquent sewer usage and assessment fees	7,601	-
Sewer user fees receivable	86,398	-
Loans receivable-not yet due	605,969	-
	<hr/> <u>\$ 1,967,409</u>	<hr/> <u>18,547</u>

5. Capital Assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Balance</u>		<u>Balance</u>	
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,249,457	17,632	-	4,267,089
Powder Ridge development rights	1,893,919	-	-	1,893,919
	<hr/> 6,143,376	<hr/> 17,632	<hr/> -	<hr/> 6,161,008
Capital assets being depreciated:				
Buildings and improvements	2,214,614	89,900	(58,995)	2,245,519
Machinery and equipment	3,350,486	151,052	(97,721)	3,403,817
Infrastructure	751,556	383,412	-	1,134,968
Total assets being depreciated	<hr/> 6,316,656	<hr/> 624,364	<hr/> (156,716)	<hr/> 6,784,304
Less: accumulated depreciation for:				
Buildings and improvements	(1,148,516)	(62,758)	23,598	(1,187,676)
Machinery and equipment	(1,761,962)	(171,475)	87,813	(1,845,624)
Infrastructure	(124,100)	(18,669)	-	(142,769)
	<hr/> (3,034,578)	<hr/> (252,902)	<hr/> 111,411	<hr/> (3,176,069)
Total capital assets being depreciated, net	<hr/> 3,282,078	<hr/> 371,462	<hr/> (45,305)	<hr/> 3,608,235
Total Government-Wide Capital Assets, Net	\$ 9,425,454	389,094	(45,305)	9,769,243

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

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	\$ 48,271
Public safety	94,497
Public works	97,269
Parks and recreation	12,865
 Total depreciation expense-governmental activities	<u>\$ 252,902</u>

6. Interfund Accounts

At June 30, 2016, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 10,100	1,764,142
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	1,188,910	-
Nonmajor Governmental Funds:		
Town Aid Road	468,356	-
Park and Recreation Commission	31,028	-
Old Indian Trail Water System	3,733	-
Miscellaneous Grants	-	-
Special Purpose Fund	-	10,100
Donation Fund	527	-
Fiduciary Funds:		
Performance Bonds	71,588	-
	<u>\$ 1,774,242</u>	<u>1,774,242</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, 2016**

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, 2016 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 255,185	690,624
Major Governmental Funds:		
Reserve Fund for Capital and Nonrecurring Expenditures	681,349	30,000
Lake Beseck	-	212,765
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	4,500
Parks and Recreation Commission	-	31,490
Old Indian Trail Water System	39,275	6,430
	<hr/> <u>\$ 975,809</u>	<hr/> <u>975,809</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, 2016 amounted to \$54,913.

8. Long-term Debt

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015 <u>Restated</u>	Additions	Reductions/ Maturities	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
General obligation bonds payable	\$ 1,149,476	-	182,743	966,733	186,189
Loans payable	1,500,916	-	242,743	1,258,173	248,978
Compensated absences	94,098	22,210	2,130	114,178	35,632
Net pension liability	331,750	105,231	-	436,981	-
 Total Governmental Activities long-term liabilities	 <hr/> <u>\$ 3,076,240</u>	 <hr/> <u>127,441</u>	 <hr/> <u>427,616</u>	 <hr/> <u>2,776,065</u>	 <hr/> <u>470,799</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

8. Long-term Debt, Continued

A schedule of bonds and loans payable at June 30, 2016 is presented below:

<u>Purpose/Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2016</u>
Loans payable:				
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.75%	\$ 120,517
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.875%	266,549
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00%	831,107
Development rights-Merriam property	1/20/2011	7/31/2019	0%	40,000
General obligation bonds payable	3/5/2014	4/21/2021	1.87%	966,733
				<u>\$ 2,224,906</u>

The following is a schedule of loan and note maturities as of June 30, 2016:

<u>Fiscal year ending:</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2017	\$ 435,167	50,959
June 30, 2018	445,114	41,013
June 30, 2019	455,334	30,793
June 30, 2020	465,837	20,289
June 30, 2021	351,279	10,068
June 30, 2022	72,175	3,491
	<u>\$ 2,224,906</u>	<u>156,613</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	\$ 30,956,218	1,393,799	29,562,419
Schools	61,912,436	2,669,607	59,242,829
Sewers	51,593,696	831,107	50,762,589
Urban renewal	44,714,537	-	44,714,537
Pension deficit	41,274,957	436,981	40,837,976

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

8. Long-term Debt, Continued

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$96,308,233.

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, 2016, the outstanding indebtedness of the District was \$7,765,000. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 34.38% or \$2,669,607.

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, 2016:

Compensated Absences

Town:	
Sick	\$ 100,044
Vacation	14,134
Total	<u>\$ 114,178</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2016

9. Fund Balances

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2016:

General Fund:

Assigned:

Appropriation of fund balance	\$ 275,000
Unassigned	1,577,266

Total General Fund Balance

1,852,266

Reserve Fund for Capital and Nonrecurring Expenditures:

Committed to Capital Projects	1,188,104
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Lake Beseck:

Restricted for Public Works	147,022
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Housing Rehabilitation Programs:

Restricted for Health and Welfare	125,105
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Other Governmental Funds:

General Government	527
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Restricted for Public Works	515,059
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Restricted for Parks and Recreation	28,377
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Unassigned	<u>(21,503)</u>
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Total Other Governmental Fund Balances

522,460

Total Governmental Fund Balances

\$ 3,834,957

The Special Purpose Fund had a fund balance deficit of \$10,100 at June 30, 2016 and the Old Indian Trail Water System Fund had a fund balance deficit of \$11,403 at June 30, 2016. These fund balance deficits represent the excess of expenditures over actual revenues. It is anticipated that these deficits 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, 2016**

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, 2016**

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 \$72,689 for the year ended June 30, 2016.

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, 2015. 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.

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, 2016 through November 11, 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, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Property Taxes:				
Property tax collections	\$ 13,718,310	13,718,310	13,758,319	40,009
Intergovernmental Revenue:				
State of Connecticut:				
PILOT-State owned property	9,853	9,853	-	(9,853)
Mohegan-Pequot grant	21,584	21,584	19,111	(2,473)
Municipal projects grant	248,652	248,652	248,652	-
PILOT-homeowners tax credit	35,832	35,832	41,149	5,317
PILOT-veterans tax relief	8,477	8,477	7,823	(654)
PILOT-disabled program	491	491	453	(38)
Judicial fines	9,100	9,100	6,480	(2,620)
DUI police grants	12,000	12,000	26,840	14,840
Senior/Disabled bus service	10,087	10,087	17,089	7,002
Education cost sharing	2,142,785	2,142,785	2,141,544	(1,241)
Other	3,250	3,250	2,721	(529)
Total State of Connecticut	<u>2,502,111</u>	<u>2,502,111</u>	<u>2,511,862</u>	<u>9,751</u>
Total Intergovernmental Revenues	<u>2,502,111</u>	<u>2,502,111</u>	<u>2,511,862</u>	<u>9,751</u>
Charges for Services:				
Licenses and permits	2,400	2,400	3,710	1,310
Land use department	82,000	82,000	75,261	(6,739)
Town Clerk	76,250	76,250	78,820	2,570
Police department services	4,200	4,200	13,590	9,390
Fire department services	750	750	-	(750)
Fire Marshal fees	100	100	60	(40)
Health department fees	4,750	4,750	5,025	275
Dog licenses and fees	3,750	3,750	3,500	(250)
Miscellaneous	100	100	3,101	3,001
Total Charges for Services	<u>\$ 174,300</u>	<u>174,300</u>	<u>183,067</u>	<u>8,767</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, 2016**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Other Revenues:				
Middlefield Housing Authority	\$ 19,800	19,800	20,342	542
Joseph E. Coe trust fund	8,203	8,203	8,955	752
Sale of property and equipment	2,625	2,625	4,360	1,735
Telephone access line tax	8,500	8,500	10,278	1,778
Rental of Town property	54,913	54,913	54,913	-
Miscellaneous	100	100	29,431	29,331
Total Other Revenues	94,141	94,141	128,279	34,138
Transfers From Other Funds:				
Park and recreation fund-summer camp reimbursement	50,750	50,750	31,490	(19,260)
Old Indian Trail fund	6,430	6,430	6,430	-
WPCA-Route 66 water system	4,500	4,500	4,500	-
WPCA-Lake Beseck	212,765	212,765	212,765	-
Total Transfers	274,445	274,445	255,185	(19,260)
Revenue From the Use of Money:				
Interest income	9,000	9,000	7,579	(1,421)
Total Revenue From the Use of Money	9,000	9,000	7,579	(1,421)
Other Financing Sources:				
General Fund Balance	270,455	270,455	-	(270,455)
Total Other Financing Sources	270,455	270,455	-	(270,455)
Total Revenues	\$ 17,042,762	17,042,762	16,844,291	(198,471)

Budgetary revenues are different from GAAP revenues because:

Fund Balance and prior year surplus are not recognized as revenues for GAAP purposes -

Property taxes are budgeted on a cash basis:

Change in net property taxes, interest and fees receivable	38,501
Change in deferred property tax revenue	(38,001)

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

16,844,791

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, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
General Government:				
Selectman's Office:				
First Selectmans Salary	\$ 66,399	66,399	66,399	-
Selectmen's Salaries	7,914	7,914	7,914	-
Administrative Assistant	47,593	47,629	47,629	-
Finance Director	84,860	84,860	84,859	1
Accounting System	5,355	5,355	5,355	-
Payroll Service Fees	6,675	6,675	6,586	89
Dues and Organizations	5,100	5,100	4,435	665
Office Expenses	5,500	5,500	5,296	204
Total Selectman's Office	229,396	229,432	228,473	959
Professional Services:				
Town Engineer	30,000	35,328	35,328	-
Town and Regional Planning	11,000	11,000	7,184	3,816
Town Counsel	22,500	22,500	17,862	4,638
Labor Counsel	2,500	24,749	24,749	-
Legal Notices	8,500	8,500	5,530	2,970
Town Auditor	16,700	16,700	16,000	700
Job Description Consultant	-	14,000	14,000	-
Cell Tower Consultant	-	3,000	3,000	-
Computer Network Consultant	17,640	17,640	17,640	-
Town Web Site	1,500	1,500	230	1,270
Total Professional Services	110,340	154,917	141,523	13,394
Municipal Insurances:				
Property/Auto/Liability	70,250	70,250	68,548	1,702
Insurance Deductibles	2,000	13	-	13
Workers Compensation	58,488	60,475	60,475	-
Total Municipal Insurances	130,738	130,738	129,023	1,715
General and Central Services:				
Town Hall Building Expenses	19,300	19,643	19,642	1
Community Center Expenses	50,550	49,647	42,441	7,206
Street Lighting	58,100	58,100	52,379	5,721
Lake Besek Drawdown	3,500	3,500	-	3,500
Telephone/Postage/Copier/ Expenses	37,300	37,300	31,151	6,149
Custodian Salary	20,177	20,978	20,977	1
Automobile Maintenance	4,500	4,500	434	4,066
Town Vehicle Fuel	51,500	51,500	13,116	38,384
Total General and Central Services	244,927	245,168	180,140	65,028

(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, 2016**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Employee Benefits:				
Social Security	\$ 82,941	82,941	76,510	6,431
Health/Life Insurance	304,220	300,066	290,892	9,174
Pension-Municipal Employees	76,100	76,100	72,689	3,411
Pension-Elected Officials	3,828	3,828	3,828	-
Total Employee Benefits	467,089	462,935	443,919	19,016
Town Clerk:				
Town Clerk Salary	43,371	43,371	43,371	-
Indexing, recording and vital statistics	3,000	3,000	2,076	924
Records System License	11,244	11,244	10,980	264
Town Clerk Assistant	36,033	35,732	18,065	17,667
Town Records and Restoration	2,000	2,000	1,500	500
Conferences and Dues	800	1,101	1,100	1
Office Expenses	3,000	3,000	2,602	398
Total Town Clerk	99,448	99,448	79,694	19,754
Tax Collector:				
Tax Collector Salary	31,820	31,820	31,820	-
Tax Collector Assistant	3,000	3,000	1,765	1,235
System software license	6,185	6,185	5,914	271
Conferences and Dues	300	300	95	205
Office Expenses	1,000	1,000	383	617
Total Tax Collector	42,305	42,305	39,977	2,328
Treasurer:				
Treasurer's Salary	6,014	6,014	6,013	1
Total Treasurer	6,014	6,014	6,013	1
Registrars:				
Registrar's Salary	14,639	14,639	14,639	-
Election Expenses	13,250	13,145	12,086	1,059
Conferences and Dues	1,250	1,355	1,355	-
Office Expenses	1,000	1,000	523	477
Total Registrar of Voters	30,139	30,139	28,603	1,536

(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, 2016**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Land Use Department:				
Building Official	\$ 55,161	57,903	57,903	-
Office Assistant	37,120	37,333	37,333	-
Zoning Officer	30,576	27,834	26,077	1,757
Sanitarian	78,276	77,707	77,707	-
Health Director	1,800	1,800	1,800	-
Specialized Expert Inspections	2,000	2,000	725	1,275
D.E.P./Education Fees	6,750	6,750	5,543	1,207
Code Books	2,000	2,000	-	2,000
Water Testing Lab Fees	1,650	1,650	743	907
Water Filter Service	4,200	4,200	3,750	450
Conferences and Dues	750	750	218	532
Office Expenses	2,650	2,650	2,615	35
Total Land Use/Health Department	222,933	222,577	214,414	8,163
Assessor's Office:				
Assessor	41,787	41,481	36,773	4,708
System Software License	11,150	11,150	9,875	1,275
Personal Property Consultant	1,000	1,000	-	1,000
Conferences and Dues	820	774	475	299
Office Expenses	700	746	746	-
Total Assessor's Office	55,457	55,151	47,869	7,282
Boards and Commissions:				
Board of Selectmen	1,800	1,800	53	1,747
Board of Finance	3,000	3,000	2,800	200
Board of Assessment Appeals	750	750	690	60
Planning and Zoning Commission	45,000	45,000	42,825	2,175
Economic Development Commission	1,500	1,500	101	1,399
Inland/Wetlands Agency	14,500	14,500	7,030	7,470
Zoning Board of Appeals	6,000	6,000	4,297	1,703
Conservation Commission	1,000	1,000	-	1,000
Charter Revision Commission	1,000	1,000	79	921
Lane Beseck Ad Hoc Committee	8,000	8,000	5,456	2,544
Total Board and Commissions	82,550	82,550	63,331	19,219
Reserves For Contingencies:				
Operational (Board of Finance)	55,000	8,796	8,600	196
Staff Coverage	10,000	10,000	-	10,000
Total Reserves For Contingencies	65,000	18,796	8,600	10,196

(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, 2016**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Outside Agencies:				
DMAAB Operations	\$ 195,100	195,100	195,008	92
Regional Hazardous Waste	5,000	5,000	2,113	2,887
Levi E. Coe Library	292,535	292,535	292,535	-
Youth and Family Services	11,500	11,500	11,500	-
911 Valley Shore	57,052	57,052	57,052	-
Middlefield Cemetery Association	4,526	4,526	4,526	-
Probate Court	4,700	4,700	4,693	7
Total Outside Agencies	570,413	570,413	567,427	2,986
Sewer System Services:				
Brookside Drive Sewer System	7,800	7,800	4,777	3,023
WPCA-Route 66 System	250	250	181	69
WPCA-Lake Beseck System	2,000	2,000	1,071	929
Total Sewer System Services:	10,050	10,050	6,029	4,021
Total General Government	2,366,799	2,360,633	2,185,035	175,598
Public Safety:				
Police Department:				
Payroll	268,000	251,652	226,622	25,030
Overtime and Private Duty	40,500	56,848	56,848	-
Equipment	625	625	360	265
Secretary	15,760	15,760	7,662	8,098
Sundry Expenses	4,200	4,200	3,083	1,117
Total Police Department	329,085	329,085	294,575	34,510
Fire Department:				
Fire House Operations	30,400	30,400	29,678	722
Truck Operations and Maintenance	30,000	30,000	25,081	4,919
Communications	6,500	6,797	6,796	1
Equipment and Supplies	20,000	20,000	19,457	543
Physicals and Wellness	6,800	4,274	4,261	13
Training and Preparedness	10,000	10,000	8,734	1,266
Life Insurance	8,400	8,953	8,952	1
Appreciation Night	1,500	1,500	1,500	-
Supplemental Benefits	26,500	28,176	28,176	-
Part-time Labor	16,434	16,614	15,558	1,056
Total Fire Department	156,534	156,714	148,193	8,521

(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, 2016

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Fire Marshal:				
Fire Marshal Salary	\$ 11,242	11,242	11,241	1
Deputy Callout Expenses	2,000	2,470	2,470	-
Vehicle Allowance	1,000	1,000	492	508
Conference and Dues	1,500	1,030	950	80
Sundry Expenses	750	750	254	496
Total Fire Marshal	16,492	16,492	15,407	1,085
Emergency Management:				
Director's Stipend	7,500	3,500	3,125	375
Assistant Director's Stipend	1,000	1,000	-	1,000
Shelter Equipment	500	500	-	500
Communications	500	500	-	500
Emergency Notification System	2,500	2,500	2,183	317
Sundry Expenses	250	250	239	11
Total Incident Management	12,250	8,250	5,547	2,703
Animal Control:				
Animal Control Officer	16,802	16,802	16,801	1
Vehicle Allowance	1,000	1,000	1,000	-
Shelter and Animal Expenses	2,800	2,800	2,066	734
State of Connecticut Fees	2,900	2,900	2,410	490
Sundry Expenses	1,600	1,600	1,091	509
Total Animal Control	25,102	25,102	23,368	1,734
Total Public Safety	539,463	535,643	487,090	48,553
Public Works:				
Payroll	275,564	275,270	275,268	2
Snow Removal Expenses	65,275	65,275	65,275	-
Equipment Maintenance	49,250	49,250	36,531	12,719
Overtime Expenses	32,435	32,435	20,576	11,859
Road Maintenance	72,300	72,300	55,485	16,815
Garage Expenses	14,500	14,500	13,171	1,329
Sundry Expenses	6,850	6,850	4,531	2,319
Tree Warden Stipend	2,000	2,000	2,000	-
Total Public Works	518,174	517,880	472,837	45,043

(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, 2016**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Health and Welfare:				
Senior/Social Services:				
Municipal Agent	\$ 32,399	34,525	34,524	1
Senior Center Activities	8,150	8,150	7,628	522
Dial-A-Ride Program	16,280	16,280	16,280	-
Office Assistant	1,400	1,400	615	785
Social Services Agencies	3,500	3,500	3,236	264
Senior/Disabled Bus Service	10,087	14,241	14,241	-
Conferences and Dues	300	300	-	300
Office Expenses	600	600	585	15
Total Senior/Social Services	72,716	78,996	77,109	1,887
Park and Recreation:				
Director	41,601	41,601	37,052	4,549
Peckam Park Expenses	35,000	35,000	24,405	10,595
Lake Beseck Expenses	12,750	12,750	11,127	1,623
Summer Camp Payroll	41,750	41,750	26,052	15,698
Summer Entertainment	500	500	500	-
Office Expenses	500	500	212	288
Total Park and Recreation	132,101	132,101	99,348	32,753
Total Health and Welfare	204,817	211,097	176,457	34,640

(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, 2016**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Education:				
Regional School District Number 13	\$ 12,240,757	12,240,757	12,240,757	-
Total Education	<u>12,240,757</u>	<u>12,240,757</u>	<u>12,240,757</u>	<u>-</u>
Debt Service:				
T.D. Bank Loan (Powder Ridge) (2021)	203,469	203,469	203,468	1
Merriam Property Note (2019)	10,000	10,000	10,000	-
U.S.D.A. Loan (2021)	75,893	75,893	75,893	-
Clean Water Fund (2020)	196,766	196,766	196,765	1
Total Debt Service	<u>486,128</u>	<u>486,128</u>	<u>486,126</u>	<u>2</u>
Total Expenditures	<u>16,356,138</u>	<u>16,352,138</u>	<u>16,048,302</u>	<u>303,836</u>
Transfers to Other Funds:				
Reserve Fund for Capital and Nonrecurring Expenditures Fund	681,349	681,349	681,349	-
Old Indian Trail Fund	5,275	9,275	9,275	-
Total Transfers to Other Funds	<u>686,624</u>	<u>690,624</u>	<u>690,624</u>	<u>-</u>
Total Expenditures and Transfers	<u>\$ 17,042,762</u>	<u>17,042,762</u>	<u>16,738,926</u>	<u>303,836</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.

25,348

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

16,764,274

TOWN OF MIDDLEFIELD, CONNECTICUT
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLANS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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, 2015

Fiscal Year Ended June 30.	Net Pension Liability Beginning	Allocation Percentage	Net Pension Liability Ending	Deferred Inflows of Resources-2014		Deferred Outflows of Resources-2015		Net Investment Earnings Deferred Outflows of Resources	Total Employer Pension Expense		
				Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments					
				Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments							
General Employees:											
	\$ 357,447	0.248455%	\$ 255,580	\$ 81,834	\$ -	\$ -	\$ -	\$ 46,156			
	\$ 241,151	0.248455%	\$ 340,162	\$ (61,375)	\$ 87,192	\$ 25,817	\$ 62,885				
** Restated Police:											
2014	\$ 131,533	0.400432%	\$ 96,819	\$ 27,693	\$ -	\$ -	\$ -	\$ 20,369			
2015**	\$ 90,559	0.400432%	\$ 122,521	\$ (20,770)	\$ 30,029	\$ 9,259	\$ 25,700				
** Restated											

III. Schedule of Sensitivity Analysis and Deferred Inflows Amounts as of June 30, 2015

Fiscal Year Ended June 30.	Allocation Percentage	Discount Rate Sensitivity				Deferred (Inflow) Outflow Amounts to be Recognized in Subsequent in Subsequent Fiscal Years			
		Net Pension Liability		Net Pension Liability		Deferred (Inflow) Outflow Amounts to be Recognized in Subsequent in Subsequent Fiscal Years			
		1% Decrease Discount Rate (7.00%)	1% Increase Discount Rate (9.00%)	1% Decrease Discount Rate (7.00%)	1% Increase Discount Rate (9.00%)	Year 1	Year 2	Year 3	Year 4
General Employees:									
2014	0.248455%	\$ 519,007	\$ 32,568	\$ (20,458)	\$ (20,458)	\$ (20,458)	\$ (20,458)	\$ (20,458)	\$ (20,458)
2015	0.248455%	\$ 612,396	\$ 109,513	\$ 1,340	\$ 1,340	\$ 1,340	\$ 1,340	\$ 1,340	\$ 21,797
Police:									
2014	0.400432%	\$ 198,688	\$ 11,973	\$ (6,923)	\$ (6,923)	\$ (6,923)	\$ (6,923)	\$ (6,923)	\$ (6,923)
2015	0.400432%	\$ 229,303	\$ 33,541	\$ 584	\$ 584	\$ 584	\$ 584	\$ 584	\$ 7,507

(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, 2016**

IV. Statement of Actuarial Assumptions and Methods:

Valuation date: June 30, 2014
Inflation: 3.25%
Valuation interest rate: 8.00% net of pension plan investment expenses, including inflation.
Salary increases:

Age	Merit & Seniority			Annual Rates of Increase Next Year	
	General Employees	Police	Base (Economy)	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- Male	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, 2016**

IV. Statement of Actuarial Assumptions and Methods Continued:

Deaths after retirement:

The RP2000 Combined 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, 2016**

V. Other Information

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

Total pension liability	\$ 2,647,915,982
Plan fiduciary net position	2,455,178,000
Net pension liability (asset)	<u>\$ 192,737,982</u>

Plan fiduciary net position as a percentage of total pension liability 92.72%

Town of Middlefield, Connecticut's Proportionate Share:

	General Employees	Police
Net pension liability	\$ 340,162	\$ 96,819
Net pension liability percentage of total	0.248455%	0.400432%
Deferred outflows of resources		
Pension contributions made subsequent to measurement date	\$ 67,594	\$ 5,095
Net difference between projected and actual earnings on pension investments	\$ 25,817	\$ 9,259
Pension expense	\$ 62,885	\$ 25,700
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, 2017. Other amounts reported as deferred inflows/outflows of resources will be recognized in pension expense as follows:

	General Employees	Police
2015	\$ (1,340)	\$ (584)
2016	(1,340)	(584)
2017	(1,340)	(584)
2018	(21,797)	(7,507)
	<u>\$ (25,817)</u>	<u>\$ (9,259)</u>

Schedule 1

TOWN OF MIDDLEFIELD, CONNECTICUT
GENERAL FUND
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2016

Grand List Year	Uncollected Taxes July 1, 2015 and Current Levy	Lawful Corrections	Suspense Collections	Transfers (To) Suspense	Taxes Collectible	Tax Collections	Interest and Fees	Total Collections	Uncollected Taxes June 30, 2016
2014	\$ 13,789,071	(41,532)	-	-	13,747,539	13,503,669	39,405	13,543,074	243,870
2013	225,664	(7,329)	1,737	(39,096)	180,976	103,272	27,977	131,249	77,704
2012	68,515	(2,074)	2,656	-	69,097	36,316	12,723	49,039	32,781
2011	24,859	(1,764)	1,805	-	24,900	14,165	7,371	21,536	10,735
2010	22,910	(1,802)	844	-	21,952	3,136	2,506	5,642	18,816
2009	21,781	(1,755)	494	-	20,520	2,727	1,335	4,062	17,793
2008	8,974	(1,645)	488	-	7,817	488	586	1,074	7,329
2007	3,397	-	140	-	3,537	140	201	341	3,397
2006	3,144	-	23	-	3,167	23	36	59	3,144
2005	2,582	-	312	-	2,894	312	541	853	2,582
2004	2,569	-	255	-	2,824	255	494	749	2,569
2003	-	-	206	-	206	206	435	641	-
	\$ 14,173,466	(57,901)	8,960	(39,096)	14,085,429	13,664,709	93,610	13,758,319	420,720

TOWN OF MIDDLEFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

June 30, 2016

	Special Revenue							Total 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		
ASSETS									
Cash and cash equivalents	\$ 52,869	-	-	-	-	-	-	52,869	52,869
Accounts/grants receivable	7,601	-	-	-	-	-	-	7,601	7,601
Due from other funds	-	468,356	31,028	3,733	-	-	527	503,644	503,644
Total Assets	\$ 60,470	468,356	31,028	3,733	-	-	527	564,114	564,114
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable and accrued expenses	\$ 6,166	-	2,651	15,136	-	-	-	23,953	23,953
Due to other funds	-	-	-	-	-	10,100	-	10,100	10,100
Deferred revenue	7,601	-	-	-	-	-	-	7,601	7,601
Total Liabilities	13,767	-	2,651	15,136	-	10,100	-	41,654	41,654
Fund Balance:									
Restricted	46,703	468,356	28,377	-	-	-	527	543,963	543,963
Unassigned	-	-	-	(11,403)	-	(10,100)	-	(21,503)	(21,503)
Total Fund Balance	46,703	468,356	28,377	(11,403)	-	(10,100)	527	522,460	522,460
Total Liabilities and Fund Balance	\$ 60,470	468,356	31,028	3,733	-	-	527	564,114	564,114

TOWN OF MIDDLEFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2016

	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	\$ -	197,383	-	39,275	14,714	-	-	251,372
Licenses, fees and charges for goods and services	38,065	-	137,366	-	-	-	-	175,431
Revenues from the use of money	68	-	-	-	-	-	-	68
Other revenue	216	-	34	300	-	-	-	550
Total Revenues	38,349	197,383	137,400	39,575	14,714	-	-	427,421
EXPENDITURES:								
Current:								
General government	-	-	-	-	14,714	-	20	14,734
Public safety	-	-	-	-	-	-	-	-
Public works	33,907	190,075	-	109,054	-	-	-	333,036
Health and welfare	-	-	-	-	-	-	-	-
Parks and recreation	-	-	96,239	-	-	-	-	96,239
Debt Service	-	-	-	-	-	-	-	-
Capital Outlays								
Total Expenditures	33,907	190,075	96,239	109,054	14,714	-	20	444,009
Excess of Revenues Over (Under) Expenditures	4,442	7,308	41,161	(69,479)	-	-	(20)	(16,588)
Other Financing Sources (Uses):								
Operating transfers in	-	-	-	39,275	-	-	-	39,275
Operating transfers out	(4,500)	-	(31,490)	(6,430)	-	-	-	(42,420)
Total Other Financing Sources (Uses)	(4,500)	-	(31,490)	32,845	-	-	-	(3,145)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(58)	7,308	9,671	(36,634)	-	-	(20)	(19,733)
Fund Balance (Deficit), June 30, 2015	46,761	461,048	18,706	25,231	-	(10,100)	547	542,193
Fund Balance (Deficit), June 30, 2016	\$ 46,703	468,356	28,377	(11,403)	-	(10,100)	527	522,460

TOWN OF MIDDLEFIELD, CONNECTICUT

AGENCY FUNDS

Combining Balance Sheet

June 30, 2016

	Performance <u>Bonds</u>	Volunteer Fire Department	Supplementary <u>Benefit Fund</u>	<u>Total</u>
ASSETS				
Cash and equivalent investments	\$ -	-	-	-
Investments	-	489,177		489,177
Due from the General Fund	71,588	-		71,588
Total Assets	\$ -	489,177		560,765
LIABILITIES				
Liabilities				
Due To Contractors and Others	\$ 71,588	489,177		560,765
Total Liabilities	\$ 71,588	489,177		560,765

Schedule 5

TOWN OF MIDDLEFIELD, CONNECTICUT
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2016

PERFORMANCE BONDS				
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Due from other funds	\$ 73,088	-	1,500	71,588
Total Assets	\$ 73,088	-	1,500	71,588
LIABILITIES				
Due To Contractors and Others	\$ 73,088	-	1,500	71,588
Total Liabilities	\$ 73,088	-	1,500	71,588
VOLUNTEER FIRE DEPARTMENT SUPPLEMENTARY BENEFIT FUND				
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Investments	\$ 495,514	36,353	42,690	489,177
Total Assets	\$ 495,514	36,353	42,690	489,177
LIABILITIES				
Due to Others	\$ 495,514	36,353	42,690	489,177
Total Liabilities	\$ 495,514	36,353	42,690	489,177
TOTAL AGENCY FUNDS				
	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Due from other funds	\$ 73,088	-	1,500	71,588
Investments	495,514	36,353	42,690	489,177
Total Assets	\$ 568,602	36,353	44,190	560,765
LIABILITIES				
Due To Contractors and Others	\$ 568,602	36,353	1,500	560,765
Total Liabilities	\$ 568,602	36,353	1,500	560,765

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, 2016

Project	Appropriation			Expenditures			Unexpended Balance
	Beginning Balance	Current Year	Ending Balance	Beginning Balance	Current Year	Ending Balance	
Town Hall improvements	\$ 110,500	25,000	135,500	109,285	26,350	135,635	(135)
Community Center improvements	179,500	16,000	195,500	168,554	14,768	183,322	12,178
Web site development	5,000	-	5,000	5,000	-	5,000	-
Computer replacement and upgrade	143,800	5,500	149,300	142,812	4,821	147,633	1,667
Server replacement	-	6,500	6,500	-	-	-	6,500
Accrued benefits	100,000	11,000	111,000	36,900	7,588	44,488	66,512
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	20,800	7,280	28,080	12,480	8,320	20,800	7,280
Revaluation	456,600	16,600	473,200	358,222	-	358,222	114,978
Community Center boiler	9,163	-	9,163	9,163	-	9,163	-
Mattabesec bridge	333,358	23,000	356,358	425,360	-	425,360	(69,002)
Storm contingency	20,000	20,000	40,000	20,000	2,718	22,718	17,282
Guardrail replacement	32,050	-	32,050	32,050	-	32,050	-
Tree removal	108,000	17,500	125,500	115,630	26,000	141,630	(16,130)
Garage improvements	62,000	15,000	77,000	60,462	2,280	62,742	14,258
Road improvements	300,028	25,000	325,028	174,004	51,039	225,043	99,985
Miller Road bridge-STEAP	250,000	131,000	381,000	12,031	215,416	227,447	153,553
Bridge repairs	49,124	-	49,124	49,727	(603)	49,124	-
Garage environmental compliance	64,000	-	64,000	37,486	-	37,486	26,514
Lake Beseck remediation	120,000	27,000	147,000	94,805	7,696	102,501	44,499
Environmental remediation	40,000	-	40,000	40,000	-	40,000	-
Dump truck replacement	664,950	81,814	746,764	497,164	151,051	648,215	98,549
Small dump truck replacement	232,727	13,544	246,271	178,392	-	178,392	67,879
Funnel plows	17,633	-	17,633	17,633	-	17,633	-
Pickup replacement	25,400	3,732	29,132	21,274	-	21,274	7,858
Paver replacement	-	3,184	3,184	-	-	-	3,184
Roller & trailer replacement	-	7,436	7,436	-	-	-	7,436
Guard rail tractor replacement	125,399	15,234	140,633	91,799	-	91,799	48,834
Sweeper replacement	53,200	23,587	76,787	-	-	-	76,787
Front-end loader replacement	117,132	13,600	130,732	88,632	-	88,632	42,100
Backhoe replacement	14,300	17,000	31,300	-	-	-	31,300
Tractor/mower replacement	24,700	5,000	29,700	-	-	-	29,700
Park improvements	67,000	3,000	70,000	59,000	-	59,000	11,000
Playscape replacement	12,500	77,500	90,000	-	89,900	89,900	100
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	159,200	(9,835)	149,365	149,365	-	149,365	-
Enforcement equipment	27,500	-	27,500	22,735	4,162	26,897	603

(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, 2016

Project	Appropriation			Expenditures			Unexpended Balance
	Beginning Balance	Current Year	Ending Balance	Beginning Balance	Current Year	Ending Balance	
Water supply development	\$ 130,000	5,000	135,000	122,104	4,065	126,169	8,831
Fire hose replacement	35,000	2,500	37,500	29,556	7,731	37,287	213
Breathing apparatus	100,000	14,376	114,376	82,229	-	82,229	32,147
Thermal imaging camera	9,700	3,050	12,750	-	11,499	11,499	1,251
Communications equipment	54,500	-	54,500	26,151	1,485	27,636	26,864
Computer upgrades	13,100	2,000	15,100	12,270	1,454	13,724	1,376
Rescue truck replacement	299,563	-	299,563	254,563	-	254,563	45,000
Medical truck replacement	82,093	22,865	104,958	49,793	-	49,793	55,165
All terrain vehicle	28,000	1,500	29,500	28,074	1,400	29,474	26
Fire chief's vehicle	10,000	3,300	13,300	10,000	-	10,000	3,300
Tanker replacement	239,000	60,000	299,000	-	-	-	299,000
Life saving equipment	57,000	5,000	62,000	42,025	8,083	50,108	11,892
Building maintenance/improvements	125,000	15,000	140,000	89,718	5,400	95,118	44,882
Pumper replacement '02	890,000	50,000	940,000	782,409	-	782,409	157,591
Pumper replacement '13	6,500	20,000	26,500	-	-	-	26,500
Emergency repairs and purchases	5,000	2,500	7,500	-	-	-	7,500
Industrial park projects	350,700	(25,000)	325,700	314,244	8,000	322,244	3,456
Planning and zoning studies	17,570	-	17,570	17,570	-	17,570	-
Plan of conservation and development	12,500	-	12,500	157	7,298	7,455	5,045
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	-
Other Town funds-Old Indian Trail tank replacement	-	30,000	30,000	-	30,000	30,000	-
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	129,408	780	130,188	129,408	780	130,188	-
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	30,000	35,000	-	35,000	35,000	-
	\$ 12,063,356	844,047	12,907,403	10,538,362	733,701	11,272,063	1,635,340

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
June 30, 2016

Schedule 7

	<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>\$ 13,758,319</u>	
Debt Limitation:					
2-1/4 times base	\$ 30,956,218				
4-1/2 times base		61,912,436			
3-3/4 times base			51,593,696		
3-1/4 times base				44,714,537	
3 times base					41,274,957
Total Debt Limitation	<u>30,956,218</u>	<u>61,912,436</u>	<u>51,593,696</u>	<u>44,714,537</u>	<u>41,274,957</u>
Indebtedness:					
Loans payable	427,066			831,107	
Bonds payable					
General obligation bonds payable	966,733				
Net pension liability					436,981
Overlapping debt:					
Town Share of Regional School District					
Number 13 Bonded Indebtedness		2,669,607			
Total Indebtedness	<u>1,393,799</u>	<u>2,669,607</u>	<u>831,107</u>	-	<u>436,981</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 29,562,419</u>	<u>59,242,829</u>	<u>50,762,589</u>	<u>44,714,537</u>	<u>40,837,976</u>
Total Capacity For Borrowing (7 times annual receipts from taxation)				<u>\$ 96,308,233</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, 2016, the outstanding indebtedness of the District was \$7,765,000. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 34.38% or \$2,669,607.

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 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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Middlefield, Connecticut's basic financial statements and have issued my report thereon dated November 11, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Middlefield, Connecticut'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 of Middlefield, Connecticut's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Middlefield, Connecticut's internal control.

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

My consideration of internal control over financial reporting 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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Middlefield, Connecticut's financial statements are free of 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*.

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
Certified Public Accountant, LLC
Killingworth, Connecticut
November 11, 2016

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

INDEPENDENT AUDITOR'S 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
Town of Middlefield, Connecticut:

Report on Compliance for Each Major State Program

I have audited the Town of Middlefield, Connecticut's 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 of Middlefield, Connecticut's major state programs for the year ended June 30, 2016. The Town of Middlefield, Connecticut'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 of Middlefield, Connecticut'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 of Middlefield, Connecticut'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 of Middlefield, Connecticut'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, 2016.

(Continued)

Report on Internal Control Over Compliance

Management of the Town of Middlefield, Connecticut 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 of Middlefield, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing 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 of Middlefield, Connecticut'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 of Middlefield, Connecticut as of and for the year ended June 30, 2016, and have issued my report thereon dated November 11, 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
November 11, 2016

Schedule 8

TOWN OF MIDDLEFIELD, CONNECTICUT
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2016

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Municipal Grants-In-Aid	12052-OPM20600-43587	\$ 248,652
Property Tax Relief For Elderly And Totally Disabled Homeowners	11000-OPM20600-17018	41,149
Local Capital Improvement Fund (LOCIP)	12050-OPM20600-40254	74,574
Property Tax Relief For Veterans	11000-OPM20600-17024	7,823
Property Tax Relief on Property of Totally Disabled Persons	11000-OPM20600-17011	453
Total Office of Policy and Management		<u>372,651</u>
Department of Transportation:		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	197,383
Alcohol Open Container Requirements	12062-DOT57513-22091	26,840
Bus Operations	12001-DOT57931-12175	17,089
Total Department of Transportation		<u>241,312</u>
Judicial Department:		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	6,480
State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	3,000
Department of Emergency Services and Public Protection:		
Emergency Management Performance Grant	12060-DPS32160-21881	2,721
Total State Financial Assistance Before Exempt Programs		<u>626,164</u>
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	2,141,544
Office of the State Comptroller:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	19,111
Total Exempt Programs		<u>2,160,655</u>
Total State Financial Assistance		<u>\$ 2,786,819</u>

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2016

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, 2016

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, 2016:

<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	\$1,009,314	\$ -	\$ 178,207	\$ 831,107

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2016

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

State Financial Assistance

Internal control over major programs:

• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> 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	\$ 248,652
Department of Transportation: Town Aid Roads Grants Transportation Fund	12062-DOT57131-43455	\$ 197,383

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2016

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 November 11, 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.