

**TOWN OF MIDDLEFIELD, CONNECTICUT  
FINANCIAL REPORT  
June 30, 2018**

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**TOWN OF MIDDLEFIELD, CONNECTICUT  
FINANCIAL REPORT**

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# **SEWARD AND MONDE**

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## INDEPENDENT AUDITORS' REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

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

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

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

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Town of Middlefield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Town of Middlefield's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Middlefield, Connecticut's internal control over financial reporting and compliance.

*Seward and Monde*

North Haven, Connecticut  
December 12, 2018

**TOWN OF MIDDLEFIELD, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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 \$970,354 or approximately 7.1%.
- The total cost of all of the Town's governmental activities was \$16,323,373.
- The General Fund reported a fund balance of \$2,496,291 at June 30, 2018.
- For the year ended June 30, 2018, the resources available for appropriation were \$317,786 more than budgeted for the general fund, excluding the use of prior year fund balance. Expenditures were \$292,229 less than budgeted for the general fund.
- The Town's total long-term debt decreased by \$445,114 to a level of \$1,344,626.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

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

## Government-wide Financial Analysis

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

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current and other assets	\$ 7,200,703	\$ 6,463,570
Capital assets, net	9,685,958	9,543,926
Total assets	<u>16,886,661</u>	<u>16,007,496</u>
<b>Deferred Outflows of Resources</b>		
Charges related to pensions	89,976	197,846
<b>Liabilities</b>		
Current liabilities	512,423	175,569
Long-term liabilities:		
Due within one year	494,864	476,850
Due in more than one year	1,273,379	1,811,220
Total liabilities	<u>2,280,666</u>	<u>2,463,639</u>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	11,435	1,000
Credits related to pensions	96,585	123,106
	<u>108,020</u>	<u>124,106</u>
<b>Net Position</b>		
Net investment in capital assets	8,341,332	7,754,186
Unrestricted	6,246,619	5,863,411
Total net position	<u>\$ 14,587,951</u>	<u>\$ 13,617,597</u>

The net position of the Town's governmental activities increased by \$970,354 or 7.1%. 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 \$383,208 to \$6,246,619 at June 30, 2018.

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Change</b>
<b>Revenues:</b>			
Program Revenues:			
Charges for services	\$ 848,113	\$ 730,321	\$ 117,792
Operating grants and contributions	2,049,929	2,361,786	( 311,857)
Capital grants and contributions	58,101	950	57,151
General revenues:			
Property taxes	14,029,605	13,803,723	225,882
Grants and contributions not restricted to specific programs	290,291	431,120	( 140,829)
Unrestricted investment earnings	37,336	12,250	25,086
Loss on disposal of capital assets	( 19,648)	-	( 19,648)
Total revenues	<u>17,293,727</u>	<u>17,340,150</u>	<u>( 46,423)</u>
<b>Program expenses:</b>			
General government	2,180,623	2,359,622	( 178,999)
Public safety	700,341	632,958	67,383
Public works	1,183,818	1,252,757	( 68,939)
Health and welfare	61,049	66,960	( 5,911)
Parks and recreation	188,902	163,803	25,099
Education	11,970,849	12,085,988	( 115,139)
Interest expense	37,791	45,218	( 7,427)
Total program expenses	<u>16,323,373</u>	<u>16,607,306</u>	<u>( 283,933)</u>
Change in net position	<u>\$ 970,354</u>	<u>\$ 732,844</u>	<u>\$ 237,510</u>

The Town's total revenue (excluding special items) was \$17,293,727. The total cost of all programs and services was \$16,323,373. Our analysis above separately considers the operations of governmental activities.

### **Governmental activities**

Governmental activities increased the Town's net position by \$970,354. Tax collections, as well as the sale of Town equipment, in excess of budgeted amounts and expenditures below budgeted levels were the main contributors to this year's results.

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

	Year ended June 30, 2018		Year ended June 30, 2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,180,623	\$ 1,780,979	\$ 2,359,622	\$ 2,034,565
Public works	1,183,818	597,372	1,252,757	705,553
Public safety	700,341	655,820	632,958	595,704
Parks and recreation	188,902	95,423	163,803	92,621
Education	11,970,849	10,148,229	12,085,988	9,986,673

## **Town Fund Financial Analysis**

### **Governmental funds**

As the Town completed the year, its governmental funds reported a combined fund balance of \$5,305,618 which is an increase of \$480,179 from last year's total of \$4,825,439. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$277,090, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$168,625. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted above. The increase in the Town's Reserve Fund is attributable primarily to appropriations exceeding expenditures in the current fiscal year.

### **General Fund budgetary highlights**

General property taxes revenue was \$168,502 more than budgeted due primarily to current and prior year tax collections and related interest being greater than anticipated. Intergovernmental revenue in total was generally consistent with budgeted amounts. Local revenues exceeded budgeted amounts due primarily to better than anticipated collection of Land Use Department fees. Other revenue exceeded budgeted amounts primarily due to greater than anticipated proceeds from the sale of a fire truck.

## **Capital asset and debt administration**

At June 30, 2018, the Town had a net balance of \$9,685,958 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 \$142,032, or approximately 1.5% from the prior year. In the current year, the Town purchased a tanker fire truck and a pickup truck.

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

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
Land	\$ 4,267,089	\$ 4,267,089
Powder Ridge development rights	1,893,919	1,893,919
Buildings and improvements	946,671	1,002,390
Machinery, equipment and vehicles	1,621,712	1,401,042
Infrastructure	956,567	979,486
 Totals	 <u>\$ 9,685,958</u>	 <u>\$ 9,543,926</u>

The Town's 2018/2019 budget calls for no major capital expenditures from the General Fund.

## **Long-term obligations**

At June 30, 2018, the Town had outstanding debt obligations, including compensated absences and net pension liability, as shown below:

### **Long-term obligations at year-end**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
General obligation bonds	\$ 590,843	\$ 780,544
Loans	753,783	1,009,196
Compensated absences	67,127	75,036
Net pension liability	356,490	423,294
 Totals	 <u>\$ 1,768,243</u>	 <u>\$ 2,288,070</u>

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

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

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

The Town's elected and appointed officials consider many factors when establishing the annual budget and setting the mill rate. The most significant factor for the fiscal year 2018/2019 budget was the uncertainty with regards to State funding on the Town. For the first time in Town history Middlefield adopted two different mill rates in one fiscal year for real and personal property taxes and resulted in property tax refunds to affected taxpayers. This unprecedented move was intended to provide tax relief to the citizens of Middlefield as a direct result of the changing and uncertain financial condition of the State of Connecticut and its' impact on Connecticut's municipalities. The Town expects similar uncertainty with regards to State funding to the Town during the upcoming 2019/2020 budget process.

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

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,746,280
Receivables:	
Property taxes, interest and liens	498,528
Loans and assessments	852,397
Other	100,248
Prepaid items	3,250
Capital assets, not being depreciated	6,161,008
Capital assets, being depreciated, net of accumulated depreciation	<u>3,524,950</u>
Total assets	<u>16,886,661</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges related to pensions	<u>89,976</u>
Total deferred outflows of resources	<u>89,976</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	413,311
Due to fiduciary funds	72,588
Unearned revenue	26,524
Noncurrent liabilities:	
Due within one year	494,864
Due in more than one year	<u>1,273,379</u>
Total liabilities	<u>2,280,666</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred credits related to pensions	96,585
Advance collection of property taxes	<u>11,435</u>
Total deferred inflows of resources	<u>108,020</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,341,332
Unrestricted	<u>6,246,619</u>
Total net position	<u>\$ 14,587,951</u>

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Total	Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
<b>Primary Government</b>							
Governmental activities:							
General government	\$ 2,180,623	\$ 395,644	\$ 4,000	\$ -	\$ 399,644	(\$ 1,780,979)	
Public safety	700,341	24,833	19,688	-	44,521	( 655,820)	
Public works	1,183,818	325,677	202,668	58,101	586,446	( 597,372)	
Health and welfare	61,049	8,540	893	-	9,433	( 51,616)	
Parks and recreation	188,902	93,419	60	-	93,479	( 95,423)	
Education	11,970,849	-	1,822,620	-	1,822,620	( 10,148,229)	
Interest expense	37,791	-	-	-	-	( 37,791)	
Total governmental activities	<u>\$ 16,323,373</u>	<u>\$ 848,113</u>	<u>\$ 2,049,929</u>	<u>\$ 58,101</u>	<u>\$ 2,956,143</u>	<u>( 13,367,230)</u>	
General revenues:							
Property taxes, interest & lien fee						14,029,605	
Grants and contributions not restricted to specific programs						290,291	
Loss on disposal of capital assets						( 19,648)	
Unrestricted investment earnings						37,336	
Total general revenues						<u>14,337,584</u>	
Change in net position						970,354	
Net position - July 1, 2017						<u>13,617,597</u>	
Net position - June 30, 2018						<u>\$ 14,587,951</u>	

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Besek	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,319,493	\$ -	\$ 216,530	\$ 149,776	\$ 60,481	\$ 5,746,280
Receivables, net:						
Property taxes, interest and liens	498,528	-	-	-	-	498,528
Loans and assessments	-	-	270,728	581,669	-	852,397
Other	2,948	-	83,034	-	14,266	100,248
Prepaid items	3,250	-	-	-	-	3,250
Due from other funds	25,633	2,032,194	6,598	-	423,276	2,487,701
Total assets	<u>\$ 5,849,852</u>	<u>\$ 2,032,194</u>	<u>\$ 576,890</u>	<u>\$ 731,445</u>	<u>\$ 498,023</u>	<u>\$ 9,688,404</u>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 359,045	\$ -	\$ 30,818	\$ -	\$ 10,161	\$ 400,024
Unearned revenue - grants	20,206	-	-	-	6,318	26,524
Due to other funds	2,528,058	-	8,192	145	23,894	2,560,289
Total liabilities	<u>2,907,309</u>	<u>-</u>	<u>39,010</u>	<u>145</u>	<u>40,373</u>	<u>2,986,837</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	434,817	-	-	-	-	434,817
Advance collections of property taxes	11,435	-	-	-	-	11,435
Unavailable revenue - loans and assessments receivable	-	-	353,762	581,669	14,266	949,697
Total deferred inflows of resources	<u>446,252</u>	<u>-</u>	<u>353,762</u>	<u>581,669</u>	<u>14,266</u>	<u>1,395,949</u>
<b>FUND BALANCES</b>						
Restricted	-	-	-	149,631	399,940	549,571
Committed	196,000	2,032,194	184,118	-	59,977	2,472,289
Assigned	-	-	-	-	-	-
Unassigned	2,300,291	-	-	-	( 16,533)	2,283,758
Total fund balances	<u>2,496,291</u>	<u>2,032,194</u>	<u>184,118</u>	<u>149,631</u>	<u>443,384</u>	<u>5,305,618</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 5,849,852</u></u>	<u><u>\$ 2,032,194</u></u>	<u><u>\$ 576,890</u></u>	<u><u>\$ 731,445</u></u>	<u><u>\$ 498,023</u></u>	<u><u>\$ 9,688,404</u></u>

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE**  
**SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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Total fund balances - total governmental funds \$ 5,305,618

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

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. 9,685,958

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

Property taxes - accrual basis change	434,817
Loans and assessments receivable	949,697
Deferred charges related to pensions	89,976

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

General obligation bonds	( 590,843)
Loans payable	( 753,783)
Accrued interest	( 13,287)
Net pension liability	( 356,490)
Deferred credits related to pensions	( 96,585)
Compensated absences	<u>( 67,127)</u>

Net position of governmental activities \$ 14,587,951

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes, interest and lien fees	\$ 14,012,041	\$ -	\$ -	\$ -	\$ -	\$ 14,012,041
Intergovernmental	2,132,599	58,101	-	-	207,561	2,398,261
Licenses, fees and charges for goods and services	208,296	-	413,831	-	127,677	749,804
Investment income	35,306	-	1,537	185	308	37,336
Miscellaneous	218,728	-	716	-	1,982	221,426
<b>Total revenues</b>	<b>16,606,970</b>	<b>58,101</b>	<b>416,084</b>	<b>185</b>	<b>337,528</b>	<b>17,418,868</b>
<b>EXPENDITURES</b>						
Current:						
General government	2,090,605	32,340	-	-	26,941	2,149,886
Public safety	577,951	21,531	-	-	-	599,482
Public works	530,698	89,953	201,239	-	190,317	1,012,207
Health and welfare	60,905	-	-	144	-	61,049
Parks and recreation	116,891	-	-	-	58,837	175,728
Education	11,970,849	-	-	-	-	11,970,849
Debt service	486,126	-	-	-	-	486,126
Capital outlays	-	483,362	-	-	-	483,362
<b>Total expenditures</b>	<b>15,834,025</b>	<b>627,186</b>	<b>201,239</b>	<b>144</b>	<b>276,095</b>	<b>16,938,689</b>
Excess of revenues over (under) expenditures	772,945	( 569,085)	214,845	41	61,433	480,179
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating transfers in	260,911	737,710	-	-	19,056	1,017,677
Operating transfers out	( 756,766)	-	( 212,765)	-	( 48,146)	( 1,017,677)
<b>Total other financing sources (uses)</b>	<b>( 495,855)</b>	<b>737,710</b>	<b>( 212,765)</b>	<b>-</b>	<b>( 29,090)</b>	<b>-</b>
Net change in fund balance	277,090	168,625	2,080	41	32,343	480,179
Fund balance - July 1, 2017	2,219,201	1,863,569	182,038	149,590	411,041	4,825,439
<b>Fund balance - June 30, 2018</b>	<b>\$ 2,496,291</b>	<b>\$ 2,032,194</b>	<b>\$ 184,118</b>	<b>\$ 149,631</b>	<b>\$ 443,384</b>	<b>\$ 5,305,618</b>

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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Net change in fund balances - total governmental funds \$ 480,179

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

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

Capital outlay	415,550
Depreciation expense	( 253,870)
Loss on disposal of capital assets	( 19,648)
Total	<u>142,032</u>

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

Decrease in property taxes - accrual basis change	17,564
Loans and assessments receivable	( 123,057)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows.

Principal repayments:	
General obligation bonds	189,701
Notes payable	<u>255,413</u>

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:

Pension liability and related deferred outflows and inflows of resources	( 2,608)
Compensated absences	7,909
Accrued interest payable on long-term debt	<u>3,221</u>

Change in net position of governmental activities \$ 970,354

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

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	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 25,781
Investments	506,037
Due from the General Fund	<u>72,588</u>
 Total assets	 <u>\$ 604,406</u>
 <b>LIABILITIES</b>	
Bonds deposited	\$ 72,588
Amounts due to volunteers/employees	<u>531,818</u>
 Total liabilities	 <u>\$ 604,406</u>

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**A. Reporting Entity**

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

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

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

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

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

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**B. Basis of Presentation**

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

**Government-Wide Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include property taxes. Property taxes and other items not properly included among program revenues are reported instead as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

**Fund Financial Statements**

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

The Town reports the following major governmental funds:

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

**Cash and Cash Equivalents**

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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### **Investments**

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

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

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

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes and related interest receivable at June 30, 2018 are stated net of an allowance for uncollectible amount of \$5,600.

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

The Town administers a residential rehabilitation loan program for low to moderate income families. The loans bear an interest rate of 0.00%. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The loans may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2017, loans receivable totaled \$581,669 under this program.

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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### **Prepaid Items**

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

### **Capital Assets**

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital asset is not included as part of the capitalized value of the asset constructed. Depreciation starts once an asset is placed in service.

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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### **Unearned Revenues**

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

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

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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### **Compensated Absences**

Employees are paid by prescribed formula for absences due to vacation or sickness. Accumulated vacation and sick pay earned and not paid for governmental funds as of June 30, 2018 amounted to \$67,127. This liability for unpaid vacation and sick leave is reflected in the government-wide statement of position.

### **Net Pension Liability**

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

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

### **Long-Term Obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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## **Net Position/Fund Balance**

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

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

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

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

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

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

## **Fund Financial Statements**

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

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 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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

**Estimates**

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

**Subsequent Events**

Management has evaluated subsequent events through December 12, 2018, the date the financial statements were available to be issued.

**2. Stewardship, Compliance and Accountability**

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

The Board of Finance, on request by Town agencies or officers, may make special appropriations, but any such special appropriation which exceeds one half of one percent of the current general government shall require approval by vote of Town Meeting. Additional appropriations during the year represented line item transfers. There were no additional appropriations from General Fund balance during the fiscal year ended June 30, 2018.

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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

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

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

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

### **3. Cash, Cash Equivalents and Investments**

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

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

The State Statutes also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and is regulated under State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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The following is a summary of cash and cash equivalents at June 30, 2018:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	Statement of Net Position	Statement of Fiduciary Net Position
Demand, savings and money market accounts	\$ 4,858,419	\$ 25,781
Petty cash	100	-
Connecticut Short-term Investment Fund (STIF)	<u>887,761</u>	<u>-</u>
 Total cash and cash equivalents	 <u>\$ 5,746,280</u>	 <u>\$ 25,781</u>

At June 30, 2018, the carrying amount of the Town's deposits with financial institutions was \$4,884,200 and the bank balance was \$4,956,596.

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, 2018 bank balance, \$1,021,569 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 \$393,503, based on the June 30, 2018 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$3,541,524 was uninsured and uncollateralized.

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2018, the Town's cash equivalents amounted to \$887,761.

STIF is rated AAAm 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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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### **Investments**

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (a) obligations of the United States and its agencies; (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (c) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net assets values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Investments as of June 30, 2018 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:

Equity mutual funds	\$ 223,963
Fixed income mutual funds	281,879
Other	<u>195</u>
 Total	 <u>\$ 506,037</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.

*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.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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*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, 2018 the Town did not have any uninsured or unregistered securities held by the counterparty, or its trust department or agent that were not in the Town's name.

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

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

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

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

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

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. Property Taxes and Other Receivables**

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

	General Fund	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total
Property taxes, net	\$ 377,969	\$ -	\$ -	\$ -	\$ 377,969
Interest and liens, net	120,559	-	-	-	120,559
Loans	-	-	581,669	-	581,669
Assessments	-	270,728	-	-	270,728
Others	<u>2,948</u>	<u>83,034</u>	<u>-</u>	<u>14,266</u>	<u>100,248</u>
Net total receivables	<u>\$ 501,476</u>	<u>\$ 353,762</u>	<u>\$ 581,669</u>	<u>\$ 14,266</u>	<u>\$ 1,451,173</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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## **5. Interfund Transactions**

### **Interfund Balances**

Interfund balances consisted of the following at June 30, 2018, as reported in the fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<b>Governmental Funds:</b>		
General Fund	\$ 25,633	\$ 2,528,058
Reserve Fund for Capital and Nonrecurring Expenditures	2,032,194	-
Lake Beseck	6,598	8,192
Housing Rehabilitation Programs	-	145
<b>Nonmajor Governmental Funds:</b>		
Route 66 Sewer Project	-	7,361
Town Aid Road	385,567	-
Park and Recreation Commission	22,950	-
Old Indian Trail Water System	7,404	-
Miscellaneous Grants	6,318	-
Special Purpose Fund	-	16,533
Donation Fund	1,037	-
<b>Fiduciary Funds:</b>		
Performance Bonds	<u>72,588</u>	<u>-</u>
	<u><u>\$ 2,560,289</u></u>	<u><u>\$ 2,560,289</u></u>

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Interfund Transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers out</u>
General Fund	\$ 260,911	\$ 756,766
Reserve Fund for Capital and Nonrecurring Expenditures	737,710	-
Lake Beseck	-	212,765
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	4,500
Park and Recreation Commission	-	40,382
Old Indian Trail Water System	5,350	3,264
Special Purpose	<u>13,706</u>	-
	<u><u>\$ 1,017,677</u></u>	<u><u>\$ 1,017,677</u></u>

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions\Transfers	Disposals\Transfers	Ending Balance
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 4,267,089	\$ -	\$ -	\$ 4,267,089
Powder Ridge development rights	<u>1,893,919</u>	<u>-</u>	<u>-</u>	<u>1,893,919</u>
Total capital assets, not being depreciated	<u>6,161,008</u>	<u>-</u>	<u>-</u>	<u>6,161,008</u>
Capital assets, being depreciated:				
Buildings and improvements	2,245,519	-	-	2,245,519
Machinery, equipment and vehicles	3,403,817	415,550	(196,480)	3,622,887
Infrastructure	<u>1,145,174</u>	<u>-</u>	<u>-</u>	<u>1,145,174</u>
Total capital assets, being depreciated	<u>6,794,510</u>	<u>415,550</u>	<u>( 196,480)</u>	<u>7,013,580</u>
Less, accumulated depreciation for:				
Buildings and improvements	1,243,129	55,719	-	1,298,848
Machinery, equipment and vehicles	2,002,775	175,232	(176,832)	2,001,175
Infrastructure	<u>165,688</u>	<u>22,919</u>	<u>-</u>	<u>188,607</u>
Total accumulated depreciation	<u>3,411,592</u>	<u>253,870</u>	<u>( 176,832)</u>	<u>3,488,630</u>
Total capital assets, being depreciated, net	<u>3,382,918</u>	<u>161,680</u>	<u>( 19,648)</u>	<u>3,524,950</u>
Total net capital assets, governmental activities	<u>\$ 9,543,926</u>	<u>\$ 161,680</u>	<u>(\$ 19,648)</u>	<u>\$ 9,685,958</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 36,038
Public safety	100,859
Public works	103,799
Parks and recreation	<u>13,174</u>
 Total depreciation expense-governmental activities	 <u>\$ 253,870</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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## 7. Leases

### Operating Lease

The Town entered into an operating lease agreement with Nextel Communications and/or other designees for the right to use certain premises on 393 Jackson Hill Road for wireless communication. The Town is to receive rental income payable in equal monthly installments with a scheduled increase every five years equal to 15% of the rent scheduled to be paid for each year of the previous term. Rental income for the year ended June 30, 2018 amounted to \$56,153.

## 8. Long-Term Obligations

During the year ended June 30, 2018, the following changes occurred in long-term obligations:

	Balance July 1, 2017	Additions	Reductions/ Maturities	Balance June 30, 2018	Due Within One Year
<b>Long-term debt:</b>					
General obligation bonds	\$ 780,544	\$ -	\$ 189,701	\$ 590,843	\$ 193,279
Loans payable	<u>1,009,196</u>	<u>-</u>	<u>255,413</u>	<u>753,783</u>	<u>262,155</u>
<b>Total long-term debt</b>	<b><u>1,789,740</u></b>	<b><u>-</u></b>	<b><u>445,114</u></b>	<b><u>1,344,626</u></b>	<b><u>455,434</u></b>
<b>Other long-term liabilities:</b>					
Net pension liability	423,294	-	66,804	356,490	-
Compensated absences	<u>75,036</u>	<u>44,979</u>	<u>52,888</u>	<u>67,127</u>	<u>39,430</u>
<b>Total other long-term liabilities</b>	<b><u>498,330</u></b>	<b><u>44,979</u></b>	<b><u>119,692</u></b>	<b><u>423,617</u></b>	<b><u>39,430</u></b>
<b>Total long-term liabilities</b>	<b><u>\$ 2,288,070</u></b>	<b><u>\$ 44,979</u></b>	<b><u>\$ 564,806</u></b>	<b><u>\$ 1,768,243</u></b>	<b><u>\$ 494,864</u></b>

A schedule of long-term debt at June 30, 2018 is presented below:

Purpose/Project	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2018
<b>Loans payable:</b>				
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.75%	\$ 83,983
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.88%	185,970
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00%	463,830
Development rights - Merriam property	1/20/2011	7/31/2019	0.00%	20,000
General obligation bonds payable	3/5/2014	4/21/2021	1.87%	<u>590,843</u>
				<u>\$ 1,344,626</u>

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

Year Ended June 30,	Principal	Interest
2019	\$ 455,434	\$ 30,692
2020	465,738	20,289
2021	351,280	10,067
2022	<u>72,174</u>	<u>3,491</u>
	<u><u>\$ 1,344,626</u></u>	<u><u>\$ 64,539</u></u>

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

Category	Debt Limit	Present Indebtedness	Balance
General purpose	\$ 30,844,971	\$ 880,796	\$ 29,964,175
Schools	61,689,942	1,837,939	59,852,003
Sewers	51,408,285	463,830	50,944,455
Urban renewal	44,553,847	-	44,553,847
Pension deficit	41,126,628	-	41,126,628

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$95,962,132.

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, 2018, the outstanding indebtedness of the District was \$5,447,359. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 33.74% or \$1,837,939.

### **Compensated Absences**

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The following is a summary of management's estimate of vested potential liability for lump-sum payments to employees as of June 30, 2018:

Town:	
Sick	\$ 59,203
Vacation	<u>7,924</u>
Total	<u><u>\$ 67,127</u></u>

## **9. Fund Balances**

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2018:

General Fund:	
Committed:	
Subsequent year's budget	\$ 196,000
Unassigned	<u>2,300,291</u>
Total General Fund Balance	<u>2,496,291</u>
Reserve Fund for Capital and Nonrecurring Expenditures:	
Committed to capital projects	2,032,194
Lake Beseck:	
Committed for public works	184,118
Housing Rehabilitation Programs:	
Restricted for housing loans	149,631
Other Governmental Funds:	
Restricted for general government	6,969
Restricted for public works	392,971
Committed for public works	37,027
Committed for parks and recreation	22,950
Unassigned	( 16,533)
Total Other Governmental Fund Balances	443,384
Total Governmental Fund Balances	
	<u><u>\$ 5,305,618</u></u>

The Special Purpose Fund had a fund balance deficit of \$16,533 at June 30, 2018. This fund balance deficit represent the excess of expenditures over actual revenues. It is anticipated that this deficit will be funded by revenues to be generated in future years.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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## **10. Connecticut Municipal Employees' Retirement System**

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

#### Plan Description

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

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

The plan has four sub plans as follows:

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

#### Benefit Provisions

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

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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

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

**Contributions**

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

Each participating municipality makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded liability and a prior service amortization payment which covers the liabilities of the System not met by member contributions. The current rate is 11.38% of annual covered payroll.

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

At June 30, 2018, the Town reported a liability of \$356,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2016. The Town's proportionate share of the net pension liability was based upon the Town's 2016 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2016, the Town's proportional share was .215661% for general employees.

There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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For the year ended June 30, 2018, the Town recognized pension expense of \$74,581. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Net differences between projected and actual earnings on pension plan investments	\$ 28,546	\$ -
Differences between expected and actual experience	6,777	-
Employer change in proportional share	-	96,585
Town contributions subsequent to measurement date	<u>54,653</u>	<u>-</u>
	<u>\$ 89,976</u>	<u>\$ 96,585</u>

The \$54,653 amount reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Net differences between projected and actual earnings and the employer change in proportional share are amortized over 5 years. Difference between expected and actual experience is amortized over the average remaining service period of actives and inactives, which is 4.89 years.

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

Fiscal year ending June 30

2019	\$ 33,700
2020	( 3,195)
2021	( 18,893)
2022	( 18,221)

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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Actuarial assumptions - the actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2012. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions:

Inflation	3.25%
Salary increases, including inflation	4.25 - 11.00%
Long-term investment rate of return, net of pension plan investment expenses, including inflation	8.00%

Mortality rates were based on the RP-2000 Mortality Table for Annuitants and Non-Annuitants (set forward one year for males and set back one year for females).

Future cost-of-living adjustments (COLA) for members who retire on or after January 1, 2002 are 60% of the annual increase in the Consumer Price Index up to 6.0%. The minimum annual COLA is 2.5%, the maximum is 6.0%.

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	16.0 %	5.8 %
Developed non-U.S. equities	14.0	6.6
Emerging markets (non-U.S.)	7.0	8.3
Core fixed income	8.0	1.3
Inflation linked bond funds	5.0	1.0
Emerging market bonds	8.0	3.7
High yield bonds	14.0	3.9
Real estate	7.0	5.1
Private equity	10.0	7.6
Alternative investments	8.0	4.1
Liquidity fund	<u>3.0</u>	<u>0.4</u>
	<u><u>100.0 %</u></u>	

Discount rate - the discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate - the following presents the net pension liability (asset) of the Town, calculated using the discount rate of 8.0%, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	<u>(7.0%)</u>	<u>(8.0%)</u>	<u>(9.0%)</u>
<b>Town's net pension liability:</b>			
General employees with social security	\$ 609,291	\$ 356,490	\$ 142,067

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Plan fiduciary net position**

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

**11. Risk Management**

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

**12. Contingent Liabilities**

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

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

**13. Jointly Governed Organization**

The Town is a participant in the organization described below:

Durham Middlefield Interlocal Agreement Advisory Board (Dmiaab) - The Town and the Town of Durham Town Meetings each appoint four members to the governing board of DMIAAB, which operates a shared refuse transfer station. The Town expended \$191,545 for operations for the year ended June 30, 2018.

**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, 2018**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Taxes, interest and lien fees:</b>				
Property tax collections	\$ 13,843,539	\$ 13,843,539	\$ 14,012,041	\$ 168,502
<b>Total taxes, interest and lien fees</b>	<b>13,843,539</b>	<b>13,843,539</b>	<b>14,012,041</b>	<b>168,502</b>
<b>Intergovernmental:</b>				
PILOT - state owned property	30	30	30	-
Pequot-Mohegan grant	17,261	17,261	17,261	-
Municipal projects grant	248,652	248,652	248,652	-
Municipal stabilization grant	4,848	4,848	4,848	-
PILOT - veterans relief	-	-	5,286	5,286
PILOT - disabled program	-	-	458	458
Judicial fines	6,000	6,000	7,271	1,271
DUI grant	18,000	18,000	19,688	1,688
Senior/disabled bus service	12,100	12,100	6,475	( 5,625)
Other	3,250	3,250	10	( 3,240)
Education cost sharing grant	1,822,437	1,822,437	1,822,620	183
<b>Total Intergovernmental</b>	<b>2,132,578</b>	<b>2,132,578</b>	<b>2,132,599</b>	<b>21</b>
<b>Charges for services:</b>				
Licenses and permits	2,000	2,000	2,862	862
Land use department	65,000	65,000	87,270	22,270
Town Clerk	90,000	90,000	84,791	( 5,209)
Police department services	17,000	17,000	24,833	7,833
Health department	4,000	4,000	3,925	( 75)
Dog licenses and fees	3,750	3,750	3,232	( 518)
Miscellaneous	2,850	2,850	1,383	( 1,467)
<b>Total charges for services</b>	<b>184,600</b>	<b>184,600</b>	<b>208,296</b>	<b>23,696</b>

. . .Continued. . .

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Other revenue:</b>				
Middlefield Housing Authority	\$ 20,000	\$ 20,000	\$ 21,735	\$ 1,735
Joseph E. Coe trust fund	8,900	8,900	11,371	2,471
Property and equipment sales	30,000	30,000	100,001	70,001
Telephone access line tax	10,000	10,000	7,747	( 2,253)
Rental of Town property	54,913	54,913	56,153	1,240
Miscellaneous	200	200	21,721	21,521
<b>Total other revenue</b>	<b>124,013</b>	<b>124,013</b>	<b>218,728</b>	<b>94,715</b>
<b>Transfers from other funds:</b>				
Park and recreation fund - summer camp	36,250	36,250	40,382	4,132
Old Indian Trial fund	5,350	5,350	3,264	( 2,086)
WPCA - Route 66 sewer system	4,500	4,500	4,500	-
WPCA - Lake Beseck sewer system	212,765	212,765	212,765	-
<b>Total transfers from other funds</b>	<b>258,865</b>	<b>258,865</b>	<b>260,911</b>	<b>2,046</b>
<b>Revenue from the use of money:</b>				
Interest income	6,500	6,500	35,306	28,806
<b>Total revenue from the use of money</b>	<b>6,500</b>	<b>6,500</b>	<b>35,306</b>	<b>28,806</b>
<b>Other financing sources:</b>				
General Fund balance	339,400	339,400	339,400	-
<b>Total other financing sources</b>	<b>339,400</b>	<b>339,400</b>	<b>339,400</b>	<b>-</b>
<b>Total revenues and other financing sources</b>	<b>\$ 16,889,495</b>	<b>\$ 16,889,495</b>	<b>\$ 17,207,281</b>	<b>\$ 317,786</b>

**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, 2018**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>General Government:</b>				
Selectman's Office:				
First Selectman's salary	\$ 77,384	\$ 77,384	\$ 77,384	\$ -
Selectmen's salaries	9,808	9,808	9,808	-
Administrative Assistant	49,195	51,732	51,732	-
Finance Director	88,057	88,052	88,052	-
Accounting software license	7,000	6,546	5,876	670
Payroll service fees	7,072	6,806	6,806	-
Dues and organizations	4,500	3,970	3,970	-
Office expenses	5,000	4,745	4,745	-
<b>Total Selectman's office</b>	<b>248,016</b>	<b>249,043</b>	<b>248,373</b>	<b>670</b>
Professional Services:				
Town Engineer	34,500	34,500	22,380	12,120
Town and regional planning	12,000	12,000	8,697	3,303
Town counsel	20,000	20,000	7,207	12,793
Labor counsel	25,000	25,000	23,239	1,761
Legal notices	7,500	7,500	5,562	1,938
Town auditor	21,000	21,000	21,000	-
Consultants	10,000	10,000	950	9,050
Computer network support	30,000	28,713	25,070	3,643
Town web site	2,000	3,287	3,287	-
<b>Total professional services</b>	<b>162,000</b>	<b>162,000</b>	<b>117,392</b>	<b>44,608</b>
Municipal Insurances:				
Property/auto/liability	60,045	60,268	60,268	-
Insurance deductibles	2,000	2,500	2,500	-
Worker's compensation	54,500	53,777	52,906	871
<b>Total municipal insurances</b>	<b>116,545</b>	<b>116,545</b>	<b>115,674</b>	<b>871</b>
General and Central Services:				
Town Hall building expenses	19,740	19,740	16,910	2,830
Community Center building expenses	42,000	42,000	41,733	267
Street lighting	54,000	54,061	54,061	-
Lake Beseck drawdown expense	3,500	3,847	3,847	-
Telephone/postage/copier expenses	31,000	31,137	31,137	-
Custodian salary	23,387	25,089	25,089	-
Automobile maintenance	2,310	4,522	4,522	-
Town vehicle fuel	25,000	20,541	17,647	2,894
<b>Total general and central services</b>	<b>200,937</b>	<b>200,937</b>	<b>194,946</b>	<b>5,991</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**... Continued ...**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Employee Benefits:</b>				
Social security	\$ 81,257	\$ 81,257	\$ 78,705	\$ 2,552
Health/life insurance	264,411	263,286	247,728	15,558
Pension - municipal employees	53,528	54,653	54,653	-
Pension - elected officials	4,535	4,535	4,535	-
<b>Total employee benefits</b>	<b>403,731</b>	<b>403,731</b>	<b>385,621</b>	<b>18,110</b>
<b>Town Clerk:</b>				
Town Clerk salary	51,658	51,658	51,658	-
Index, recording, vital statistics	3,000	3,000	1,325	1,675
Records system license	11,244	12,629	12,629	-
Town Clerk assistant	32,286	32,286	30,867	1,419
Town records restoration	1,500	1,500	810	690
Conferences and dues	800	800	700	100
Office expenses	3,000	1,615	1,251	364
<b>Total Town Clerk</b>	<b>103,488</b>	<b>103,488</b>	<b>99,240</b>	<b>4,248</b>
<b>Tax Collector:</b>				
Tax Collector's salary	39,680	39,680	39,680	-
Tax Collector assistant	2,500	1,563	1,563	-
System software license	9,368	8,618	8,618	-
Supplemental tax billing	2,104	2,017	2,017	-
Conferences and dues	250	125	125	-
Office expenses	750	4,171	4,171	-
<b>Total Tax Collector</b>	<b>54,652</b>	<b>56,174</b>	<b>56,174</b>	<b>-</b>
<b>Treasurer:</b>				
Treasurer's salary	8,758	8,758	8,758	-
<b>Total Treasurer</b>	<b>8,758</b>	<b>8,758</b>	<b>8,758</b>	<b>-</b>
<b>Registrars of Voters:</b>				
Registrars' salary	16,154	16,323	16,323	-
Election expenses	14,000	13,831	7,502	6,329
Education and training	2,300	2,300	400	1,900
Conferences and dues	1,250	1,250	614	636
Office expenses	1,000	1,000	246	754
<b>Total Registrars of Voters</b>	<b>34,704</b>	<b>34,704</b>	<b>25,085</b>	<b>9,619</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Land Use/Health Department:				
Building official	\$ 35,802	\$ 36,689	\$ 36,689	\$ -
Office assistant	38,914	39,172	39,172	-
Zoning officer	15,912	15,912	15,693	219
Sanitarian	49,173	45,202	43,256	1,946
Health director	1,800	1,800	1,800	-
Inland/wetlands agent	12,870	14,493	14,493	-
DEEP/education fees	6,750	6,750	6,424	326
Building code books	-	184	184	-
Water testing/lab fees	1,650	1,650	780	870
Water filter service	4,200	4,821	4,821	-
Conferences and dues	750	750	125	625
Office expenses	1,950	2,348	2,297	51
Total land use/health department	<u>169,771</u>	<u>169,771</u>	<u>165,734</u>	<u>4,037</u>
Assessor's Office:				
Assessor	46,087	46,087	34,976	11,111
System software license	11,830	11,830	11,020	810
Conferences and dues	830	830	180	650
GIS system software	1	1	-	1
Office expenses	670	670	67	603
Total Assessor's office	<u>59,418</u>	<u>59,418</u>	<u>46,243</u>	<u>13,175</u>
Boards and Commissions:				
Board of Selectmen	2,000	2,000	1,873	127
Board of Finance	3,000	3,000	2,468	532
Board of Assessment Appeals	750	750	750	-
Planning and Zoning Commission	43,000	41,754	25,253	16,501
Economic Development Commission	500	500	-	500
Inland Wetlands Agency	7,500	8,746	8,746	-
Zoning Board of Appeals	5,000	5,000	3,114	1,886
Conservation Commission	1,000	1,000	-	1,000
Park and Recreation Commission	800	800	317	483
Lake Beseck Ad-Hoc Committee	9,000	9,000	7,302	1,698
Total boards and commissions	<u>72,550</u>	<u>72,550</u>	<u>49,823</u>	<u>22,727</u>
Reserve for Contingencies:				
Operational	74,000	68,578	-	68,578
Staff coverages	10,000	10,000	-	10,000
Total reserve for contingencies	<u>84,000</u>	<u>78,578</u>	<u>-</u>	<u>78,578</u>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**... Continued ...**

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	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Outside Agencies:</b>				
DMIAAB operations	\$ 191,545	\$ 191,545	\$ 191,545	\$ -
Regional hazardous waste	3,000	3,894	3,894	-
Levi E. Coe Library	294,199	294,199	294,199	-
Youth and Family Services	13,500	13,500	13,500	-
911 - Valley Shore	57,507	57,507	57,507	-
Middlefield Cemetery Association	4,526	4,526	4,526	-
Probate Court	5,255	5,252	5,252	-
Old Homes Day Committee	2,000	2,556	2,556	-
<b>Total outside agencies</b>	<b>571,532</b>	<b>572,979</b>	<b>572,979</b>	<b>-</b>
<b>Sewer System Services:</b>				
Brookside Drive system	6,480	6,678	6,678	-
WPCA - Route 66 system	250	195	195	-
WPCA - Lake Beseck system	2,000	2,691	2,690	1
<b>Total sewer system services</b>	<b>8,730</b>	<b>9,564</b>	<b>9,563</b>	<b>1</b>
<b>Total general government</b>	<b>2,298,832</b>	<b>2,298,240</b>	<b>2,095,605</b>	<b>202,635</b>
<b>Public Safety:</b>				
<b>Police Department:</b>				
Payroll	347,178	330,913	299,674	31,239
Overtime and private duty	42,250	58,515	58,515	-
Equipment	1,305	1,305	155	1,150
Secretary	8,851	8,851	4,979	3,872
Sundry expenses	4,650	4,650	3,423	1,227
<b>Total police department</b>	<b>404,234</b>	<b>404,234</b>	<b>366,746</b>	<b>37,488</b>
<b>Fire Department:</b>				
Fire house operations	31,800	33,113	33,113	-
Truck operations and maintenance	30,000	30,000	29,536	464
Communications	9,300	9,442	9,372	70
Equipment and supplies	20,000	21,138	21,138	-
Physicals and wellness	7,000	7,000	5,795	1,205
Training and preparedness	12,000	12,000	11,999	1
Life insurance	8,851	9,092	9,092	-
Appreciation Night	2,000	2,000	2,000	-
Supplemental benefits	29,796	26,962	22,954	4,008
Part time labor	17,325	17,325	15,979	1,346
<b>Total fire department</b>	<b>168,072</b>	<b>168,072</b>	<b>160,978</b>	<b>7,094</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
<b>Fire Marshal:</b>				
Fire Marshal salary	\$ 12,317	\$ 12,317	\$ 12,317	\$ -
Deputy callout expenses	1,500	1,500	160	1,340
Vehicle allowance	500	500	442	58
Conferences and dues	1,000	1,000	765	235
Sundry expenses	1,500	1,500	1,080	420
<b>Total fire marshal</b>	<b>16,817</b>	<b>16,817</b>	<b>14,764</b>	<b>2,053</b>
<b>Emergency Management:</b>				
Director's stipend	7,816	7,816	7,816	-
Assistant Director's stipend	500	500	-	500
Shelter equipment	500	500	-	500
Communications equipment	500	500	-	500
Emergency notification system	3,275	3,275	3,275	-
Sundry expenses	250	250	-	250
<b>Total emergency management</b>	<b>12,841</b>	<b>12,841</b>	<b>11,091</b>	<b>1,750</b>
<b>Animal Control:</b>				
Animal Control Officer	17,510	17,510	17,510	-
Vehicle allowance	1,000	1,000	1,000	-
Shelter and animal expenses	2,500	2,744	2,744	-
State of Connecticut fees	2,800	2,110	2,110	-
Sundry expenses	1,500	2,538	2,483	55
<b>Total animal control</b>	<b>25,310</b>	<b>25,902</b>	<b>25,847</b>	<b>55</b>
<b>Total public safety</b>	<b>627,274</b>	<b>627,866</b>	<b>579,426</b>	<b>48,440</b>
<b>Public Works:</b>				
Payroll	283,691	283,691	277,077	6,614
Snow removal expenses	84,000	84,000	79,266	4,734
Equipment maintenance	50,000	58,073	58,073	-
Overtime expenses	33,100	33,100	28,949	4,151
Road maintenance	73,300	66,022	66,022	-
Garage expenses	16,400	16,400	15,339	1,061
Sundry expenses	5,000	4,205	3,888	317
Tree Warden stipend	2,084	2,084	2,084	-
<b>Total public works</b>	<b>547,575</b>	<b>547,575</b>	<b>530,698</b>	<b>16,877</b>

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
**... Continued ...**

	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Health and Welfare:</b>				
Senior/Social Services:				
Municipal agent	\$ 33,191	\$ 33,191	\$ 28,916	\$ 4,275
Senior Center activities	8,900	8,900	6,474	2,426
Senior Center meals	14,400	694	694	-
State mandated renters rebate	11,000	11,000	-	11,000
Dial-A-Ride program	16,280	16,280	16,280	-
Office assistants	1,000	1,000	-	1,000
Social services agencies	3,236	3,236	2,736	500
Senior/disabled bus service	10,087	10,087	5,395	4,692
Conferences and dues	200	200	42	158
Office expenses	450	450	368	82
<b>Total senior/social services</b>	<b>98,744</b>	<b>85,038</b>	<b>60,905</b>	<b>24,133</b>
<b>Parks and Recreation:</b>				
Director's salary	34,533	34,533	34,533	-
Peckham Park expenses	35,000	24,771	24,629	142
Lake Beseck Park expenses	18,000	18,339	18,339	-
Summer camp payroll	30,000	34,696	34,696	-
Summer entertainment	1,000	800	800	-
Office expenses	3,500	3,894	3,894	-
<b>Total parks and recreation</b>	<b>122,033</b>	<b>117,033</b>	<b>116,891</b>	<b>142</b>
<b>Education:</b>				
Regional School District No. 13	<u>11,970,849</u>	<u>11,970,849</u>	<u>11,970,849</u>	<u>-</u>
<b>Total Education</b>	<b><u>11,970,849</u></b>	<b><u>11,970,849</u></b>	<b><u>11,970,849</u></b>	<b><u>-</u></b>
<b>Debt Service:</b>				
TDBank Loan (Powder Ridge)	203,469	203,469	203,468	1
Merriam property note	10,000	10,000	10,000	-
USDA loan	75,893	75,893	75,893	-
Clean water fund	196,766	196,766	196,765	1
<b>Total debt service</b>	<b>486,128</b>	<b>486,128</b>	<b>486,126</b>	<b>2</b>
<b>Transfers to Other Funds:</b>				
Capital/nonrecurring fund	732,710	737,710	737,710	-
Old Indian Trial fund	5,350	5,350	5,350	-
Special purpose fund	-	13,706	13,706	-
<b>Total transfers to other funds</b>	<b>738,060</b>	<b>756,766</b>	<b>756,766</b>	<b>-</b>
<b>Total expenditures and transfers</b>	<b>\$ 16,889,495</b>	<b>\$ 16,889,495</b>	<b>16,597,266</b>	<b>\$ 292,229</b>
Encumbrances expended in the current fiscal year			( 6,475)	
GAAP basis expenditures and transfers out			<u>\$ 16,590,791</u>	

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

---

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

**Notes to Schedule**

Changes in Benefits	None
Change of Assumptions	In 2013, rates of mortality, withdrawal, retirement, and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2012.

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

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

---

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

**Notes to Schedule**

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

Methods and assumptions used to determine the most recent contributions:

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

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

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

---

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

**Notes to Schedule**

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

Changes in Benefits                    None

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

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

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

**Notes to Schedule**

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

Valuation Date

June 30, 2016

Measurement Date

June 30, 2017

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

Methods and assumptions used to determine the most recent contributions:

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

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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Current List Year	Uncollected Taxes July 1, 2017 and Current Levy	Lawful Corrections		Transfer to Suspense	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2018
		Additions	Deductions			Taxes	Interest	Lien and Other Fees	Total	
2016	\$ 13,989,620	\$ 12,114	\$ 23,260	\$ -	\$ 13,978,474	\$ 13,758,145	\$ 35,148	\$ 1,050	\$ 13,794,343	\$ 220,329
2015	223,929	739	2,015	29,703	192,950	130,163	26,600	674	157,437	62,787
2014	92,156	-	226	-	91,930	49,005	12,776	408	62,189	42,925
2013	46,134	-	227	-	45,907	26,478	8,104	96	34,678	19,429
2012	15,827	-	223	-	15,604	3,241	389	48	3,678	12,363
2011	6,142	-	215	-	5,927	3,067	460	24	3,551	2,860
2010	14,368	-	180	-	14,188	3,379	608	24	4,011	10,809
2009	13,522	-	176	-	13,346	3,265	686	24	3,975	10,081
2008	3,335	-	154	-	3,181	2,995	719	24	3,738	186
2007	3,436	-	156	-	3,280	3,280	886	24	4,190	-
2006	3,144	-	145	-	2,999	2,999	900	24	3,923	-
2005	2,582	-	-	-	2,582	2,582	852	24	3,458	-
2004	2,569	-	-	-	2,569	2,569	925	24	3,518	-
	<b>\$ 14,416,764</b>	<b>\$ 12,853</b>	<b>\$ 26,977</b>	<b>\$ 29,703</b>	<b>\$ 14,372,937</b>	<b>\$ 13,991,168</b>	<b>\$ 89,053</b>	<b>\$ 2,468</b>	<b>\$ 14,082,689</b>	<b>\$ 381,769</b>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	Special Revenue Funds								
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grant	Special Purpose Fund	Donation Fund	Town Clerk Fund	Total Special Revenue Funds
<b>Assets</b>									
Cash and cash equivalents	\$ 54,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,932	\$ 60,481
Other receivable	14,266	-	-	-	-	-	-	-	14,266
Due from other funds	-	385,567	22,950	7,404	6,318	-	1,037	-	423,276
<b>Total assets</b>	<b>\$ 68,815</b>	<b>\$ 385,567</b>	<b>\$ 22,950</b>	<b>\$ 7,404</b>	<b>\$ 6,318</b>	<b>\$ -</b>	<b>\$ 1,037</b>	<b>\$ 5,932</b>	<b>\$ 498,023</b>
<b>Liabilities</b>									
Accounts payable and accrued expenses	\$ 10,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,161
Unearned revenue - grants	-	-	-	-	6,318	-	-	-	6,318
Due to other funds	7,361	-	-	-	-	16,533	-	-	23,894
<b>Total liabilities</b>	<b>17,522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,318</b>	<b>16,533</b>	<b>-</b>	<b>-</b>	<b>40,373</b>
<b>Deferred Inflows of Resources</b>									
Unavailable revenue - assessments receivable	14,266	-	-	-	-	-	-	-	14,266
<b>Total deferred inflows of resources</b>	<b>14,266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,266</b>
<b>Fund Balances (Deficits)</b>									
Restricted	-	385,567	-	7,404	-	-	1,037	5,932	399,940
Committed	37,027	-	22,950	-	-	-	-	-	59,977
Unassigned	-	-	-	-	-	( 16,533)	-	-	( 16,533)
<b>Total fund balances (deficits)</b>	<b>37,027</b>	<b>385,567</b>	<b>22,950</b>	<b>7,404</b>	<b>-</b>	<b>( 16,533)</b>	<b>1,037</b>	<b>5,932</b>	<b>443,384</b>
<b>Total liabilities, deferred inflows of resources and fund balances (deficits)</b>	<b>\$ 68,815</b>	<b>\$ 385,567</b>	<b>\$ 22,950</b>	<b>\$ 7,404</b>	<b>\$ 6,318</b>	<b>\$ -</b>	<b>\$ 1,037</b>	<b>\$ 5,932</b>	<b>\$ 498,023</b>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds								Total Special Revenue Funds
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grant	Special Purpose Fund	Donation Fund	Town Clerk Fund	
<b>Revenues</b>									
Intergovernmental	\$ -	\$ 197,318	\$ -	\$ 5,350	\$ 4,893	\$ -	\$ -	\$ -	\$ 207,561
Licenses, fees and charges for goods and services	34,187	-	91,497	-	-	-	-	1,993	127,677
Investment income	308	-	-	-	-	-	-	-	308
Miscellaneous	-	-	1,922	-	-	-	60	-	1,982
<b>Total revenues</b>	<b>34,495</b>	<b>197,318</b>	<b>93,419</b>	<b>5,350</b>	<b>4,893</b>	<b>-</b>	<b>60</b>	<b>1,993</b>	<b>337,528</b>
<b>Expenditures</b>									
Current:									
General government	-	-	-	-	4,893	20,139	-	1,909	26,941
Public works	30,368	153,406	-	6,543	-	-	-	-	190,317
Parks and recreation	-	-	58,837	-	-	-	-	-	58,837
<b>Total current expenditures</b>	<b>30,368</b>	<b>153,406</b>	<b>58,837</b>	<b>6,543</b>	<b>4,893</b>	<b>20,139</b>	<b>-</b>	<b>1,909</b>	<b>276,095</b>
Excess (deficiency) of revenues over expenditures	4,127	43,912	34,582	( 1,193)	-	( 20,139)	60	84	61,433
Other Financing Sources (Uses):									
Operating transfers in	-	-	-	5,350	-	13,706	-	-	19,056
Operating transfers out	( 4,500)	-	( 40,382)	( 3,264)	-	-	-	-	( 48,146)
<b>Total other financing sources (uses)</b>	<b>( 4,500)</b>	<b>-</b>	<b>( 40,382)</b>	<b>2,086</b>	<b>-</b>	<b>13,706</b>	<b>-</b>	<b>-</b>	<b>( 29,090)</b>
Net change in fund balances	( 373)	43,912	( 5,800)	893	-	( 6,433)	60	84	32,343
Fund balances (deficits), July 1, 2017	37,400	341,655	28,750	6,511	-	( 10,100)	977	5,848	411,041
Fund balances (deficits), June 30, 2018	<b>\$ 37,027</b>	<b>\$ 385,567</b>	<b>\$ 22,950</b>	<b>\$ 7,404</b>	<b>\$ -</b>	<b>( \$ 16,533)</b>	<b>\$ 1,037</b>	<b>\$ 5,932</b>	<b>\$ 443,384</b>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF NET POSITION**  
**AGENCY FUNDS**  
**JUNE 30, 2018**

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	Performance Bonds	Volunteer Fire Department Supplementary Benefit Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ 25,781	\$ 25,781
Investments	- -	506,037	506,037
Due from other funds	<u>72,588</u>	-	<u>72,588</u>
Total assets	<u><u>\$ 72,588</u></u>	<u><u>\$ 531,818</u></u>	<u><u>\$ 604,406</u></u>
<b>Liabilities</b>			
Due to others	<u>\$ 72,588</u>	<u>\$ 531,818</u>	<u>\$ 604,406</u>
Total liabilities	<u><u>\$ 72,588</u></u>	<u><u>\$ 531,818</u></u>	<u><u>\$ 604,406</u></u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2018**

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	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
<b><u>Performance Bonds:</u></b>				
<b>ASSETS</b>				
Due from other funds	\$ 73,088	\$ 1,000	\$ 1,500	\$ 72,588
Total assets	<u>\$ 73,088</u>	<u>\$ 1,000</u>	<u>\$ 1,500</u>	<u>\$ 72,588</u>
<b>LIABILITIES</b>				
Due to others	\$ 73,088	\$ 1,000	\$ 1,500	\$ 72,588
Total liabilities	<u>\$ 73,088</u>	<u>\$ 1,000</u>	<u>\$ 1,500</u>	<u>\$ 72,588</u>
<b><u>Volunteer Fire Department Supplementary Benefit Fund:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,169	\$ -	\$ 6,388	\$ 25,781
Investments	<u>491,293</u>	<u>60,930</u>	<u>46,186</u>	<u>506,037</u>
Total assets	<u>\$ 523,462</u>	<u>\$ 60,930</u>	<u>\$ 52,574</u>	<u>\$ 531,818</u>
<b>LIABILITIES</b>				
Due to others	\$ 523,462	\$ 60,930	\$ 52,574	\$ 531,818
Total liabilities	<u>\$ 523,462</u>	<u>\$ 60,930</u>	<u>\$ 52,574</u>	<u>\$ 531,818</u>
<b><u>Totals:</u></b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,169	\$ -	\$ 6,388	\$ 25,781
Investments	<u>491,293</u>	<u>60,930</u>	<u>46,186</u>	<u>506,037</u>
Due from other funds	<u>73,088</u>	<u>1,000</u>	<u>1,500</u>	<u>72,588</u>
Total assets	<u>\$ 596,550</u>	<u>\$ 61,930</u>	<u>\$ 54,074</u>	<u>\$ 604,406</u>
<b>LIABILITIES</b>				
Due to others	\$ 596,550	\$ 61,930	\$ 54,074	\$ 604,406
Total liabilities	<u>\$ 596,550</u>	<u>\$ 61,930</u>	<u>\$ 54,074</u>	<u>\$ 604,406</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	Appropriations			Expenditures			Unexpended (Overexpended) Balance
	Balance July 1, 2017	Current Year	Balance June 30, 2018	Balance July 1, 2017	Current Year	Balance June 30, 2018	
Accounting software	\$ -	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Town Hall improvements	152,135	-	152,135	140,856	-	140,856	11,279
Community Center improvements	243,301	31,261	274,562	191,822	1,943	193,765	80,797
Community Center underground tank	13,506	13,014	26,520	-	-	-	26,520
Vehicle replacements	27,875	14,766	42,641	-	-	-	42,641
Telephone system upgrade	6,180	11,820	18,000	-	5,923	5,923	12,077
Computer replacement and upgrades	155,697	5,000	160,697	153,924	6,288	160,212	485
Server replacement	13,550	6,450	20,000	-	10,502	10,502	9,498
Facilities asset management plan	6,180	5,820	12,000	-	-	-	12,000
Accrued benefits	139,000	3,579	142,579	122,390	7,684	130,074	12,505
Town Clerk - ordinance codification	-	1,000	1,000	-	-	-	1,000
Building code books	-	500	500	-	-	-	500
Revaluation	408,222	19,700	427,922	406,722	-	406,722	21,200
Mattabesseeck bridge	379,358	23,001	402,359	425,360	-	425,360	( 23,001)
Storm contingency	45,872	5,923	51,795	22,718	-	22,718	29,077
Tree removal	162,580	30,000	192,580	170,380	14,625	185,005	7,575
Garage improvements	83,000	-	83,000	62,742	-	62,742	20,258
Road improvements	410,028	65,000	475,028	225,043	58,101	283,144	191,884
Miller Road bridge - STEAP	381,000	-	381,000	237,653	-	237,653	143,347
Garage environmental compliance	64,000	-	64,000	37,486	-	37,486	26,514
Lake Beseck remediation	157,825	10,824	168,649	116,747	17,227	133,974	34,675
Dump truck replacement	764,470	13,280	777,750	648,215	-	648,215	129,535
Small dump truck replacement	250,957	13,275	264,232	178,392	-	178,392	85,840
Snow plow replacement	5,800	5,066	10,866	-	-	-	10,866
Emergency repairs	-	10,000	10,000	-	-	-	10,000
Pickup replacement	29,132	-	29,132	21,274	-	21,274	7,858
Paver replacement	3,184	-	3,184	-	-	-	3,184
Roller and trailer replacement	20,875	-	20,875	-	-	-	20,875
Guard rail tractor replacement	156,066	18,293	174,359	91,799	-	91,799	82,560
Sweeper replacement	99,933	23,919	123,852	-	-	-	123,852

... Continued ...

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES**  
**SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

... Continued ...

	Appropriations			Expenditures			Unexpended (Overexpended) Balance
	Balance July 1, 2017	Current Year	Balance June 30, 2018	Balance July 1, 2017	Current Year	Balance June 30, 2018	
Front-end loader replacement	\$ 130,732	\$ 14,324	\$ 145,056	\$ 88,632	\$ -	\$ 88,632	\$ 56,424
Zero turn mower	-	3,536	3,536	-	-	-	3,536
Backhoe replacement	45,299	13,262	58,561	-	-	-	58,561
Tractor/mower replacement	29,700	4,868	34,568	-	-	-	34,568
Park improvements	70,000	21,845	91,845	60,894	20,690	81,584	10,261
Playscape replacement	-	12,668	12,668	-	-	-	12,668
Animal shelter	-	6,000	6,000	-	-	-	6,000
Enforcement equipment	-	2,600	2,600	-	3,323	3,323	( 723)
Water supply development	137,500	5,000	142,500	132,234	2,360	134,594	7,906
Fire hose replacement	42,000	4,000	46,000	40,147	4,473	44,620	1,380
Breathing apparatus	114,376	60,559	174,935	83,429	3,892	87,321	87,614
Thermal imaging camera	16,753	3,811	20,564	11,499	-	11,499	9,065
Communications equipment	116,151	5,324	121,475	31,475	-	31,475	90,000
Computer upgrades	17,468	4,214	21,682	14,326	848	15,174	6,508
Rescue truck replacement	379,563	56,875	436,438	254,563	-	254,563	181,875
Medical truck replacement	122,376	7,417	129,793	49,793	74,460	124,253	5,540
All terrain vehicle	31,691	-	31,691	29,474	-	29,474	2,217
Fire Chief's vehicle	13,300	2,438	15,738	10,000	-	10,000	5,738
Tanker replacement	385,000	-	385,000	-	385,852	385,852	( 852)
Life saving equipment	66,000	4,000	70,000	56,328	8,995	65,323	4,677
Building maintenance/improvements	140,000	-	140,000	95,118	-	95,118	44,882
Pumper replacement '02	940,000	97,391	1,037,391	782,409	-	782,409	254,982
Pumper replacement '13	26,500	-	26,500	-	-	-	26,500
Emergency repairs and purchases	10,000	5,067	15,067	5,067	-	5,067	10,000
50 KW generator	-	6,380	6,380	-	-	-	6,380
Siren - Lyman/Rockfall	-	8,077	8,077	-	-	-	8,077
Boat replacement	1,463	1,410	2,873	-	-	-	2,873
Industrial park projects	327,243	6,000	333,243	322,244	-	322,244	10,999
Plan of conservation and development	12,500	1,357	13,857	10,084	-	10,084	3,773
Land bank reserve	2,500	-	2,500	-	-	-	2,500
Open space property improvements	8,695	1,000	9,695	7,663	-	7,663	2,032
Open space acquisitions	2,500	-	2,500	-	-	-	2,500
Old Indian Trail emergency generator	-	5,150	5,150	-	-	-	5,150
Levi E. Coe improvements	18,276	5,247	23,523	3,500	-	3,500	20,023
Local wellness council	10,936	10,935	21,871	-	-	-	21,871
	<u>\$ 7,398,248</u>	<u>\$ 742,246</u>	<u>\$ 8,140,494</u>	<u>\$ 5,342,402</u>	<u>\$ 627,186</u>	<u>\$ 5,969,588</u>	<u>\$ 2,170,906</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Total tax collections (including interest, penalties and late payment of taxes) for immediate preceding fiscal year	\$ 13,708,876
State reimbursement for revenue loss on tax relief for elderly under CGS Sections 12-129d and 7-528 for immediate preceding fiscal year	-
Annual receipts from taxation (total of above) (the "Base")	<u>\$ 13,708,876</u>

The Connecticut General Statutes provide that the total authorized debt of the Town shall not exceed seven times the annual receipts from taxation, or \$95,962,132, nor shall the total authorized particular purpose debt exceed the individual debt limitations reflected in the table below:

	General Purpose	Schools	Water Pollution Control	Urban Renewal	Pension Deficit
<b>Debt Limitation:</b>					
2 1/4 times base	\$ 30,844,971	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	61,689,942	-	-	-
3 3/4 times base	-	-	51,408,285	-	-
3 1/4 times base	-	-	-	44,553,847	-
3 times base	-	-	-	-	<u>41,126,628</u>
<b>Total debt limitation</b>	<u>30,844,971</u>	<u>61,689,942</u>	<u>51,408,285</u>	<u>44,553,847</u>	<u>41,126,628</u>
<b>Indebtedness:</b>					
General obligation bonds	590,843	-	-	-	-
Notes payable	289,953	-	463,830	-	-
Regional School District #13 bonds	-	1,837,939	-	-	-
<b>Total indebtedness</b>	<u>880,796</u>	<u>1,837,939</u>	<u>463,830</u>	<u>-</u>	<u>-</u>
<b>Debt limitation in excess of outstanding and authorized debt</b>	<u>\$ 29,964,175</u>	<u>\$ 59,852,003</u>	<u>\$ 50,944,455</u>	<u>\$ 44,553,847</u>	<u>\$ 41,126,628</u>

**Note:**

The Town of Middlefield is a member of Regional School District #13 which provides education facilities for grades kindergarten through twelve for the Towns of Middlefield and Durham. As of June 30, 2018, based on the most current and available information, the indebtedness of the District was \$5,447,359. The Town of Middlefield's share will be approximately 33.74% of the debt, of \$1,837,939. These are the general obligations of Regional School District #13 and its member towns.

# **SEWARD AND MONDE**

CERTIFIED PUBLIC ACCOUNTANTS  
296 STATE STREET  
NORTH HAVEN, CONNECTICUT 06473-2165  
(203) 248-9341  
FAX (203) 248-5813

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Middlefield's basic financial statements, and have issued our report thereon dated December 12, 2018.

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

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

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

ASSOCIATED WORLD-WIDE WITH



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

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

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

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

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

*Seward and Monde*

North Haven, Connecticut  
December 12, 2018

# **SEWARD AND MONDE**

CERTIFIED PUBLIC ACCOUNTANTS

296 STATE STREET

NORTH HAVEN, CONNECTICUT 06473-2165

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

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

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

We have audited the Town of Middlefield, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Middlefield's major state programs for the year ended June 30, 2018. The Town of Middlefield's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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

ASSOCIATED WORLD-WIDE WITH



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

In our opinion, the Town of Middlefield, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

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

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

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

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

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

*Seward and Monde*

North Haven, Connecticut  
December 12, 2018

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2018**

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State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core - CT Number	Expenditures
<b><u>Office of Policy and Management:</u></b>		
Municipal grants-in-aid	12052-OPM20600-43587	\$ 248,652
Local capital improvement program	12050-OPM20600-40254	58,101
Property tax relief for veterans	11000-OPM20600-17024	5,286
Property tax relief on property of totally disabled persons	11000-OPM20600-17011	458
Payment in lieu of taxes (PILOT) on state-owned property	11000-OPM20600-17004	30
<b><u>Department of Transportation:</u></b>		
Town aid road grants transportation fund	12052-DOT57131-43455	98,659
Town aid road grants transportation fund	13033-DOT57131-43459	<u>98,659</u>
Bus operations	12001-DOT57000-12175	<u>197,318</u>
		<u>11,870</u>
<b><u>Connecticut State Library:</u></b>		
Historic documents preservation grants	12060-CSL66094-35150	4,000
<b><u>Judicial Branch:</u></b>		
Judicial fines and fees	34001-JUD95162-40001	<u>7,703</u>
Total State Financial Assistance Before Exempt Programs		<u>533,418</u>
<b><u>Exempt Programs:</u></b>		
<b><u>Office of Policy and Management:</u></b>		
Mashantucket Pequot and Mohegan fund grant	12009-OPM20600-17005	17,261
Municipal stabilization grant	11000-OPM20600-17104	4,848
<b><u>Department of Education:</u></b>		
Education cost sharing	11000-SDE64000-17041	<u>1,822,620</u>
Total Exempt Programs		<u>1,844,729</u>
Total State Financial Assistance		<u>\$ 2,378,147</u>

See notes to schedule.

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**Year Ended June 30, 2018**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Middlefield, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2018. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including education, road maintenance, and capital improvements.

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

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

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

#### **Basis of Accounting**

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

### **2. Loan Programs**

In accordance with Section 4-233-23(a)(4)(F) of the Regulations of the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2018:

Department of Energy and Environmental Protection:  
Clean Water Fund

Issue Date	Interest Rate	Original Amount	Beginning Balance	Retired	Ending Balance
5/31/2001	2.00%	\$ 3,271,712	\$ 649,304	\$ 185,474	\$ 463,830

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

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**I. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

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

*State Financial Assistance*

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

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

<b><u>State Grantor and Program</u></b>	<b><u>State Core - CT Number</u></b>	<b><u>Expenditures</u></b>
Department of Transportation:		
Town aid road grants transportation fund	12052-DOT57131-43455	\$ 98,659
Town aid road grants transportation fund	13033-DOT57131-43459	<u>98,659</u>
		<u>197,318</u>
Office of Policy and Management:		
Municipal grants-in-aid	12052-OPM20600-43587	248,652
• Dollar threshold used to distinguish between Type A and Type B programs		<u>\$ 100,000</u>

. . . Continued . . .

**TOWN OF MIDDLEFIELD, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**  
**... Continued ...**

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**II. FINANCIAL STATEMENT FINDINGS**

There were no findings.

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

There were no findings or questioned costs.