

**TOWN OF MIDDLEFIELD, CONNECTICUT
FINANCIAL REPORT
June 30, 2021**

**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, 2021, 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

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, 2021, 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 48 through 55, and the retirement system schedules on pages 56 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 31, 2022, on our consideration of the Town of Middlefield, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the Town of Middlefield's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Town of Middlefield, Connecticut's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
January 31, 2022

**TOWN OF MIDDLEFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. This management discussion and analysis should be read in conjunction with the Town's financial statements.

Financial Highlights

- The net position of the Town's governmental activities increased by \$1,024,757 or approximately 6.1%.
- The total cost of all of the Town's governmental activities was \$16,321,439.
- The General Fund reported a fund balance of \$4,076,077 at June 30, 2021.
- For the year ended June 30, 2021, the resources available for appropriation were \$569,379 more than budgeted for the general fund. Expenditures were \$278,171 less than budgeted for the general fund.
- The Town's total long-term debt decreased by \$351,279 to a level of \$72,174 with all of that amount maturing in fiscal year 2021/2022.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Fiduciary funds - The Town is the trustee, or fiduciary, for its volunteer fire department supplementary benefit fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and statement of changes in fiduciary net position. 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.

	Governmental Activities	
	2021	2020
Assets		
Current and other assets	\$ 10,259,963	\$ 8,452,398
Capital assets, net	<u>9,930,212</u>	<u>9,784,119</u>
Total assets	<u><u>20,190,175</u></u>	<u><u>18,236,517</u></u>
 Deferred Outflows of Resources		
Charges related to pensions	304,072	415,885
 Liabilities		
Current liabilities	1,475,572	198,227
Long-term liabilities:		
Due within one year	153,640	433,612
Due in more than one year	<u>948,209</u>	<u>1,188,234</u>
Total liabilities	<u><u>2,577,421</u></u>	<u><u>1,820,073</u></u>
 Deferred Inflows of Resources		
Unavailable revenue	5,701	9,072
Credits related to pensions	<u>195,511</u>	<u>132,400</u>
	<u><u>201,212</u></u>	<u><u>141,472</u></u>
 Net Position		
Net investment in capital assets	9,579,707	9,035,666
Unrestricted	<u>8,135,907</u>	<u>7,655,191</u>
Total net position	<u><u>\$ 17,715,614</u></u>	<u><u>\$ 16,690,857</u></u>

The net position of the Town's governmental activities increased by \$1,024,757 or 6.1%. 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 \$480,716 to \$8,135,907 at June 30, 2021.

	Governmental Activities		
	2021	2020	Change
Revenues:			
Program revenues:			
Charges for services	\$ 693,504	\$ 640,186	\$ 53,318
Operating grants and contributions	2,102,745	2,116,689	(13,944)
Capital grants and contributions	31,793	31,592	201
General revenues:			
Property taxes	14,130,573	13,792,931	337,642
Grants and contributions not restricted to specific purposes	368,039	294,107	73,932
Unrestricted investment earnings	15,652	64,623	(48,971)
Miscellaneous	3,890	(47,722)	51,612
Total revenues	<u>17,346,196</u>	<u>16,892,406</u>	<u>453,790</u>
Program expenses:			
General government	2,241,070	2,272,903	(31,833)
Public safety	639,569	968,081	(328,512)
Public works	1,546,567	1,131,260	415,307
Health and welfare	72,948	78,922	(5,974)
Parks and recreation	134,727	190,103	(55,376)
Education	11,674,784	11,612,501	62,283
Interest expense	11,774	16,148	(4,374)
Total program expenses	<u>16,321,439</u>	<u>16,269,918</u>	<u>51,521</u>
Change in net position	<u>\$ 1,024,757</u>	<u>\$ 622,488</u>	<u>\$ 402,269</u>

The Town's total revenue was \$17,346,196. The total cost of all programs and services was \$16,321,439. Our analysis above separately considers the operations of governmental activities.

Governmental activities

Governmental activities increased the Town's net position by \$1,024,757. Property tax collections, as well as State of Connecticut COVID related reimbursements, 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.

Governmental Activities

	<u>Year Ended June 30, 2021</u>		<u>Year Ended June 30, 2020</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 2,241,070	1,862,808	\$ 2,272,903	2,000,316
Public works	1,546,567	1,001,304	1,131,260	628,077
Public safety	639,569	638,531	968,081	954,964
Parks and recreation	134,727	79,709	190,103	89,902
Education	11,674,784	9,837,280	11,612,501	9,717,750

Town Fund Financial Analysis

Governmental funds

As the Town completed the year, its governmental funds reported a combined fund balance of \$7,737,662 which is an increase of \$683,019 from last year's total of \$7,054,643. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$597,550, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$313,925. The primary reasons for the General Fund's surplus mirror the governmental activities analysis highlighted above. The increase in the Town's Reserve Fund is attributable primarily to revenues and General Fund appropriations exceeding expenditures in the current fiscal year.

General Fund budgetary highlights

General property taxes revenue was \$544,313 more than budgeted due primarily to current and prior year tax collections and related interest being greater than anticipated. Intergovernmental revenue exceeded budgetary amounts primary due to Coronavirus funding being received which was not anticipated as part of the budget process. Local revenues were greater than budgeted amounts due primarily to greater than anticipated building permits being collected and conveyance taxes being substantially more than anticipated due to inflated sales prices on real estate transactions.

Capital asset and debt administration

At June 30, 2021 the Town had a net balance of \$9,930,212 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 \$146,093, or approximately 1.6% from the prior year. In the current year, the Town acquired a new piece of Public Works equipment.

The Town's 2020/2021 budget calls for major capital expenditures relating to the acquisition of certain pieces of Public Works equipment all to be made through the Reserve Fund for Capital and Nonrecurring Expenditures.

Capital assets at year-end (net of depreciation)

	Governmental Activities	
	2021	2020
Land	\$ 4,348,689	\$ 4,348,689
Powder Ridge development rights	1,893,919	1,893,919
Buildings and improvements	781,947	836,854
Machinery, equipment and vehicles	1,796,251	1,560,354
Infrastructure	<u>1,109,406</u>	<u>1,144,303</u>
 Totals	 <u>\$ 9,930,212</u>	 <u>\$ 9,784,119</u>

Long-term obligations

At June 30, 2021, the Town had outstanding debt obligations, including compensated absences and net pension liability, as shown below:

Long-term obligations at year-end

	Governmental Activities	
	2021	2020
General obligation bonds	\$ -	\$ 200,639
Loans	72,174	222,814
Capital lease obligations	278,331	325,000
Compensated absences	106,720	97,924
Net pension liability	<u>644,624</u>	<u>775,469</u>
 Totals	 <u>\$ 1,101,849</u>	 <u>\$ 1,621,846</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 budget for fiscal year 2021/2022 passed on the first vote with a mill rate reduction of 0.41 or approximately 1.3%. The most significant factor for the fiscal year 2021/2022 budget was the uncertainty regarding the impact of the COVID 19 pandemic and its impact on overall tax collections as well the continued uncertainty with regards to State funding on the Town. The Town expects similar uncertainty with regards to State funding to the Town during the upcoming 2022/2023 budget process.

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

Contacting the Town's financial management

This financial report is dedicated to the memory of First Selectman Edward P. Bailey who always put the citizenry of the Town of Middlefield, Connecticut as his first priority and who will be sorely missed.

This report has been 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, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,009,399
Receivables:	
Property taxes, interest and liens	399,043
Loans and assessments	755,180
Other	5,730
Prepaid items	90,611
Capital assets, not being depreciated	6,242,608
Capital assets, being depreciated, net of accumulated depreciation	<u>3,687,604</u>
Total assets	<u>20,190,175</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges related to pensions	<u>304,072</u>
Total deferred outflows of resources	<u>304,072</u>
LIABILITIES	
Accounts payable and accrued expenses	740,523
Due to fiduciary funds	81,805
Unearned revenue	653,244
Noncurrent liabilities:	
Due within one year	153,640
Due in more than one year	<u>948,209</u>
Total liabilities	<u>2,577,421</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred credits related to pensions	195,511
Advance collection of property taxes	<u>5,701</u>
Total deferred inflows of resources	<u>201,212</u>
NET POSITION	
Net investment in capital assets	9,579,707
Unrestricted	<u>8,135,907</u>
Total net position	<u>\$ 17,715,614</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, 2021

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities				
Primary Government										
Governmental activities:										
General government	\$ 2,241,070	\$ 348,531	\$ 29,731	\$ -	\$ 378,262	(\$ 1,862,808)				
Public safety	639,569	1,038	-	-	1,038	(638,531)				
Public works	1,546,567	283,810	229,660	31,793	545,263	(1,001,304)				
Health and welfare	72,948	5,107	5,850	-	10,957	(61,991)				
Parks and recreation	134,727	55,018	-	-	55,018	(79,709)				
Education	11,674,784	-	1,837,504	-	1,837,504	(9,837,280)				
Interest expense	11,774	-	-	-	-	(11,774)				
Total governmental activities	<u>\$ 16,321,439</u>	<u>\$ 693,504</u>	<u>\$ 2,102,745</u>	<u>\$ 31,793</u>	<u>\$ 2,828,042</u>	<u>(13,493,397)</u>				
General revenues:										
Property taxes, interest & lien fee						14,130,573				
Grants and contributions not restricted to specific programs						368,039				
Unrestricted investment earnings						15,652				
Other						3,890				
Total general revenues						<u>14,518,154</u>				
Change in net position						1,024,757				
Net position - July 1, 2020						<u>16,690,857</u>				
Net position - June 30, 2021						<u>\$ 17,715,614</u>				

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

TOWN OF MIDDLEFIELD, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Besek	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 8,544,344	\$ -	\$ 180,182	\$ 151,656	\$ 133,217	\$ 9,009,399
Receivables, net:						
Property taxes, interest and liens	399,043	-	-	-	-	399,043
Loans and assessments	-	-	28,738	577,987	-	606,725
Other	51,042	-	76,480	-	26,663	154,185
Prepaid items	86,802	-	3,047	-	762	90,611
Due from other funds	-	3,215,403	5,682	-	1,022,711	4,243,796
Total assets	<u>\$ 9,081,231</u>	<u>\$ 3,215,403</u>	<u>\$ 294,129</u>	<u>\$ 729,643</u>	<u>\$ 1,183,353</u>	<u>\$ 14,503,759</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 554,256	\$ 39,780	\$ 1,061	\$ -	\$ 221,920	\$ 817,017
Unearned revenue - grants	-	-	-	-	653,244	653,244
Due to other funds	<u>4,091,925</u>	<u>-</u>	<u>99,391</u>	<u>2,854</u>	<u>52,115</u>	<u>4,246,285</u>
Total liabilities	<u>4,646,181</u>	<u>39,780</u>	<u>100,452</u>	<u>2,854</u>	<u>927,279</u>	<u>5,716,546</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	353,272	-	-	-	-	353,272
Advance collection of property taxes	5,701	-	-	-	-	5,701
Unavailable revenue - loans and assessments receivable	-	-	105,218	577,987	7,373	690,578
Total deferred inflows of resources	<u>358,973</u>	<u>-</u>	<u>105,218</u>	<u>577,987</u>	<u>7,373</u>	<u>1,049,551</u>
FUND BALANCES						
Nonspendable	86,802	-	-	-	-	86,802
Restricted	-	-	-	148,802	186,935	335,737
Committed	500,000	3,175,623	88,459	-	85,888	3,849,970
Unassigned	<u>3,489,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,122)</u>	<u>3,465,153</u>
Total fund balances	<u>4,076,077</u>	<u>3,175,623</u>	<u>88,459</u>	<u>148,802</u>	<u>248,701</u>	<u>7,737,662</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 9,081,231</u></u>	<u><u>\$ 3,215,403</u></u>	<u><u>\$ 294,129</u></u>	<u><u>\$ 729,643</u></u>	<u><u>\$ 1,183,353</u></u>	<u><u>\$ 14,503,759</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, 2021

Total fund balances - total governmental funds \$ 7,737,662

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. 9,930,212

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	353,272
Loans and assessments receivable	690,578

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

Loans payable	(72,174)
Capital lease obligation	(278,331)
Accrued interest	(2,822)
Net pension liability	(644,624)
Compensated absences	(106,720)

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

108,561

Net position of governmental activities \$ 17,715,614

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, 2021

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes, interest and lien fees	\$ 14,193,330	\$ -	\$ -	\$ -	\$ -	\$ 14,193,330
Intergovernmental	2,205,543	56,024	-	-	230,608	2,492,175
Licenses, fees and charges for goods and services	252,696	-	339,814	-	103,470	695,980
Investment income	15,176	-	237	216	23	15,652
Miscellaneous	107,018	-	-	-	10,450	117,468
Total revenues	16,773,763	56,024	340,051	216	344,551	17,514,605
EXPENDITURES						
Current:						
General government	2,117,953	21,502	-	-	19,457	2,158,912
Public safety	538,429	-	-	-	-	538,429
Public works	475,531	34,345	228,975	-	547,499	1,286,350
Health and welfare	67,057	-	-	12,937	-	79,994
Parks and recreation	89,857	-	-	-	31,696	121,553
Education	11,674,784	-	-	-	-	11,674,784
Debt service	413,368	-	-	-	-	413,368
Capital outlays	-	558,196	-	-	-	558,196
Total expenditures	15,376,979	614,043	228,975	12,937	598,652	16,831,586
Excess of revenues over (under) expenditures	1,396,784	(558,019)	111,076	(12,721)	(254,101)	683,019
OTHER FINANCING SOURCES (USES):						
Operating transfers in	84,486	878,370	-	-	11,776	974,632
Operating transfers out	(883,720)	(6,426)	(81,986)	-	(2,500)	(974,632)
Total other financing sources (uses)	(799,234)	871,944	(81,986)	-	9,276	-
Net change in fund balance	597,550	313,925	29,090	(12,721)	(244,825)	683,019
Fund balance - July 1, 2020	3,478,527	2,861,698	59,369	161,523	493,526	7,054,643
Fund balance - June 30, 2021	\$ 4,076,077	\$ 3,175,623	\$ 88,459	\$ 148,802	\$ 248,701	\$ 7,737,662

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, 2021

Net change in fund balances - total governmental funds \$ 683,019

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	410,597
Depreciation expense	(260,334)
Loss on disposal of capital assets	(4,170)
Total	<u>146,093</u>

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

Increase in property taxes - accrual basis change	(62,757)
Loans and assessments receivable	(90,317)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

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

Principal repayments:	
General obligation bonds	200,639
Notes payable	150,640
Capital lease	46,669

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds:

Change in net pension liability	130,845
Change in compensated absences	(8,796)
Change in accrued interest payable on long-term debt	3,646

Deferred outflows and inflows of resources resulting from changes in the components of the net pension liability are amortized as components of pension expense in the statement of activities. (174,924)

Change in net position of governmental activities \$ 1,024,757

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

TOWN OF MIDDLEFIELD, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 40,674
Investments	528,748
Due from the General Fund	<u>2,489</u>
 Total assets	 <u>\$ 571,911</u>
 NET POSITION	
Restricted for:	
Pensions	569,422
Organizations	<u>2,489</u>
 Total net position	 <u>\$ 571,911</u>

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

TOWN OF MIDDLEFIELD, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	<u>Custodial Funds</u>
Additions	
Contributions - Town	\$ 23,765
Investment earnings	60,889
Gifts	<u>12,476</u>
Total additions	<u>97,130</u>
Deductions	
Benefits paid to participants	49,609
Fees	370
Payments to organizations	<u>14,596</u>
Total deductions	<u>64,575</u>
Net change in fiduciary net position	32,555
Net position, July 1, 2020, as restated	<u>539,356</u>
Net position, June 30, 2021	<u>\$ 571,911</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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 Custodial Funds account for funds held by the Town on behalf of outside groups or individuals such as the Volunteer Fire Department Supplementary Benefits and the Giving Garden.

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, 2021

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 three classifications: pension trust funds, investment trust funds and, private-purpose trust 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.

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, 2021

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, 2021 are stated net of an allowance for uncollectible amount of \$4,000.

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, 2021, loans receivable totaled \$577,987 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, 2021

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:

Assets	Years
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, 2021

Unearned Revenues

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from pension contributions after the measurement date, net differences between projected and actual earnings, differences between expected and actual experience, changes in assumptions and the change in proportional share. 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 difference between expected and actual experience and 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, 2021

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, 2021 amounted to \$106,720. 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, 2021

Net Position/Fund Balance

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

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

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

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

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

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Estimates

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

Subsequent Events

Management has evaluated subsequent events through January 31, 2022, 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 appropriation from General Fund balance during the fiscal year ended June 30, 2021.

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

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

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

The following is a summary of cash and cash equivalents at June 30, 2021:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	Statement of Net Position	Statement of Fiduciary Net Position
Demand, savings and money market accounts	\$ 8,086,237	\$ 40,674
Petty cash	100	-
Connecticut Short-term Investment Fund (STIF)	<u>923,062</u>	<u>-</u>
 Total cash and cash equivalents	 <u>\$ 9,009,399</u>	 <u>\$ 40,674</u>

At June 30, 2021, the carrying amount of the Town's deposits with financial institutions was \$8,126,911 and the bank balance was \$8,154,044.

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, 2021 bank balance, \$776,759 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 \$737,729, based on the June 30, 2021 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$6,639,556 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, 2021, the Town's cash equivalents amounted to \$923,062.

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
JUNE 30, 2021

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, 2021 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:

Equity mutual funds	\$ 269,677
Fixed income mutual funds	258,999
Other	<u>72</u>
 Total	 <u>\$ 528,748</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.

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, 2021 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.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021.

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 Besek	Housing Rehabilitation Programs	Other Governmental Funds	Total
Property taxes, net	\$ 286,855	\$ -	\$ -	\$ -	\$ 286,855
Interest and liens, net	112,188	-	-	-	112,188
Intergovernmental	-	-	-	7,514	7,514
Loans	-	-	577,987	-	577,987
Assessments	-	28,738	-	-	28,738
Others	51,042	76,480	-	19,149	146,671
Net total receivables	<u>\$ 450,085</u>	<u>\$ 105,218</u>	<u>\$ 577,987</u>	<u>\$ 26,663</u>	<u>\$ 1,159,953</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

5. Interfund Transactions

Interfund Balances

Interfund balances consisted of the following at June 30, 2021, as reported in the fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ -	\$ 4,091,925
Reserve Fund for Capital and		
Nonrecurring Expenditures	3,215,403	-
Lake Beseck	5,682	99,391
Housing Rehabilitation Programs	-	2,854
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	15,580
Town Aid Road	374,131	-
Park and Recreation Commission	-	3,891
Old Indian Trail Water System	-	10,367
Miscellaneous Grants	647,543	-
Special Purpose Fund	-	22,277
Donation Fund	1,037	-
Fiduciary Funds:		
Giving Gardens	<u>2,489</u>	<u>-</u>
	<u>\$ 4,246,285</u>	<u>\$ 4,246,285</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, 2021

Interfund Transfers

Interfund transfers for the year ended June 30, 2021, consisted of the following, as reported in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 84,486	\$ 883,720
Reserve Fund for Capital and Nonrecurring Expenditures	878,370	6,426
Lake Beseck	-	81,986
Nonmajor Governmental Funds:		
Old Indian Trail Water System	<u>11,776</u>	<u>2,500</u>
	<u>\$ 974,632</u>	<u>\$ 974,632</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, 2021

6. Capital Assets

Capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions\Transfers	Disposals\Transfers	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,348,689	\$ -	\$ -	\$ 4,348,689
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>6,242,608</u>	<u>-</u>	<u>-</u>	<u>6,242,608</u>
Capital assets, being depreciated:				
Buildings and improvements	2,245,519	-	-	2,245,519
Machinery, equipment and vehicles	3,801,993	410,597	(83,400)	4,129,190
Infrastructure	<u>1,384,737</u>	<u>-</u>	<u>-</u>	<u>1,384,737</u>
Total capital assets, being depreciated	<u>7,432,249</u>	<u>410,597</u>	<u>(83,400)</u>	<u>7,759,446</u>
Less, accumulated depreciation for:				
Buildings and improvements	1,408,665	54,907	-	1,463,572
Machinery, equipment and vehicles	2,241,639	170,530	(79,230)	2,332,939
Infrastructure	<u>240,434</u>	<u>34,897</u>	<u>-</u>	<u>275,331</u>
Total accumulated depreciation	<u>3,890,738</u>	<u>260,334</u>	<u>(79,230)</u>	<u>4,071,842</u>
Total capital assets, being depreciated, net	<u>3,541,511</u>	<u>150,263</u>	<u>(4,170)</u>	<u>3,687,604</u>
Total net capital assets, governmental activities	<u>\$ 9,784,119</u>	<u>\$ 150,263</u>	<u>(\$ 4,170)</u>	<u>\$ 9,930,212</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 29,283
Public safety	101,140
Public works	112,618
Health and welfare	4,119
Parks and recreation	<u>13,174</u>
 Total depreciation expense-governmental activities	 <u>\$ 260,334</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

7. Operating Leases

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, 2021 amounted to \$56,182.

8. Long-Term Obligations

During the year ended June 30, 2021, the following changes occurred in long-term obligations:

Description	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion
Bonds and loans payable:					
General obligation bonds	\$ 200,639	\$ -	\$ 200,639	\$ -	\$ -
Loans payable	222,814	-	150,640	72,174	72,174
Total bonds and loans payable	423,453	-	351,279	72,174	72,174
Capital lease obligation	325,000	-	46,669	278,331	43,441
Compensated absences	97,924	8,796	-	106,720	38,025
Net pension liability	775,469	-	130,845	644,624	-
Governmental activities					
Long-term liabilities	\$ 1,621,846	\$ 8,796	\$ 528,793	\$ 1,101,849	\$ 153,640

A schedule of long-term debt at June 30, 2021 is presented below:

Purpose/Project	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2021
Loans payable:				
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.75	\$ 22,411
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.88	49,763
Capital lease obligation - communication equipment	1/10/2020	7/2/2026	2.59	278,331
				\$ 350,505

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Annual debt service requirements to maturity for general obligation bonds and loans payable are as follows:

Year Ended June 30,	Principal	Interest
2022	<u>\$ 72,174</u>	<u>\$ 3,491</u>

Capital Lease

At June 30, 2021, the Town is committed under a lease agreement for the acquisition of communication equipment. This lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of the lease term) and, therefore, has been recorded at the lower of the present value of the future minimum lease payments or the fair value of the leased assets at the date of the inception of the lease.

The annual future lease payments as of June 30, 2021 are as follows:

Fiscal Year Ended June 30,	Principal Payments	Interest Payments
2022	\$ 43,441	\$ 7,295
2023	44,579	6,156
2024	45,748	4,988
2025	46,947	3,789
2026	48,177	2,559
2027	<u>49,439</u>	<u>1,296</u>
Total	<u>\$ 278,331</u>	<u>\$ 26,083</u>

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

Category	Debt Limit	Present Indebtedness	Balance
General purpose	\$ 31,091,969	\$ 72,174	\$ 31,019,795
Schools	62,183,939	683,235	61,500,704
Sewers	51,819,949	-	51,819,949
Urban renewal	44,910,622	-	44,910,622
Pension deficit	41,455,959	-	41,455,959

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$96,730,571.

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, 2021, the outstanding indebtedness of the District was \$2,025,000. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 33.74% or \$683,235.

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.

The following is a summary of management's estimate of vested potential liability for lump-sum payments to employees as of June 30, 2021:

Town:	
Sick	\$ 82,795
Vacation	<u>23,925</u>
Total	<u>\$ 106,720</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

9. Fund Balances

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2021:

General Fund:	
Nonspendable	\$ 86,802
Committed for subsequent year's budget	500,000
Unassigned	3,489,275
Total General Fund Balance	<u>4,076,077</u>
Reserve Fund for Capital and Nonrecurring Expenditures:	
Committed for capital projects	3,175,623
Lake Beseck:	
Committed for public works	88,459
Housing Rehabilitation Programs:	
Restricted for housing loans	148,802
Other Governmental Funds:	
Restricted for general government	4,335
Restricted for public works	182,600
Committed for public works	54,104
Committed for parks and recreation	31,784
Unassigned	(24,122)
Total Other Governmental Fund Balances	<u>248,701</u>
Total Governmental Fund Balances	<u>\$ 7,737,662</u>

The Special Purpose Fund had a fund balance deficit of \$23,934 and the Miscellaneous Grant Fund had a fund balance deficit of \$188 at June 30, 2021. These fund balance deficits represent the excess of expenditures over actual revenues. It is anticipated that this deficit will be funded by revenues to be generated in future years.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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 14.95% of annual covered payroll.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the Town reported a liability of \$644,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020. The actuarial assumptions used in the June 30, 2020 valuation were based on results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. The Town's proportionate share of the net pension liability was based upon the Town's 2020 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2020, the Town's proportional share was .164151% for general employees.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

For the year ended June 30, 2021, the Town recognized pension expense of \$123,094. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Net differences between projected and actual earnings on pension plan investments	\$ 67,648	\$ -
Differences between expected and actual experience	42,708	82,412
Employer change in proportional share	22,611	113,099
Changes in assumptions	106,137	-
Town contributions subsequent to measurement date	<u>64,968</u>	<u>-</u>
	<u>\$ 304,072</u>	<u>\$ 195,511</u>

The Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Net differences between projected and actual earnings and the employer change in proportional share are amortized over 5 years. Difference between expected and actual experience, and changes in assumptions are amortized over the average remaining service period of actives and inactives, which is 4.73 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

2022	\$ 97,650
2023	44,904
2024	(22,658)
2025	(11,335)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following key actuarial assumptions:

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

Mortality rates were based on:

The RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees.

The RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire.

For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used.

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.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	20.0 %	5.3 %
Developed market international	11.0	5.1
Emerging market international	9.0	7.4
Core fixed income	16.0	1.6
Inflation linked bond	5.0	1.3
Emerging market debt	5.0	2.9
High yield bond	6.0	3.4
Real estate	10.0	4.7
Private equity	10.0	7.3
Alternative investments	7.0	3.2
Liquidity fund	1.0	0.9
	<u>100.0 %</u>	

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's net pension liability:			
General employees with social security	\$ 901,983	\$ 644,624	\$ 427,614

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 as of and for the year ended June 30, 2020.

11. 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 \$162,484 for operations for the year ended June 30, 2021.

12. 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.

13. Commitments, Contingencies and Uncertainties

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.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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.

In March 2020, the World Health Organization declared the spread of COVID-19 virus a pandemic. The actions taken, or failure to act, on the part of governments, institutions and the public to contain it on a global basis is having an adverse impact on global business and economic activity. The impact of COVID-19 on future operations and financial results of the Town cannot be determined at this time.

14. New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities (GASB 84). The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020.

The Town has implemented the provisions of GASB 84 in the accompanying financial statements under a retrospective basis. Accordingly, an adjustment has been recorded to increase the assets and liabilities of the General Fund at June 30, 2020 in the amount of \$41,916 with a corresponding decrease in the assets and liabilities of the custodial funds.

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, 2021

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Taxes, interest and lien fees:				
Property tax collections	\$ 13,649,017	\$ 13,649,017	\$ 14,193,330	\$ 544,313
Total taxes, interest and lien fees	<u>13,649,017</u>	<u>13,649,017</u>	<u>14,193,330</u>	<u>544,313</u>
Intergovernmental:				
PILOT - state owned property	4,920	4,920	4,920	-
Pequot-Mohegan grant	5,616	5,616	5,616	-
Municipal projects grant	248,652	248,652	248,652	-
Municipal stabilization grant	14,971	14,971	14,971	-
PILOT - veterans relief	5,209	5,209	4,319	(890)
PILOT - disabled program	420	420	424	4
Judicial fines	7,750	7,750	3,336	(4,414)
Senior/disabled bus service	12,100	12,100	9,542	(2,558)
Other	2,750	2,750	76,259	73,509
Education cost sharing grant	<u>1,837,504</u>	<u>1,837,504</u>	<u>1,837,504</u>	<u>-</u>
Total Intergovernmental	<u>2,139,892</u>	<u>2,139,892</u>	<u>2,205,543</u>	<u>65,651</u>
Charges for services:				
Licenses and permits	2,660	2,660	3,860	1,200
Land use department	65,000	65,000	125,285	60,285
Town Clerk	85,000	85,000	113,741	28,741
Police department services	4,000	4,000	1,038	(2,962)
Dog licenses and fees	3,500	3,500	3,783	283
Beach passes	-	-	3,665	3,665
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>1,324</u>	<u>324</u>
Total charges for services	<u>161,160</u>	<u>161,160</u>	<u>252,696</u>	<u>91,536</u>

. . .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, 2021
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Other revenue:				
Middlefield Housing Authority	\$ 18,685	\$ 18,685	\$ 18,127	(\$ 558)
Joseph E. Coe trust fund	9,100	9,100	9,607	507
Property and equipment sales	72,000	72,000	8,060	(63,940)
Telephone access line tax	7,500	7,500	8,064	564
Rental of Town property	53,900	53,900	56,182	2,282
Miscellaneous	2,000	2,000	6,978	4,978
Total other revenue	<u>163,185</u>	<u>163,185</u>	<u>107,018</u>	<u>(56,167)</u>
Transfers from other funds:				
Park and recreation fund - summer camp	56,630	56,630	-	(56,630)
Old Indian Trial fund	2,500	2,500	2,500	-
WPCA - Route 66 sewer system	4,500	4,500	-	(4,500)
WPCA - Lake Beseck sewer system	81,986	81,986	81,986	-
Total transfers from other funds	<u>145,616</u>	<u>145,616</u>	<u>84,486</u>	<u>(61,130)</u>
Revenue from the use of money:				
Interest income	30,000	30,000	15,176	(14,824)
Total revenue from the use of money	<u>30,000</u>	<u>30,000</u>	<u>15,176</u>	<u>(14,824)</u>
Other financing sources:				
General Fund balance	250,000	250,000	250,000	-
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Total revenues and other financing sources	<u><u>\$ 16,538,870</u></u>	<u><u>\$ 16,538,870</u></u>	<u><u>\$ 17,108,249</u></u>	<u><u>\$ 569,379</u></u>

TOWN OF MIDDLEFIELD, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
General Government:				
Selectman's Office:				
First Selectman's salary	\$ 83,009	\$ 83,009	\$ 83,009	\$ -
Selectmen's salaries	10,408	10,408	10,408	-
Administrative Assistant	54,764	55,035	55,035	-
Finance Director	94,457	94,457	94,457	-
Account payable assistant/floater	6,074	6,074	4,637	1,437
Accounting software license	7,550	7,550	7,152	398
Payroll service fees	4,750	4,947	4,947	-
Dues and organizations	5,096	5,096	2,960	2,136
Office expenses	10,443	9,975	3,540	6,435
Total Selectman's office	276,551	276,551	266,145	10,406
Professional Services:				
Town Engineer	27,043	27,043	26,699	344
Town and regional planning	8,938	8,938	8,938	-
Town planner	48,668	52,428	52,428	-
Town counsel	10,000	5,586	843	4,743
Labor counsel	5,000	5,000	-	5,000
Legal notices	5,967	5,967	3,804	2,163
Town auditor	25,500	25,500	25,500	-
Consultants	1	1	-	1
Computer network support	16,000	16,654	16,654	-
Town web site	1,500	1,500	1,163	337
Total professional services	148,617	148,617	136,029	12,588
Municipal Insurances:				
Property/auto/liability	57,093	57,407	57,407	-
Insurance deductibles	2,500	2,186	-	2,186
Worker's compensation	42,437	42,437	42,434	3
Total municipal insurances	102,030	102,030	99,841	2,189
General and Central Services:				
Town Hall building expenses	16,885	16,885	12,742	4,143
Community Center building expenses	37,500	37,500	34,669	2,831
Street lighting	16,169	17,138	17,138	-
Lake Beseck drawdown expense	3,625	3,625	-	3,625
Telephone/postage/copier expenses	33,396	33,437	33,436	1
Custodian salary	26,567	27,363	27,363	-
Facilities manager	13,154	13,154	13,141	13
Automobile maintenance	3,000	3,000	2,802	198
Town vehicle fuel	15,000	13,194	12,892	302
Old North Cemetery	3,500	3,500	2,875	625
Total general and central services	168,796	168,796	157,058	11,738

... 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, 2021
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Employee Benefits:				
Social security	\$ 87,002	\$ 87,002	\$ 83,052	\$ 3,950
Health/life insurance	242,390	242,390	234,280	8,110
Pension - municipal employees	70,824	70,824	64,968	5,856
Pension - elected officials	4,852	4,852	4,852	-
Total employee benefits	405,068	405,068	387,152	17,916
Town Clerk:				
Town Clerk salary	54,820	54,820	54,820	-
Index, recording, vital statistics	1,767	1,081	1,081	-
Records system license	13,000	12,712	12,712	-
Town Clerk assistant	35,227	38,677	38,677	-
Town records restoration	1,500	1,043	1,043	-
Conferences and dues	800	625	625	-
Office expenses	2,400	1,331	1,330	1
Total Town Clerk	109,514	110,289	110,288	1
Tax Collector:				
Tax Collector's salary	42,564	42,564	42,564	-
Tax Collector assistant	3,500	2,552	-	2,552
System software license	10,708	11,656	11,656	-
Conferences and dues	200	200	95	105
Office expenses	700	700	363	337
Total Tax Collector	57,672	57,672	54,678	2,994
Treasurer:				
Treasurer's salary	9,294	9,294	9,294	-
Total Treasurer	9,294	9,294	9,294	-
Registrars of Voters:				
Registrars' salary	17,143	17,143	17,143	-
Election expenses	10,100	13,490	13,489	1
COVID related expenses	-	6,288	6,288	-
Education and training	900	-	-	-
Conferences and dues	1,250	140	140	-
Office expenses	600	897	897	-
Total Registrars of Voters	29,993	37,958	37,957	1

... 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, 2021
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Land Use/Health Department:				
Building official	\$ 35,077	\$ 35,077	\$ 35,038	\$ 39
Office assistant	50,706	51,474	51,473	1
Zoning officer	26,308	26,308	26,275	33
Inland/wetlands agent	13,389	14,289	14,289	-
DEEP/education fees	6,300	6,300	5,201	1,099
Water testing/lab fees	1,000	1,000	990	10
Water filter service	3,966	4,104	4,104	-
Conferences and dues	300	300	40	260
Office expenses	10,600	8,794	4,151	4,643
Total land use/health department	147,646	147,646	141,561	6,085
Assessor's Office:				
Assessor	47,334	49,409	49,409	-
System software license	19,023	19,023	15,826	3,197
Assessor assistant	16,500	8,942	6,015	2,927
Conferences and dues	975	975	585	390
GIS system software	5,000	10,483	10,483	-
Office expenses	1,060	1,060	899	161
Total Assessor's office	89,892	89,892	83,217	6,675
Boards and Commissions:				
Board of Selectmen	1,000	1,000	195	805
Board of Finance	2,300	2,660	2,660	-
Board of Assessment Appeals	750	750	625	125
Planning and Zoning Commission	18,500	18,500	5,084	13,416
Economic Development Commission	1,000	640	-	640
Inland Wetlands Agency	20,000	20,000	10,201	9,799
Zoning Board of Appeals	3,663	3,663	2,763	900
Conservation Commission	1,000	1,000	110	890
Park and Recreation Commission	750	750	-	750
Charter Revision Commission	1	1	-	1
Lake Beseck Ad-Hoc Committee	9,900	9,900	5,768	4,132
Total boards and commissions	58,864	58,864	27,406	31,458
Reserve for Contingencies:				
Operational	65,719	41,168	-	41,168
Staff coverages	5,000	5,000	1,163	3,837
Total reserve for contingencies	70,719	46,168	1,163	45,005

... 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, 2021
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Outside Agencies:				
DMIAAB operations	\$ 162,484	\$ 162,484	\$ 162,484	\$ -
Regional hazardous waste	4,000	6,358	6,358	-
Levi E. Coe Library	310,531	310,531	310,531	-
Youth and Family Services	20,500	20,500	20,500	-
911 - Valley Shore	59,479	59,479	59,479	-
Middlefield Cemetery Association	4,526	4,526	4,526	-
Probate Court	4,900	4,900	4,900	-
Old Homes Day Committee	2,000	-	-	-
Plainville/Southington Health District	<u>29,127</u>	<u>29,084</u>	<u>29,084</u>	<u>-</u>
Total outside agencies	<u>597,547</u>	<u>597,862</u>	<u>597,862</u>	<u>-</u>
Sewer System Services:				
Brookside Drive system	6,000	6,300	6,300	-
WPCA - Route 66 system	350	572	571	1
WPCA - Lake Beseck system	<u>1,500</u>	<u>1,431</u>	<u>1,431</u>	<u>-</u>
Total sewer system services	<u>7,850</u>	<u>8,303</u>	<u>8,302</u>	<u>1</u>
Total general government	<u>2,280,053</u>	<u>2,265,010</u>	<u>2,117,953</u>	<u>147,057</u>
Public Safety:				
Police Department:				
Payroll	280,790	280,790	270,152	10,638
Overtime and private duty	25,000	25,000	9,935	15,065
Equipment	3,000	3,000	1,500	1,500
Secretary	7,823	7,823	7,654	169
Sundry expenses	<u>1,550</u>	<u>1,550</u>	<u>852</u>	<u>698</u>
Total police department	<u>318,163</u>	<u>318,163</u>	<u>290,093</u>	<u>28,070</u>
Fire Department:				
Fire house operations	34,500	36,873	36,873	-
Truck operations and maintenance	32,000	44,656	44,655	1
Communications	3,300	4,028	4,028	-
Equipment and supplies	20,000	21,717	21,717	-
Physicals and wellness	9,000	6,905	6,905	-
Training and preparedness	12,000	12,428	12,428	-
Life insurance	9,600	7,816	7,816	-
Appreciation Night	6,140	-	-	-
COVID related expenses	1	6,796	6,796	-
Supplemental benefits	23,948	23,765	23,765	-
Part time labor	<u>18,392</u>	<u>17,656</u>	<u>17,656</u>	<u>-</u>
Total fire department	<u>168,881</u>	<u>182,640</u>	<u>182,639</u>	<u>1</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, 2021
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Fire Marshal:				
Fire Marshal salary	\$ 13,070	\$ 13,070	\$ 13,070	\$ -
Deputy callout expenses	1,500	1,500	1,140	360
Vehicle expense	1	1	-	1
Conferences and dues	2,600	2,223	2,008	215
Sundry expenses	500	877	877	-
Total fire marshal	17,671	17,671	17,095	576
Emergency Management:				
Director's stipend	8,294	8,294	8,294	-
Assistant Director's stipend	100	100	-	100
Shelter equipment	6,350	6,350	252	6,098
Communications equipment	500	500	494	6
Emergency notification system	3,275	3,439	3,439	-
Sundry expenses	12,726	502	425	77
COVID related expenses	1	12,061	12,061	-
Total emergency management	31,246	31,246	24,965	6,281
Animal Control:				
Animal Control Officer	18,581	18,581	18,581	-
Shelter and animal expenses	1,500	1,721	1,721	-
State of Connecticut fees	2,750	2,343	1,799	544
Sundry expenses	1,350	1,536	1,536	-
Total animal control	24,181	24,181	23,637	544
Total public safety	560,142	573,901	538,429	35,472
Public Works:				
Payroll	274,935	274,935	267,732	7,203
Snow removal expenses	60,000	48,416	35,736	12,680
Equipment maintenance	42,500	42,500	37,053	5,447
Overtime expenses	32,180	32,180	30,621	1,559
Road maintenance	68,000	78,078	78,078	-
Garage expenses	17,500	17,500	15,286	2,214
Sundry expenses	7,350	8,856	8,856	-
Tree Warden stipend	2,169	2,169	2,169	-
Total public works	504,634	504,634	475,531	29,103

... 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, 2021
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Health and Welfare:				
Senior/Social Services:				
Municipal agent	\$ 37,284	\$ 38,417	\$ 38,417	\$ -
Senior Center activities	8,900	7,760	7,155	605
Senior Center meals	1	1	-	1
Dial-A-Ride program	16,680	16,687	16,687	-
Office assistants	1,000	1,000	200	800
Social services agencies	3,500	3,500	3,500	-
Senior/disabled bus service	10,087	10,087	1,098	8,989
Conferences and dues	150	150	-	150
Total senior/social services	77,602	77,602	67,057	10,545
Parks and Recreation:				
Director's salary	36,647	36,647	36,647	-
Peckham Park expenses	31,785	28,287	25,695	2,592
Lake Beseck Park expenses	20,130	23,628	23,627	1
Summer camp payroll	51,788	51,788	-	51,788
Summer entertainment	1,000	1,000	-	1,000
Office expenses	4,500	4,500	3,888	612
Total parks and recreation	145,850	145,850	89,857	55,993
Education:				
Regional School District No. 13	<u>11,674,785</u>	<u>11,674,785</u>	<u>11,674,784</u>	<u>1</u>
Total Education	<u>11,674,785</u>	<u>11,674,785</u>	<u>11,674,784</u>	<u>1</u>
Debt Service:				
TDBank Loan (Powder Ridge)	203,469	204,753	204,753	-
USDA loan	75,893	75,893	75,893	-
Clean water fund	81,986	81,986	81,986	-
TDBank lease - fire department	50,736	50,736	50,736	-
Total debt service	412,084	413,368	413,368	-
Transfers to Other Funds:				
Capital/nonrecurring fund	878,370	878,370	878,370	-
Old Indian Trial fund	5,350	5,350	5,350	-
Total transfers to other funds	883,720	883,720	883,720	-
Total expenditures and transfers	\$ 16,538,870	\$ 16,538,870	16,260,699	\$ 278,171
Encumbrances expended in the current fiscal year			-	
GAAP basis expenditures and transfers out			\$ 16,260,699	

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 SEVEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	0.164151 %	0.210108 %	0.177762 %	0.215661 %	0.215661 %	0.248455 %	0.248455 %
Town's proportionate share of the net pension liability	\$ 644,624	\$ 775,469	\$ 679,866	\$ 356,490	\$ 423,294	\$ 340,162	\$ 241,151
Town's covered payroll	\$ 420,392	\$ 540,128	\$ 500,367	\$ 513,375	\$ 513,375	\$ 551,335	\$ 551,335
Town's proportionate share of the net pension liability as a percentage of its covered payroll	153.34 %	143.57 %	135.87 %	69.44 %	82.45 %	61.70 %	43.74 %
Plan fiduciary net position as a percentage of the total pension liability	71.18 %	72.69 %	73.60 %	91.68 %	88.29 %	92.72 %	90.48 %

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 SEVEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 58,190	\$ 65,749	\$ 53,402	\$ 54,653	\$ 67,594	\$ 80,123	\$ 77,986
Contributions in relation to the contractually required contribution	58,190	65,749	53,402	54,653	67,594	80,123	77,986
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 420,392	\$ 540,128	\$ 500,367	\$ 513,375	\$ 513,375	\$ 551,335	\$ 551,335
Contributions as a percentage of covered payroll	13.84 %	12.17 %	10.67 %	10.65 %	13.17 %	14.53 %	14.14 %

Notes to Schedule

Valuation Date June 30, 2020

Measurement Date June 30, 2020

The actuarially determined contributions are calculated as of June 30, each biennium for the fiscal years ending two or 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	21 years
Asset valuation method	5 year smoothed market (20% write up)
Inflation	2.50%
Salary increases	3.50%-10.00%, including inflation
Investment rate of return	7.00%, net of investment related expense
Changes in assumptions	In 2019, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2019 valuation to include: rates of inflation, real investment return, mortality, withdrawal, disability, retirement and salary increases that were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2017.

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

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2021

Current List Year	Uncollected Taxes July 1, 2020 and Current Levy	Lawful Corrections			Transfer to Suspense	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2021
		Additions	Deductions				Taxes	Interest	Lien and Other Fees	Total	
2019	\$ 14,052,400	\$ 12,097	\$ 30,850	\$ -	\$ 14,033,647	\$ 13,874,533	\$ 31,387	\$ 2,310	\$ 13,908,230	\$ 159,114	
2018	281,458	700	792	27,122	254,244	206,656	33,598	1,492	241,746	47,588	
2017	67,870	824	-	-	68,694	40,870	16,616	504	57,990	27,824	
2016	45,562	100	-	-	45,662	27,977	19,404	432	47,813	17,685	
2015	17,460	-	-	-	17,460	10,398	7,980	216	18,594	7,062	
2014	10,608	-	-	-	10,608	5,512	4,734	144	10,390	5,096	
2013	5,716	-	-	-	5,716	3,681	4,418	48	8,147	2,035	
2012	5,445	-	-	-	5,445	3,541	4,440	48	8,029	1,904	
2011	1,698	-	-	-	1,698	-	-	-	-	1,698	
2010	10,066	-	-	-	10,066	-	-	-	-	10,066	
2009	9,683	-	-	-	9,683	-	-	-	-	9,683	
2008	-	-	-	-	-	-	-	-	-	-	
2007	-	-	-	-	-	-	-	-	-	-	
2006	-	-	-	-	-	-	-	-	-	-	
	<u>\$ 14,507,966</u>	<u>\$ 13,721</u>	<u>\$ 31,642</u>	<u>\$ 27,122</u>	<u>\$ 14,462,923</u>	<u>\$ 14,173,168</u>	<u>\$ 122,577</u>	<u>\$ 5,194</u>	<u>\$ 14,300,939</u>	<u>\$ 289,755</u>	

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	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
Assets									
Cash and cash equivalents	\$ 72,422	\$ -	\$ 38,560	\$ 18,937	\$ -	\$ -	\$ -	\$ 3,298	\$ 133,217
Other receivable	7,373	-	-	11,776	7,514	-	-	-	26,663
Prepaid items	762	-	-	-	-	-	-	-	762
Due from other funds	-	374,131	-	-	647,543	-	1,037	-	1,022,711
Total assets	\$ 80,557	\$ 374,131	\$ 38,560	\$ 30,713	\$ 655,057	\$ -	\$ 1,037	\$ 3,298	\$ 1,183,353
Liabilities									
Accounts payable and accrued expenses	\$ 3,500	211,497	\$ 2,885	\$ 380	\$ 2,001	\$ 1,657	\$ -	\$ -	\$ 221,920
Unearned revenue - grants	-	-	-	-	653,244	-	-	-	653,244
Due to other funds	15,580	-	3,891	10,367	-	22,277	-	-	52,115
Total liabilities	19,080	211,497	6,776	10,747	655,245	23,934	-	-	927,279
Deferred Inflows of Resources									
Unavailable revenue - assessments receivable	7,373	-	-	-	-	-	-	-	7,373
Total deferred inflows of resources	7,373	-	-	-	-	-	-	-	7,373
Fund Balances (Deficits)									
Restricted	-	162,634	-	19,966	-	-	1,037	3,298	186,935
Committed	54,104	-	31,784	-	-	-	-	-	85,888
Unassigned	-	-	-	-	(188)	(23,934)	-	-	(24,122)
Total fund balances (deficits)	54,104	162,634	31,784	19,966	(188)	(23,934)	1,037	3,298	248,701
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 80,557	\$ 374,131	\$ 38,560	\$ 30,713	\$ 655,057	\$ -	\$ 1,037	\$ 3,298	\$ 1,183,353

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	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
Revenues									
Intergovernmental	\$ -	\$ 197,308	\$ -	\$ 20,286	\$ 13,014	\$ -	\$ -	\$ -	\$ 230,608
Licenses, fees and charges for goods and services	45,430	-	55,018	-	-	-	-	3,022	103,470
Investment income	23	-	-	-	-	-	-	-	23
Miscellaneous	48	-	-	10,402	-	-	-	-	10,450
Total revenues	45,501	197,308	55,018	30,688	13,014	-	-	3,022	344,551
Expenditures									
Current:									
General government	-	-	-	-	13,202	-	-	6,255	19,457
Public works	31,760	489,288	-	26,451	-	-	-	-	547,499
Parks and recreation	-	-	31,696	-	-	-	-	-	31,696
Total current expenditures	31,760	489,288	31,696	26,451	13,202	-	-	6,255	598,652
Excess (deficiency) of revenues over expenditures	13,741	(291,980)	23,322	4,237	(188)	-	-	(3,233)	(254,101)
Other Financing Sources (Uses):									
Operating transfers in	-	-	-	11,776	-	-	-	-	11,776
Operating transfers out	-	-	-	(2,500)	-	-	-	-	(2,500)
Total other financing sources (uses)	-	-	-	9,276	-	-	-	-	9,276
Net change in fund balances	13,741	(291,980)	23,322	13,513	(188)	-	-	(3,233)	(244,825)
Fund balances (deficits), July 1, 2020	40,363	454,614	8,462	6,453	-	(23,934)	1,037	6,531	493,526
Fund balances (deficits), June 30, 2021	\$ 54,104	\$ 162,634	\$ 31,784	\$ 19,966	(\$ 188)	(\$ 23,934)	\$ 1,037	\$ 3,298	\$ 248,701

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	Volunteer Fire Department Supplementary Benefit Fund	Giving Garden	Total
Assets			
Cash and cash equivalents	\$ 40,674	\$ -	\$ 40,674
Investments	528,748	-	528,748
Due from other funds	-	2,489	2,489
Total assets	\$ 569,422	\$ 2,489	\$ 571,911
Net Position			
Restricted for:			
Pensions	569,422	-	569,422
Organizations	-	2,489	2,489
Total net position	\$ 569,422	\$ 2,489	\$ 571,911

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
JUNE 30, 2021

	Volunteer Fire Department Supplementary Benefit Fund	Giving Garden	Total
Additions			
Contributions - Town	\$ 23,765	\$ -	\$ 23,765
Investment earnings	60,889	-	60,889
Gifts	-	<u>12,476</u>	<u>12,476</u>
 Total additions	 <u>84,654</u>	 <u>12,476</u>	 <u>97,130</u>
Deductions			
Benefits paid to participants	49,609	-	49,609
Fees	370	-	370
Payments to organizations	-	<u>14,596</u>	<u>14,596</u>
 Total deductions	 <u>49,979</u>	 <u>14,596</u>	 <u>64,575</u>
Net change in fiduciary net position	34,675	(2,120)	32,555
Net position, July 1, 2020, as restated	<u>534,747</u>	<u>4,609</u>	<u>539,356</u>
Net position, June 30, 2021	<u><u>\$ 569,422</u></u>	<u><u>\$ 2,489</u></u>	<u><u>\$ 571,911</u></u>

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2021

	Appropriations			Expenditures			Unexpended (Overexpended) Balance
	Balance July 1, 2020	Current Year	Balance June 30, 2021	Balance July 1, 2020	Current Year	Balance June 30, 2021	
Accounting software	\$ 30,000	\$ -	\$ 30,000	\$ 21,095	\$ -	\$ 21,095	\$ 8,905
Town Hall improvements	168,838	66,223	235,061	146,809	-	146,809	88,252
Community Center improvements	426,648	97,958	524,606	229,459	30,633	260,092	264,514
Community Center underground tank	42,182	1,955	44,137	-	-	-	44,137
Vehicle replacements	51,667	5,691	57,358	-	-	-	57,358
Telephone system upgrade	6,759	733	7,492	5,923	-	5,923	1,569
Computer replacement and upgrades	170,697	13,541	184,238	179,902	2,145	182,047	2,191
Server replacement	26,366	4,191	30,557	10,557	8,076	18,633	11,924
Town website	-	15,000	15,000	-	-	-	15,000
Facilities asset management plan	17,000	-	17,000	-	-	-	17,000
Accrued benefits	163,945	9,865	173,810	148,928	1,635	150,563	23,247
Town Clerk - ordinance codification	1,000	-	1,000	-	-	-	1,000
Building code books	500	258	758	-	-	-	758
Revaluation	467,322	19,700	487,022	406,722	19,867	426,589	60,433
Storm contingency	57,718	-	57,718	22,718	-	22,718	35,000
Tree removal	252,580	30,000	282,580	236,405	23,600	260,005	22,575
Garage improvements	91,180	15,562	106,742	80,457	6,600	87,057	19,685
Road improvements	615,810	65,103	680,913	397,664	51,452	449,116	231,797
Lake Beseck remediation	194,184	11,640	205,824	156,865	10,745	167,610	38,214
LED street light assessment	254,135	24,231	278,366	241,450	2,658	244,108	34,258
LED street light replacement	-	8,768	8,768	-	-	-	8,768
Town property remediation	5,000	3,600	8,600	8,500	-	8,500	100
Dump truck replacement	913,161	87,298	1,000,459	831,113	-	831,113	169,346
Small dump truck replacement	290,781	13,275	304,056	178,392	113,280	291,672	12,384
Snow plow replacement	5,066	(5,066)	-	-	-	-	-
Emergency repairs	10,000	-	10,000	-	-	-	10,000
Pickup replacement	39,265	5,353	44,618	21,274	-	21,274	23,344
Paver replacement	11,284	3,965	15,249	-	-	-	15,249
Roller and trailer replacement	25,946	5,390	31,336	-	-	-	31,336
Guard rail tractor replacement	210,271	44,304	254,575	96,676	143,420	240,096	14,479
Sweeper replacement	140,636	16,784	157,420	24,396	-	24,396	133,024

... Continued ...

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2021
... Continued ...

	Appropriations			Expenditures			Unexpended (Overexpended) Balance
	Balance July 1, 2020	Current Year	Balance June 30, 2021	Balance July 1, 2020	Current Year	Balance June 30, 2021	
Front-end loader replacement	\$ 173,704	\$ 16,735	\$ 190,439	\$ 88,632	\$ -	\$ 88,632	\$ 101,807
Zero turn mower	10,609	1,102	11,711	10,757	-	10,757	954
Backhoe replacement	85,084	14,243	99,327	-	69,348	69,348	29,979
Tractor/mower replacement	44,304	(44,304)	-	-	-	-	-
Fuel tanks	1,243	1,627	2,870	-	-	-	2,870
Park improvements	175,625	75,290	250,915	114,514	48,151	162,665	88,250
Playscape replacement	38,004	12,668	50,672	-	-	-	50,672
Animal shelter	6,000	-	6,000	-	-	-	6,000
Enforcement equipment	4,323	-	4,323	3,323	-	3,323	1,000
Water supply development	147,500	5,000	152,500	135,977	10,380	146,357	6,143
Fire hose replacement	54,000	4,000	58,000	48,137	1,125	49,262	8,738
State EMS plan	7,500	-	7,500	-	-	-	7,500
Breathing apparatus	141,211	-	141,211	115,553	-	115,553	25,658
Thermal imaging camera	29,495	6,401	35,896	24,462	-	24,462	11,434
Communications equipment	121,475	-	121,475	38,047	67,017	105,064	16,411
Computer upgrades	21,682	3,744	25,426	20,493	3,691	24,184	1,242
Rescue truck replacement	580,039	86,726	666,765	254,563	-	254,563	412,202
Medical truck replacement	146,535	10,262	156,797	124,253	-	124,253	32,544
All terrain vehicle	33,991	2,300	36,291	29,474	-	29,474	6,817
Fire Chief's vehicle	22,343	4,166	26,509	10,000	-	10,000	16,509
Tanker replacement	433,629	-	433,629	385,852	-	385,852	47,777
Life saving equipment	78,000	4,000	82,000	71,379	-	71,379	10,621
Building maintenance/improvements	140,000	-	140,000	102,576	0	102,576	37,424
Building renovations	-	1	1	-	220	220	(219)
Pumper replacement '02	1,232,173	97,390	1,329,563	782,409	-	782,409	547,154
Pumper replacement '13	123,770	62,270	186,040	-	-	-	186,040
Emergency repairs and purchases	15,067	-	15,067	5,067	-	5,067	10,000
50 KW generator	19,140	6,380	25,520	-	-	-	25,520
Siren - Lyman/Rockfall	24,231	8,077	32,308	-	-	-	32,308
Boat replacement	5,693	1,410	7,103	-	-	-	7,103
Industrial park projects	333,243	-	333,243	322,244	-	322,244	10,999
Plan of conservation and development	10,084	1,786	11,870	10,084	-	10,084	1,786
Planning & zoning regulation revisions	17,000	(17,000)	-	-	-	-	-
Land bank reserve	2,500	-	2,500	-	-	-	2,500
Open space property improvements	10,695	1,000	11,695	7,663	-	7,663	4,032
Open space acquisitions	2,500	-	2,500	-	-	-	2,500
Old Indian Trail emergency generator	10,000	-	10,000	-	6,426	6,426	3,574
Old Indian Trail pump house repairs	3,000	(815)	2,185	2,185	-	2,185	-
Levi E. Coe improvements	35,556	4,613	40,169	16,242	-	16,242	23,927
	<u>\$ 9,030,889</u>	<u>\$ 934,394</u>	<u>\$ 9,965,283</u>	<u>\$ 6,169,191</u>	<u>\$ 620,469</u>	<u>\$ 6,789,660</u>	<u>\$ 3,175,623</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2021

Total tax collections (including interest, penalties and late payment of taxes) for immediate preceding fiscal year	\$ 13,818,653
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>\$ 13,818,653</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 \$96,730,571, 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
Debt Limitation:					
2 1/4 times base	\$ 31,091,969	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	62,183,939	-	-	-
3 3/4 times base	-	-	51,819,949	-	-
3 1/4 times base	-	-	-	44,910,622	-
3 times base	-	-	-	-	<u>41,455,959</u>
Total debt limitation	31,091,969	62,183,939	51,819,949	44,910,622	41,455,959
Indebtedness:					
Notes payable	72,174	-	-	-	-
Regional School District #13 bonds	-	683,235	-	-	-
Total indebtedness	72,174	683,235	-	-	-
Debt limitation in excess of outstanding and authorized debt	\$ 31,019,795	\$ 61,500,704	\$ 51,819,949	\$ 44,910,622	\$ 41,455,959

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, 2021, based on the most current and available information, the indebtedness of the District was \$2,025,000. The Town of Middlefield's share will be approximately 33.74% of the debt, or \$683,235. These are the general obligations of Regional School District #13 and its member towns.

S E W A R D A N D M O N D E

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

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

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Middlefield's basic financial statements, and have issued our report thereon dated January 31, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Middlefield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Middlefield's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Seward and Monde

North Haven, Connecticut
January 31, 2022

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 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, 2021. 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.

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, 2021.

Report on Internal Control over Compliance

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

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

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

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

Seward and Monde

North Haven, Connecticut
January 31, 2022

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2021

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core - CT Number	Expenditures
<u>Office of Policy and Management</u>		
Municipal grants-in-aid	12052-OPM20600-43587	\$ 248,652
Local capital improvement program	12050-OPM20600-40254	31,793
Property tax relief for veterans	11000-OPM20600-17024	4,319
Property tax relief on property of totally disabled persons	11000-OPM20600-17011	424
Payment in lieu of taxes (PILOT) on state-owned property	11000-OPM20600-17004	4,920
<u>Department of Transportation</u>		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	98,654
Town aid road grants transportation fund	12052-DOT57131-43459-34005	<u>98,654</u>
		<u>197,308</u>
Bus operations	12001-DOT57000-12175	21,860
<u>Connecticut State Library</u>		
Historic documents preservation grants	12060-CSL66094-35150	5,500
<u>Department of Public Health</u>		
Drinking water program	21018-DPH48500-42319	10,402
<u>Judicial Branch</u>		
Judicial fines and fees	34001-JUD95162-40001	<u>2,521</u>
Total State Financial Assistance Before Exempt Programs		<u>527,699</u>
<u>Exempt Programs</u>		
<u>Office of Policy and Management</u>		
Mashantucket Pequot and Mohegan fund grant	12009-OPM20600-17005	5,616
Municipal stabilization grant	11000-OPM20600-17104	14,971
<u>Department of Education</u>		
Education cost sharing	11000-SDE64000-17041	<u>1,837,504</u>
Total Exempt Programs		<u>1,858,091</u>
Total State Financial Assistance		<u>\$ 2,385,790</u>

See notes to schedule.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2021

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, 2021. 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, 2021:

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	\$ 81,577	\$ 81,577	\$ -

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

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? yes no

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

<u>State Grantor and Program</u>	<u>State Core - CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	\$ 98,654
Town aid road grants transportation fund	12052-DOT57131-43459-34005	<u>98,654</u>
		<u>197,308</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, 2021
... Continued ...

II. FINANCIAL STATEMENT FINDINGS

There were no findings.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.