

TOWN OF MIDDLEFIELD, CONNECTICUT
FINANCIAL REPORT
June 30, 2020

**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, 2020, 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, 2020, 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 47 through 54, and the retirement system schedules on pages 55 through 58 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 February 5, 2021, 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
February 5, 2021

TOWN OF MIDDLEFIELD, CONNECTICUT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. 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 \$622,488 or approximately 3.9%.
- The total cost of all of the Town's governmental activities was \$16,269,918.
- The General Fund reported a fund balance of \$3,478,527 at June 30, 2020.
- For the year ended June 30, 2020, the resources available for appropriation were \$455,683 more than budgeted for the general fund. Expenditures were \$353,602 less than budgeted for the general fund.
- The Town's total long-term debt decreased by \$465,839 to a level of \$423,453 with \$351,279 of that amount maturing in fiscal year 2020/2021.

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 assets and statement of changes in fiduciary assets and liabilities. These activities are excluded from the Town's other financial statements because the Town cannot use the assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Government-wide Financial Analysis

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

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 8,452,398	\$ 7,947,016
Capital assets, net	9,784,119	9,679,259
Total assets	<u>18,236,517</u>	<u>17,626,275</u>
Deferred Outflows of Resources		
Charges related to pensions	415,885	423,173
Liabilities		
Current liabilities	198,227	234,406
Long-term liabilities:		
Due within one year	433,612	493,477
Due in more than one year	1,188,234	1,147,047
Total liabilities	<u>1,820,073</u>	<u>1,874,930</u>
Deferred Inflows of Resources		
Unavailable revenue	9,072	-
Credits related to pensions	132,400	106,149
	<u>141,472</u>	<u>106,149</u>
Net Position		
Net investment in capital assets	9,035,666	8,789,967
Unrestricted	7,655,191	7,278,402
Total net position	<u>\$ 16,690,857</u>	<u>\$ 16,068,369</u>

The net position of the Town's governmental activities increased by \$622,488 or 3.9%. 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 \$367,789 to \$7,655,191 at June 30, 2020.

Governmental Activities			
	2020	2019	Change
Revenues:			
Program Revenues:			
Charges for services	\$ 640,186	\$ 668,101	(\$ 27,915)
Operating grants and contributions	2,116,689	2,236,421	(119,732)
Capital grants and contributions	31,592	36,872	(5,280)
General revenues:			
Property taxes	13,792,931	14,451,724	(658,793)
Grants and contributions not restricted to specific purposes	294,107	318,623	(24,516)
Unrestricted investment earnings	64,623	89,610	(24,987)
Miscellaneous	(47,722)	-	(47,722)
Total revenues	<u>16,892,406</u>	<u>17,801,351</u>	<u>(908,945)</u>
Program expenses:			
General government	2,272,903	2,237,795	35,108
Public safety	968,081	631,560	336,521
Public works	1,131,260	981,716	149,544
Health and welfare	78,922	80,190	(1,268)
Parks and recreation	190,103	213,311	(23,208)
Education	11,612,501	12,148,247	(535,746)
Interest expense	<u>16,148</u>	<u>28,114</u>	<u>(11,966)</u>
Total program expenses	<u>16,269,918</u>	<u>16,320,933</u>	<u>(51,015)</u>
Total net position	<u>\$ 622,488</u>	<u>\$ 1,480,418</u>	<u>(\$ 857,930)</u>

The Town's total revenue was \$16,892,406. The total cost of all programs and services was \$16,269,918. Our analysis above separately considers the operations of governmental activities.

Governmental activities

Governmental activities increased the Town's net position by \$622,488. Property tax collections, as well as State of Connecticut Excess Cost Sharing revenues, 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

	Year Ended June 30, 2020		Year Ended June 30, 2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,272,903	\$ 2,000,316	\$ 2,237,795	\$ 1,919,983
Public works	1,131,260	628,077	981,716	426,736
Public safety	968,081	954,964	631,560	606,836
Parks and recreation	190,103	89,902	213,311	124,211
Education	11,612,501	9,717,750	12,148,247	10,203,192

Town Fund Financial Analysis

Governmental funds

As the Town completed the year, its governmental funds reported a combined fund balance of \$7,054,643 which is an increase of \$718,837 from last year's total of \$6,335,806. Included in this year's total change in fund balance is an increase in the Town's General Fund balance of \$344,881, and an increase in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$352,148. 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 appropriations exceeding expenditures in the current fiscal year.

General Fund budgetary highlights

General property taxes revenue was \$382,981 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 Education Cost Sharing funds being greater than originally anticipated. Local revenues were greater than budgeted amounts due primarily to greater than anticipated rent collected on Town owned property and an equity distribution from the Towns insurance carrier. Interest income also exceeded budgetary amounts by more than \$11,000.

Capital asset and debt administration

At June 30, 2020, the Town had a net balance of \$9,784,119 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 \$104,860, or approximately 1.1% from the prior year. In the current year, the Town disposed of a certain piece of real property, acquired a new pieces of Public Works equipment neared completion of its LED lighting project.

Capital Assets at Year-End (net of Depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 4,348,689	\$ 4,448,689
Powder Ridge development rights	1,893,919	1,893,919
Construction in progress	-	10,530
Buildings and improvements	836,854	875,531
Machinery, equipment and vehicles	1,560,354	1,516,942
Infrastructure	1,144,303	933,648
Totals	<u>\$ 9,784,119</u>	<u>\$ 9,679,259</u>

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.

Long-term obligations

At June 30, 2020, the Town had outstanding debt obligations, including compensated absences and net pension liability, as shown below:

Long-term obligations at year-end

	Governmental Activities	
	2020	2019
General obligation bonds	\$ 200,639	\$ 397,564
Loans	222,814	491,728
Capital lease obligations	325,000	-
Compensated absences	97,924	71,366
Net pension liability	775,469	679,866
Totals	<u>\$ 1,621,846</u>	<u>\$ 1,640,524</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 2020/2021 passed on the first vote with a mill rate reduction of 0.24 or just under 1%. The most significant factor for the fiscal year 2020/2021 was the potential 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 2021/2022 budget process.

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

Contacting the Town's financial management

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

TOWN OF MIDDLEFIELD, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,991,573
Receivables:	
Property taxes, interest and liens	592,585
Loans and assessments	744,015
Other	67,369
Prepaid items	56,856
Capital assets, not being depreciated	6,242,608
Capital assets, being depreciated, net of accumulated depreciation	<u>3,541,511</u>
Total assets	<u>18,236,517</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges related to pensions	<u>415,885</u>
Total deferred outflows of resources	<u>415,885</u>
LIABILITIES	
Accounts payable and accrued expenses	106,212
Due to fiduciary funds	46,525
Unearned revenue	45,490
Noncurrent liabilities:	
Due within one year	433,612
Due in more than one year	<u>1,188,234</u>
Total liabilities	<u>1,820,073</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred credits related to pensions	132,400
Advance collection of property taxes	<u>9,072</u>
Total deferred inflows of resources	<u>141,472</u>
NET POSITION	
Net investment in capital assets	9,035,666
Unrestricted	<u>7,655,191</u>
Total net position	<u><u>\$ 16,690,857</u></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, 2020

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
Primary Government						
Governmental activities:						
General government	\$ 2,272,903	\$ 262,555	\$ 10,032	\$ -	\$ 272,587	(\$ 2,000,316)
Public safety	968,081	3,811	9,306	-	13,117	(954,964)
Public works	1,131,260	268,991	202,600	31,592	503,183	(628,077)
Health and welfare	78,922	4,628	-	-	4,628	(74,294)
Parks and recreation	190,103	100,201	-	-	100,201	(89,902)
Education	11,612,501	-	1,894,751	-	1,894,751	(9,717,750)
Interest expense	16,148	-	-	-	-	(16,148)
Total governmental activities	<u>\$ 16,269,918</u>	<u>\$ 640,186</u>	<u>\$ 2,116,689</u>	<u>\$ 31,592</u>	<u>\$ 2,788,467</u>	<u>(13,481,451)</u>
General revenues:						
Property taxes, interest & lien fee						13,792,931
Grants and contributions not restricted to specific programs						294,107
Unrestricted investment earnings						64,623
Other						(47,722)
Total general revenues						<u>14,103,939</u>
Change in net position						622,488
Net position - July 1, 2019						<u>16,068,369</u>
Net position - June 30, 2020						\$ 16,690,857

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

TOWN OF MIDDLEFIELD, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 6,508,241	\$ -	\$ 263,693	\$ 151,440	\$ 68,199	\$ 6,991,573
Receivables, net:						
Property taxes, interest and liens	592,585	-	-	-	-	592,585
Loans and assessments	-	-	89,509	566,822	-	656,331
Other	30,489	-	107,147	-	17,417	155,053
Prepaid items	56,856	-	-	-	-	56,856
Due from other funds	-	2,868,587	5,682	10,495	472,418	3,357,182
Total assets	<u>\$ 7,188,171</u>	<u>\$ 2,868,587</u>	<u>\$ 466,031</u>	<u>\$ 728,757</u>	<u>\$ 558,034</u>	<u>\$ 11,809,580</u>
LIABILITIES						
Accounts payable and accrued expenses	\$ 82,113	\$ 6,889	\$ 5,173	412	\$ 5,157	\$ 99,744
Unearned revenue - grants	39,490	-	-	-	6,000	45,490
Due to other funds	3,162,940	-	204,833	-	35,934	3,403,707
Total liabilities	<u>3,284,543</u>	<u>6,889</u>	<u>210,006</u>	<u>412</u>	<u>47,091</u>	<u>3,548,941</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	416,029	-	-	-	-	416,029
Advance collection of property taxes	9,072	-	-	-	-	9,072
Unavailable revenue - loans and assessments receivable	-	-	196,656	566,822	17,417	780,895
Total deferred inflows of resources	<u>425,101</u>	<u>-</u>	<u>196,656</u>	<u>566,822</u>	<u>17,417</u>	<u>1,205,996</u>
FUND BALANCES						
Nonspendable	56,856	-	-	-	-	56,856
Restricted	-	-	-	161,523	468,635	630,158
Committed	250,000	2,861,698	59,369	-	48,825	3,219,892
Assigned	-	-	-	-	-	-
Unassigned	3,171,671	-	-	-	(23,934)	3,147,737
Total fund balances	<u>3,478,527</u>	<u>2,861,698</u>	<u>59,369</u>	<u>161,523</u>	<u>493,526</u>	<u>7,054,643</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,188,171</u>	<u>\$ 2,868,587</u>	<u>\$ 466,031</u>	<u>\$ 728,757</u>	<u>\$ 558,034</u>	<u>\$ 11,809,580</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, 2020**

Total fund balances - total governmental funds	\$ 7,054,643
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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.	9,784,119
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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	416,029
Loans and assessments receivable	780,895

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

General obligation bonds	(200,639)
Loans payable	(222,814)
Capital lease obligation	(325,000)
Accrued interest	(6,468)
Net pension liability	(775,469)
Compensated absences	(97,924)

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.

283,485

Net position of governmental activities	<u><u>\$ 16,690,857</u></u>
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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, 2020**

	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	\$ 13,897,678	\$ -	\$ -	\$ -	\$ -	\$ 13,897,678
Intergovernmental	2,198,164	33,339	-	-	210,885	2,442,388
Licenses, fees and charges for goods and services	166,519	-	303,233	-	137,597	607,349
Investment income	61,497	-	1,789	915	422	64,623
Miscellaneous	150,525	-	472	14,847	9,960	175,804
Total revenues	<u>16,474,383</u>	<u>33,339</u>	<u>305,494</u>	<u>15,762</u>	<u>358,864</u>	<u>17,187,842</u>
EXPENDITURES						
Current:						
General government	2,090,911	656	-	-	10,939	2,102,506
Public safety	541,442	-	-	-	-	541,442
Public works	456,884	39,520	217,801	-	131,444	845,649
Health and welfare	70,536	-	-	3,890	376	74,802
Parks and recreation	124,117	-	-	-	52,812	176,929
Education	11,612,501	-	-	-	-	11,612,501
Debt service	486,128	-	-	-	-	486,128
Capital outlays	-	629,048	-	-	325,000	954,048
Total expenditures	<u>15,382,519</u>	<u>669,224</u>	<u>217,801</u>	<u>3,890</u>	<u>520,571</u>	<u>16,794,005</u>
Excess of revenues over (under) expenditures	<u>1,091,864</u>	<u>(635,885)</u>	<u>87,693</u>	<u>11,872</u>	<u>(161,707)</u>	<u>393,837</u>
OTHER FINANCING SOURCES (USES):						
Proceeds from capital lease obligation	-	-	-	-	325,000	325,000
Operating transfers in	246,400	988,033	-	-	5,350	1,239,783
Operating transfers out	(993,383)	-	(196,765)	-	(49,635)	(1,239,783)
Total other financing sources (uses)	<u>(746,983)</u>	<u>988,033</u>	<u>(196,765)</u>	<u>-</u>	<u>280,715</u>	<u>325,000</u>
Net change in fund balance	344,881	352,148	(109,072)	11,872	119,008	718,837
Fund balance - July 1, 2019	<u>3,133,646</u>	<u>2,509,550</u>	<u>168,441</u>	<u>149,651</u>	<u>374,518</u>	<u>6,335,806</u>
Fund balance - June 30, 2020	<u>\$ 3,478,527</u>	<u>\$ 2,861,698</u>	<u>\$ 59,369</u>	<u>\$ 161,523</u>	<u>\$ 493,526</u>	<u>\$ 7,054,643</u>

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, 2020

Net change in fund balances - total governmental funds \$ 718,837

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	442,029
Depreciation expense	(232,222)
Disposal of capital assets	<u>(104,947)</u>
Total	<u>104,860</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	(104,747)
Loans and assessments receivable	(85,742)

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.

Debt issued or incurred:	
Capital lease	(325,000)
Principal repayments:	
General obligation bonds	196,925
Notes payable	268,914

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	(95,603)
Change in compensated absences	(26,558)
Change in accrued interest payable on long-term debt	4,141

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. (33,539)

Change in net position of governmental activities \$ 622,488

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

TOWN OF MIDDLEFIELD, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 33,880
Investments	500,867
Due from the General Fund	<u>46,525</u>
Total assets	<u><u>\$ 581,272</u></u>
 LIABILITIES	
Bonds deposited	\$ 41,916
Amounts due to volunteers/employees	534,747
Amounts due to others	<u>4,609</u>
Total liabilities	<u><u>\$ 581,272</u></u>

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020

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

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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

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

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

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

Cash and Cash Equivalents

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 are stated net of an allowance for uncollectible amount of \$6,000.

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, 2020, loans receivable totaled \$566,822 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, 2020

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:

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020 amounted to \$97,924. 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, 2020

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, 2020

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 for specific purposes.

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

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, 2020

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 February 5, 2021, 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 was an additional appropriation from General Fund balance during the fiscal year ended June 30, 2020 in the amount of \$243,205 for the LED lighting project.

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, 2020

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, 2020

The following is a summary of cash and cash equivalents at June 30, 2020:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	<u>Statement of</u>	<u>Statement of</u>
	<u>Net Position</u>	<u>Fiduciary</u>
		<u>Net Position</u>
Demand, savings and money market accounts	\$ 6,069,340	\$ 33,880
Petty cash	100	-
Connecticut Short-term Investment Fund (STIF)	<u>922,133</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 6,991,573</u>	<u>\$ 33,880</u>

At June 30, 2020, the carrying amount of the Town's deposits with financial institutions was \$6,103,220 and the bank balance was \$6,455,557.

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, 2020 bank balance, \$783,295 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 \$567,226, based on the June 30, 2020 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$5,105,036 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, 2020, the Town's cash equivalents amounted to \$922,133.

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, 2020

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, 2020 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:

Equity mutual funds	\$ 231,338
Fixed income mutual funds	268,186
Other	<u>1,343</u>
Total	<u><u>\$ 500,867</u></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, 2020 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, 2020

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, 2020.

4. Property Taxes and Other Receivables

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

	General Fund	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total
Property taxes, net	\$ 450,966	\$ -	\$ -	\$ -	\$ 450,966
Interest and liens, net	141,619	-	-	-	141,619
Intergovernmental	-	-	-	-	-
Loans	-	-	566,822	-	566,822
Assessments	-	89,509	-	-	89,509
Others	30,489	107,147	-	17,417	155,053
	<u>30,489</u>	<u>107,147</u>	<u>-</u>	<u>17,417</u>	<u>155,053</u>
Net total receivables	<u>\$ 623,074</u>	<u>\$ 196,656</u>	<u>\$ 566,822</u>	<u>\$ 17,417</u>	<u>\$ 1,403,969</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

5. Interfund Transactions

Interfund Balances

Interfund balances consisted of the following at June 30, 2020, as reported in the fund financial statements:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund	\$ -	\$ 3,162,940
Reserve Fund for Capital and Nonrecurring Expenditures	2,868,587	-
Lake Beseck	5,682	204,833
Housing Rehabilitation Programs	10,495	-
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	13,657
Town Aid Road	454,614	-
Park and Recreation Commission	4,314	-
Old Indian Trail Water System	6,453	-
Miscellaneous Grants	6,000	-
Special Purpose Fund	-	22,277
Donation Fund	1,037	-
Fiduciary Funds:		
Performance Bonds	46,525	-
	<u>\$ 3,403,707</u>	<u>\$ 3,403,707</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, 2020

Interfund Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following, as reported in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 246,400	\$ 993,383
Reserve Fund for Capital and Nonrecurring Expenditures	988,033	-
Lake Beseck	-	196,765
Nonmajor Governmental Funds:		
Park and Recreation Commission	-	46,635
Old Indian Trail Water System	<u>5,350</u>	<u>3,000</u>
	<u><u>\$ 1,239,783</u></u>	<u><u>\$ 1,239,783</u></u>

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

6. Capital Assets

Capital asset activity for the year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions\ Transfers</u>	<u>Disposals\ Transfers</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,448,689	\$ -	(\$ 100,000)	\$ 4,348,689
Construction in progress	10,530	-	(10,530)	-
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>6,353,138</u>	<u>-</u>	<u>(110,530)</u>	<u>6,242,608</u>
Capital assets, being depreciated:				
Buildings and improvements	2,245,519	-	-	2,245,519
Machinery, equipment and vehicles	3,687,929	212,996	(98,932)	3,801,993
Infrastructure	<u>1,145,174</u>	<u>239,563</u>	<u>-</u>	<u>1,384,737</u>
Total capital assets, being depreciated	<u>7,078,622</u>	<u>452,559</u>	<u>(98,932)</u>	<u>7,432,249</u>
Less, accumulated depreciation for:				
Buildings and improvements	1,369,988	38,677	-	1,408,665
Machinery, equipment and vehicles	2,170,987	164,637	(93,985)	2,241,639
Infrastructure	<u>211,526</u>	<u>28,908</u>	<u>-</u>	<u>240,434</u>
Total accumulated depreciation	<u>3,752,501</u>	<u>232,222</u>	<u>(93,985)</u>	<u>3,890,738</u>
Total capital assets, being depreciated, net	<u>3,326,121</u>	<u>220,337</u>	<u>(4,947)</u>	<u>3,541,511</u>
Total net capital assets, governmental activities	<u>\$ 9,679,259</u>	<u>\$ 220,337</u>	<u>(\$ 115,477)</u>	<u>\$ 9,784,119</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 14,698
Public safety	101,639
Public works	98,592
Health and welfare	4,119
Parks and recreation	<u>13,174</u>
Total depreciation expense-governmental activities	<u>\$ 232,222</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 amounted to \$60,035.

8. Long-Term Obligations

During the year ended June 30, 2020, the following changes occurred in long-term obligations:

Description	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion
Bonds and loans payable:					
General obligation bonds	\$ 397,564	\$ -	\$ 196,925	\$ 200,639	\$ 200,639
Loans payable	491,728	-	268,914	222,814	150,640
Total bonds and loans payable	889,292	-	465,839	423,453	351,279
Capital lease obligation	-	325,000	-	325,000	46,669
Compensated absences	71,366	26,558	-	97,924	35,664
Net pension liability	679,866	95,603	-	775,469	-
Governmental activities					
Long-term liabilities	<u>\$ 1,640,524</u>	<u>\$ 447,161</u>	<u>\$ 465,839</u>	<u>\$ 1,621,846</u>	<u>\$ 433,612</u>

A schedule of long-term debt at June 30, 2020 is presented below:

Purpose/Project	Issue Date	Maturity Date	Interest Rate	Balance June 30, 2020
General obligation bonds	3/5/2014	4/21/2021	1.87 %	\$ 200,639
Loans payable:				
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.75	43,894
Storm drainage - Lake Beseck	9/6/2001	9/6/2021	4.88	97,343
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00	81,577
Capital lease obligation - communication equipment	1/10/2020	7/2/2026	2.59	325,000
				<u>\$ 748,453</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Year Ended June 30,	Principal	Interest
2021	\$ 351,279	\$ 10,067
2022	72,174	3,491
	<u>\$ 423,453</u>	<u>\$ 13,558</u>

Capital Lease

At June 30, 2020, 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, 2020 are as follows:

Fiscal Year Ended June 30,	Principal Payments	Interest Payments
2021	\$ 46,669	\$ 4,066
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	49,439	1,296
	<u>\$ 325,000</u>	<u>\$ 30,149</u>
Total	<u>\$ 325,000</u>	<u>\$ 30,149</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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	\$ 32,012,456	\$ 341,876	\$ 31,670,580
Schools	64,024,911	1,058,818	62,966,093
Sewers	53,354,093	81,577	53,272,516
Urban renewal	46,240,214	-	46,240,214
Pension deficit	42,683,274	-	42,683,274

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$99,594,306.

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, 2020, the outstanding indebtedness of the District was \$3,155,000. 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 33.56% or \$1,058,818.

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, 2020:

Town:	
Sick	\$ 72,349
Vacation	<u>25,575</u>
Total	<u><u>\$ 97,924</u></u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

9. Fund Balances

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2020:

General Fund:	
Nonspendable	\$ 56,856
Committed for subsequent year's budget	250,000
Unassigned	<u>3,171,671</u>
Total General Fund Balance	<u>3,478,527</u>
 Reserve Fund for Capital and Nonrecurring Expenditures:	
Committed for capital projects	2,861,698
Lake Beseck:	
Committed for public works	59,369
Housing Rehabilitation Programs:	
Restricted for housing bans	161,523
Other Governmental Funds:	
Restricted for general government	7,568
Restricted for public works	46,816
Committed for public works	454,614
Committed for parks and recreation	8,462
Unassigned	<u>(23,934)</u>
Total Other Governmental Fund Balances	<u>493,526</u>
 Total Governmental Fund Balances	 <u><u>\$ 7,054,643</u></u>

The Special Purpose Fund had a fund balance deficit of \$33,728 at June 30, 2020. This 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, 2020**

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, 2020

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 13.73% 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, 2020, the Town reported a liability of \$775,469 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2019. The actuarial assumptions used in the June 30, 2019 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 2019 actuarial (expected) payroll relative to the payroll of all the participating employers as of that date. At June 30, 2019, the Town's proportional share was .210108% for general employees.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

For the year ended June 30, 2020, the Town recognized pension expense of \$210,581. At June 30, 2020, 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	\$ 31,569	\$ -
Differences between expected and actual experience	84,447	69,895
Employer change in proportional share	30,657	62,505
Changes in assumptions	204,812	-
Town contributions subsequent to measurement date	<u>64,400</u>	<u>-</u>
	<u><u>\$ 415,885</u></u>	<u><u>\$ 132,400</u></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, 2021. 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 inactive, which is 4.81 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

2021	\$ 132,448
2022	69,429
2023	84,633
2024	(3,025)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

The total pension liability was determined by an actuarial valuation as of June 30, 2019, 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, 2020

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	<u>1.0</u>	0.9
	<u><u>100.0 %</u></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, 2020

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:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Town's net pension liability:			
General employees with social security	\$ 810,629	\$ 775,469	\$ 481,179

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, 2019.

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 \$166,863 for operations for the year ended June 30, 2020.

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 and Contingencies

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, 2020

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.

The outbreak of COVID-19 coronavirus, has spread globally, including to the United States, and to Connecticut, and has been declared a pandemic by the World Health Organization. The spread of COVID-19 is altering the behavior of businesses and people in a manner that is having negative effects on global and local economies. The degree of any such impact to the Town's operations and finances is difficult to predict due to the dynamic nature of the outbreak, including uncertainties relating to the its duration and severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. The potential impact of the national and State response to COVID-19 to date, and the continued spread and response thereto, cannot be predicted at this time, but could have a materially adverse effect on the economies of the State and its municipalities, including the Town.

The Board of Selectmen voted on April 21, 2020 to adopt two programs for property tax relief during the COVID-19 pandemic. The first program offers a temporary deferment of tax collections and the second offers a low interest rate program for taxes, both of which were established by the Governor of the State of Connecticut under Executive Order 7S, to support eligible taxpayers and other who have been economically affected by the COVID-19 pandemic. The deferment program allows a 90-day deferment of taxes due and payable during the period of March 10, 2020 through July 1, 2020. The low interest rate program reduces the annual interest rate that accrues on delinquent taxes to 3%: i) for 3-months from the date the tax is due or payable for taxes due from April 1 through July 1, 2020; and ii) for taxes delinquent on or prior to April 1, during the 3-month period commencing April 1, 2020. Executive Order 9R extended the tax deadlines to include taxes due and payable on January 1, 2021.

14. Subsequent Event

On August 7, 2020, the August 4, 2020 tropical storm in the State of Connecticut was declared to be a disaster. This enables the Town to receive FEMA funding which will offset the costs of storm. Currently, the Town expects to submit a reimbursement request to FEMA.

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, 2020

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Taxes, interest and lien fees:				
Property tax collections	\$ 13,514,697	\$ 13,514,697	\$ 13,897,678	\$ 382,981
Total taxes, interest and lien fees	13,514,697	13,514,697	13,897,678	382,981
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	5,057	5,057	5,209	152
PILOT - disabled program	407	407	420	13
Judicial fines	6,000	6,000	7,080	1,080
DUI grant	18,000	18,000	9,306	(8,694)
Senior/disabled bus service	12,100	12,100	7,239	(4,861)
Other	3,000	3,000	-	(3,000)
Education cost sharing grant	1,793,615	1,793,615	1,894,751	101,136
Total Intergovernmental	2,112,338	2,112,338	2,198,164	85,826
Charges for services:				
Licenses and permits	2,800	2,800	2,330	(470)
Land use department	65,000	65,000	63,665	(1,335)
Town Clerk	85,000	85,000	89,495	4,495
Police department services	11,000	11,000	3,811	(7,189)
Health department	-	-	60	60
Dog licenses and fees	3,000	3,000	2,535	(465)
Beach passes	-	-	2,590	2,590
Miscellaneous	500	500	2,033	1,533
Total charges for services	167,300	167,300	166,519	(781)

. . . 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, 2020
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Other revenue:				
Middlefield Housing Authority	\$ 21,000	\$ 21,000	\$ 15,385	(\$ 5,615)
Joseph E. Coe trust fund	9,200	9,200	9,267	67
Property and equipment sales	50,000	50,000	48,590	(1,410)
Telephone access line tax	7,700	7,700	7,733	33
Rental of Town property	53,900	53,900	60,035	6,135
Miscellaneous	200	200	9,515	9,315
Total other revenue	142,000	142,000	150,525	8,525
Transfers from other funds:				
Park and recreation fund - summer camp	56,150	56,150	46,635	(9,515)
Old Indian Trail fund	5,350	5,350	3,000	(2,350)
WPCA - Route 66 sewer system	4,500	4,500	-	(4,500)
WPCA - Lake Beseck sewer system	212,765	212,765	196,765	(16,000)
Total transfers from other funds	278,765	278,765	246,400	(32,365)
Revenue from the use of money:				
Interest income	50,000	50,000	61,497	11,497
Total revenue from the use of money	50,000	50,000	61,497	11,497
Other financing sources:				
General Fund balance	200,000	443,205	443,205	-
Total other financing sources	200,000	443,205	443,205	-
Total revenues and other financing sources	<u>\$ 16,465,100</u>	<u>\$ 16,708,305</u>	<u>\$ 17,163,988</u>	<u>\$ 455,683</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, 2020**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
General Government:				
Selectman's Office:				
First Selectman's salary	\$ 80,984	\$ 80,984	\$ 80,984	\$ -
Selectmen's salaries	10,204	10,204	10,204	-
Administrative Assistant	52,158	52,158	52,158	-
Finance Director	92,154	92,154	92,152	2
Accounting software license	8,500	8,500	8,500	-
Payroll service fees	4,750	4,750	4,726	24
Dues and organizations	4,900	4,900	4,529	371
Office expenses	4,000	4,000	2,974	1,026
Total Selectman's office	257,650	257,650	256,227	1,423
Professional Services:				
Town Engineer	28,000	28,000	27,372	628
Town and regional planning	8,946	8,946	8,946	-
Town planner	60,000	60,000	32,035	27,965
Town counsel	15,000	15,000	5,355	9,645
Labor counsel	8,500	8,500	5,236	3,264
Legal notices	5,800	5,800	5,219	581
Town auditor	24,300	24,300	24,300	-
Consultants	2,500	1,298	808	490
Computer network support	15,000	16,202	16,202	-
Town web site	3,000	3,000	269	2,731
Total professional services	171,046	171,046	125,742	45,304
Municipal Insurances:				
Property/auto/liability	57,526	57,569	57,569	-
Insurance deductibles	2,500	5,000	5,000	-
Worker's compensation	44,674	44,674	44,670	4
Total municipal insurances	104,700	107,243	107,239	4
General and Central Services:				
Town Hall building expenses	17,750	17,750	14,811	2,939
Community Center building expenses	37,500	37,722	37,722	-
Street lighting	57,000	57,000	38,466	18,534
Lake Beseck drawdown expense	3,625	3,625	-	3,625
Telephone/postage/copier expenses	33,000	34,397	34,397	-
Custodian salary	26,040	27,070	27,070	-
Facilities manager	12,898	10,249	5,195	5,054
Automobile maintenance	3,140	3,140	1,293	1,847
Town vehicle fuel	17,000	17,000	9,320	7,680
Old North Cemetery	3,500	3,500	2,500	1,000
Total general and central services	211,453	211,453	170,774	40,679

... 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, 2020
... Continued ...**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Employee Benefits:				
Social security	\$ 86,289	\$ 86,289	\$ 79,166	\$ 7,123
Health/life insurance	223,175	223,175	221,010	2,165
Pension - municipal employees	67,146	67,146	64,400	2,746
Pension - elected officials	4,740	4,740	4,740	-
Total employee benefits	381,350	381,350	369,316	12,034
Town Clerk:				
Town Clerk salary	53,745	53,745	53,745	-
Index, recording, vital statistics	3,000	3,000	1,147	1,853
Records system license	13,000	13,000	12,642	358
Town Clerk assistant	33,591	33,937	33,936	1
Town records restoration	1,500	1,670	1,670	-
Conferences and dues	800	800	585	215
Office expenses	2,600	2,084	1,511	573
Total Town Clerk	108,236	108,236	105,236	3,000
Tax Collector:				
Tax Collector's salary	41,526	41,526	41,526	-
Tax Collector assistant	3,000	3,000	1,019	1,981
System software license	10,539	10,587	10,587	-
Conferences and dues	250	202	95	107
Office expenses	700	700	465	235
Total Tax Collector	56,015	56,015	53,692	2,323
Treasurer:				
Treasurer's salary	9,112	9,112	9,112	-
Total Treasurer	9,112	9,112	9,112	-
Registrars of Voters:				
Registrars' salary	16,807	16,807	16,807	-
Election expenses	12,770	7,931	7,931	-
COVID related expenses	-	5,145	5,145	-
Education and training	2,200	2,200	467	1,733
Conferences and dues	1,250	1,250	837	413
Office expenses	600	294	243	51
Total Registrars of Voters	33,627	33,627	31,430	2,197

... 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, 2020
... Continued ...

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Land Use/Health Department:				
Building official	\$ 42,994	\$ 42,091	\$ 40,630	\$ 1,461
Office assistant	49,716	50,222	50,222	-
Zoning officer	17,197	17,197	16,320	877
Inland/wetlands agent	13,127	13,494	13,494	-
DEEP/education fees	6,300	6,300	3,076	3,224
Water testing/lab fees	1,000	1,030	1,030	-
Water filter service	3,966	3,966	2,705	1,261
Conferences and dues	300	300	182	118
Office expenses	2,600	2,600	2,237	363
Total land use/health department	137,200	137,200	129,896	7,304
Assessor's Office:				
Assessor	46,987	49,100	49,099	1
System software license	14,175	17,766	17,765	1
Assessor assistant	5,000	2,989	2,989	-
Conferences and dues	850	508	508	-
GIS system software	1	16,999	16,999	-
Office expenses	700	523	523	-
Total Assessor's office	67,713	87,885	87,883	2
Boards and Commissions:				
Board of Selectmen	1,000	1,000	85	915
Board of Finance	2,500	2,500	2,030	470
Board of Assessment Appeals	750	750	750	-
Planning and Zoning Commission	29,000	15,919	14,278	1,641
Economic Development Commission	500	500	-	500
Inland Wetlands Agency	7,580	20,601	20,601	-
Zoning Board of Appeals	3,900	3,900	1,388	2,512
Conservation Commission	1,000	1,000	88	912
Park and Recreation Commission	-	60	60	-
Charter Revision Commission	1,000	1,000	-	1,000
Lake Beseck Ad-Hoc Committee	9,580	9,580	8,901	679
Total boards and commissions	56,810	56,810	48,181	8,629
Reserve for Contingencies:				
Operational	65,000	30,203	-	30,203
Staff coverages	10,000	10,000	-	10,000
Total reserve for contingencies	75,000	40,203	-	40,203

... 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, 2020
... Continued ...**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Outside Agencies:				
DMIAAB operations	\$ 166,863	\$ 166,863	\$ 166,863	\$ -
Regional hazardous waste	4,000	4,366	4,366	-
Levi E. Coe Library	298,940	298,940	298,940	-
Youth and Family Services	14,000	14,000	14,000	-
911 - Valley Shore	58,142	58,142	58,142	-
Middlefield Cemetery Association	4,526	4,526	4,526	-
Probate Court	5,255	5,255	5,255	-
Old Homes Day Committee	2,000	2,000	-	2,000
Plainville/Southington Health District	38,825	38,722	38,722	-
Total outside agencies	592,551	592,814	590,814	2,000
Sewer System Services:				
Brookside Drive system	6,000	6,000	3,915	2,085
WPCA - Route 66 system	350	350	250	100
WPCA - Lake Beseck system	1,425	1,425	1,204	221
Total sewer system services	7,775	7,775	5,369	2,406
Total general government	2,270,238	2,258,419	2,090,911	167,508
Public Safety:				
Police Department:				
Payroll	292,222	292,222	263,382	28,840
Overtime and private duty	53,000	53,000	31,108	21,892
Equipment	4,100	4,072	3,889	183
Secretary	7,451	7,451	7,451	-
Sundry expenses	2,900	2,928	2,928	-
Total police department	359,673	359,673	308,758	50,915
Fire Department:				
Fire house operations	34,500	33,277	33,003	274
Truck operations and maintenance	32,000	32,629	32,628	1
Communications	9,300	10,929	10,929	-
Equipment and supplies	20,000	21,443	21,443	-
Physicals and wellness	7,000	4,395	4,395	-
Training and preparedness	12,000	11,408	11,408	-
Life insurance	9,600	8,341	8,341	-
Appreciation Night	6,000	6,000	-	6,000
COVID related expenses	-	5,178	5,178	-
Supplemental benefits	27,000	23,948	23,948	-
Part time labor	18,027	17,880	17,421	459
Total fire department	175,427	175,428	168,694	6,734

... 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, 2020
... Continued ...**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Fire Marshal:				
Fire Marshal salary	\$ 12,814	\$ 12,814	\$ 12,814	\$ -
Deputy callout expenses	1,500	1,500	400	1,100
Conferences and dues	2,600	2,232	1,886	346
Sundry expenses	400	768	768	-
Total fire marshal	17,314	17,314	15,868	1,446
Emergency Management:				
Director's stipend	8,131	8,131	8,131	-
Assistant Director's stipend	500	-	-	-
Shelter equipment	1,500	-	-	-
Communications equipment	500	500	-	500
Emergency notification system	3,275	3,275	3,275	-
Sundry expenses	250	204	204	-
COVID related expenses	-	13,864	13,864	-
Total emergency management	14,156	25,974	25,474	500
Animal Control:				
Animal Control Officer	18,217	18,217	18,217	-
Shelter and animal expenses	1,788	1,768	923	845
State of Connecticut fees	2,423	2,423	2,138	285
Sundry expenses	1,350	1,370	1,370	-
Total animal control	23,778	23,778	22,648	1,130
Total public safety	590,348	602,167	541,442	60,725
Public Works:				
Payroll	296,482	296,482	254,207	42,275
Snow removal expenses	70,000	51,726	20,448	31,278
Equipment maintenance	42,500	42,500	36,987	5,513
Overtime expenses	31,395	31,395	16,247	15,148
Road maintenance	65,000	77,885	77,885	-
Garage expenses	15,000	18,934	18,830	104
Sundry expenses	7,500	8,955	8,955	-
Tree Warden stipend	2,126	2,126	2,126	-
Total public works	530,003	530,003	435,685	94,318

... 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, 2020
... Continued ...**

	Original Budget	Final Appropriated Budget	Actual	Variance with Final Budget
Health and Welfare:				
Senior/Social Services:				
Municipal agent	\$ 36,556	\$ 37,722	\$ 37,722	\$ -
Senior Center activities	8,900	8,734	7,957	777
Senior Center meals	1	1	-	1
Dial-A-Ride program	16,280	16,280	16,280	-
Office assistants	1,000	0	-	-
Social services agencies	3,500	3,500	3,500	-
Senior/disabled bus service	10,087	10,087	4,962	5,125
Conferences and dues	150	150	50	100
Office expenses	200	200	65	135
Total senior/social services	<u>76,674</u>	<u>76,674</u>	<u>70,536</u>	<u>6,138</u>
Parks and Recreation:				
Director's salary	35,928	35,928	35,928	-
Peckham Park expenses	34,650	34,650	32,714	1,936
Lake Beseck Park expenses	16,800	16,800	15,263	1,537
Summer camp payroll	56,150	56,150	35,288	20,862
Summer entertainment	1,000	1,000	950	50
Office expenses	4,500	4,500	3,974	526
Total parks and recreation	<u>149,028</u>	<u>149,028</u>	<u>124,117</u>	<u>24,911</u>
Education:				
Regional School District No. 13	<u>11,612,502</u>	<u>11,612,502</u>	<u>11,612,501</u>	<u>1</u>
Total Education	<u>11,612,502</u>	<u>11,612,502</u>	<u>11,612,501</u>	<u>1</u>
Debt Service:				
TDBank Loan (Powder Ridge)	203,469	203,469	203,469	-
Merriam property note	10,000	10,000	10,000	-
USDA loan	75,893	75,893	75,893	-
Clean water fund	<u>196,766</u>	<u>196,766</u>	<u>196,766</u>	<u>-</u>
Total debt service	<u>486,128</u>	<u>486,128</u>	<u>486,128</u>	<u>-</u>
Transfers to Other Funds:				
Capital/nonrecurring fund	744,828	988,033	988,033	-
Old Indian Trail fund	5,350	5,350	5,350	-
Special Purpose fund	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total transfers to other funds	<u>750,179</u>	<u>993,384</u>	<u>993,383</u>	<u>1</u>
Total expenditures and transfers	<u>\$ 16,465,100</u>	<u>\$ 16,708,305</u>	<u>16,354,703</u>	<u>\$ 353,602</u>
Encumbrances expended in the current fiscal year			<u>21,199</u>	
GAAP basis expenditures and transfers out			<u>\$ 16,375,902</u>	

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.210108 %	0.177762 %	0.215661 %	0.215661 %	0.248455 %	0.248455 %
Town's proportionate share of the net pension liability	\$ 775,469	\$ 679,866	\$ 356,490	\$ 423,294	\$ 340,162	\$ 241,151
Town's covered payroll	\$ 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	143.57 %	135.87 %	69.44 %	82.45 %	61.70 %	43.74 %
Plan fiduciary net position as a percentage of the total pension liability	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 SIX FISCAL YEARS**

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

Notes to Schedule

Valuation Date June 30, 2019

Measurement Date June 30, 2019

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	3.25%
Salary increases	4.25%-11.00%, including inflation
Investment rate of return	8.00%, 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 s 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 THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
(Policemen and Firemen with Social Security)**

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

Notes to Schedule

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

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

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

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

Notes to Schedule

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

Valuation Date June 30, 2016

Measurement Date June 30, 2017

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

Methods and assumptions used to determine the most recent contributions:

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

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2020

Current List Year	Uncollected Taxes July 1, 2019 and Current Levy	Lawful Corrections		Transfer to Suspense	Adjusted Taxes Collectible	Actual Cash Collections				Uncollected Taxes June 30, 2020
		Additions	Deductions			Taxes	Interest	Lien and Other Fees	Total	
2018	\$ 13,752,438	\$ 11,684	\$ 34,145	\$ -	\$ 13,729,977	\$ 13,448,519	\$ 35,302	\$ 1,812	\$ 13,485,633	\$ 281,458
2017	301,714	357	6,676	25,714	269,681	201,811	28,203	918	230,932	67,870
2016	72,971	-	4,286	-	68,685	23,123	8,645	144	31,912	45,562
2015	42,519	-	4,391	-	38,128	20,668	10,854	120	31,642	17,460
2014	31,698	-	4,502	-	27,196	16,588	10,789	120	27,497	10,608
2013	13,159	-	4,535	-	8,624	2,908	726	72	3,706	5,716
2012	12,363	-	4,444	-	7,919	2,474	600	48	3,122	5,445
2011	2,860	1,149	2,298	-	1,711	13	708	24	745	1,698
2010	10,809	-	-	-	10,809	743	1,058	48	1,849	10,066
2009	10,081	-	-	-	10,081	398	653	24	1,075	9,683
2008	186	-	-	-	186	186	330	24	540	-
2007	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-	-
	<u>\$ 14,250,798</u>	<u>\$ 13,190</u>	<u>\$ 65,277</u>	<u>\$ 25,714</u>	<u>\$ 14,172,997</u>	<u>\$ 13,717,431</u>	<u>\$ 97,868</u>	<u>\$ 3,354</u>	<u>\$ 13,818,653</u>	<u>\$ 455,566</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	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	\$ 57,520	\$ -	\$ 4,148	\$ -	\$ -	\$ -	\$ -	\$ 6,531	\$ 68,199
Other receivable	17,417	-	-	-	-	-	-	-	17,417
Due from other funds	-	454,614	4,314	6,453	6,000	-	1,037	-	472,418
Total assets	<u>\$ 74,937</u>	<u>\$ 454,614</u>	<u>\$ 8,462</u>	<u>\$ 6,453</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 1,037</u>	<u>\$ 6,531</u>	<u>\$ 558,034</u>
Liabilities									
Accounts payable and accrued expenses	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ 1,657	\$ -	\$ -	\$ 5,157
Unearned revenue - grants	-	-	-	-	6,000	-	-	-	6,000
Due to other funds	13,657	-	-	-	-	22,277	-	-	35,934
Total liabilities	<u>17,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>23,934</u>	<u>-</u>	<u>-</u>	<u>47,091</u>
Deferred Inflows of Resources									
Unavailable revenue - assessments receivable	17,417	-	-	-	-	-	-	-	17,417
Total deferred inflows of resources	<u>17,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,417</u>
Fund Balances (Deficits)									
Restricted	-	454,614	-	6,453	-	-	1,037	6,531	468,635
Committed	40,363	-	8,462	-	-	-	-	-	48,825
Unassigned	-	-	-	-	-	(23,934)	-	-	(23,934)
Total fund balances (deficits)	<u>40,363</u>	<u>454,614</u>	<u>8,462</u>	<u>6,453</u>	<u>-</u>	<u>(23,934)</u>	<u>1,037</u>	<u>6,531</u>	<u>493,526</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 74,937</u>	<u>\$ 454,614</u>	<u>\$ 8,462</u>	<u>\$ 6,453</u>	<u>\$ 6,000</u>	<u>\$ -</u>	<u>\$ 1,037</u>	<u>\$ 6,531</u>	<u>\$ 558,034</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	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	\$ -	\$ 197,250	\$ -	\$ 5,350	\$ 8,285	\$ -	\$ -	\$ -	\$ 210,885
Licenses, fees and charges for goods and services	36,041	-	99,016	-	-	-	-	2,540	137,597
Investment income	422	-	-	-	-	-	-	-	422
Miscellaneous	140	-	1,185	-	-	8,635	-	-	9,960
Total revenues	36,603	197,250	100,201	5,350	8,285	8,635	-	2,540	358,864
Expenditures									
Current:									
General government	-	-	-	-	8,285	2,654	-	-	10,939
Public works	44,263	81,696	-	5,485	-	-	-	-	131,444
Health and welfare	-	-	-	-	-	376	-	-	376
Parks and recreation	-	-	52,812	-	-	-	-	-	52,812
Capital outlays	-	-	-	-	-	325,000	-	-	325,000
Total current expenditures	44,263	81,696	52,812	5,485	8,285	328,030	-	-	520,571
Excess (deficiency) of revenues over expenditures	(7,660)	115,554	47,389	(135)	-	(319,395)	-	2,540	(161,707)
Other Financing Sources (Uses):									
Proceeds from capital lease obligation	-	-	-	-	-	325,000	-	-	325,000
Operating transfers in	-	-	-	5,350	-	-	-	-	5,350
Operating transfers out	-	-	(46,635)	(3,000)	-	-	-	-	(49,635)
Total other financing sources (uses)	-	-	(46,635)	2,350	-	325,000	-	-	280,715
Net change in fund balances	(7,660)	115,554	754	2,215	-	5,605	-	2,540	119,008
Fund balances (deficits), July 1, 2019	48,023	339,060	7,708	4,238	-	(29,539)	1,037	3,991	374,518
Fund balances (deficits), June 30, 2020	\$ 40,363	\$ 454,614	\$ 8,462	\$ 6,453	\$ -	(\$ 23,934)	\$ 1,037	\$ 6,531	\$ 493,526

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
JUNE 30, 2020

	Performance Bonds	Volunteer Fire Department Supplementary Benefit Fund	Giving Garden	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Cash and cash equivalents	\$ -	\$ 33,880	\$ -	\$ 33,880
Investments	-	500,867	-	500,867
Due from other funds	<u>41,916</u>	<u>-</u>	<u>4,609</u>	<u>46,525</u>
Total assets	<u><u>\$ 41,916</u></u>	<u><u>\$ 534,747</u></u>	<u><u>\$ 4,609</u></u>	<u><u>\$ 581,272</u></u>
Liabilities				
Due to others	<u>\$ 41,916</u>	<u>\$ 534,747</u>	<u>\$ 4,609</u>	<u>\$ 581,272</u>
Total liabilities	<u><u>\$ 41,916</u></u>	<u><u>\$ 534,747</u></u>	<u><u>\$ 4,609</u></u>	<u><u>\$ 581,272</u></u>

TOWN OF MIDDLEFIELD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2020

	Balance July 1, 2019	Additions	Disbursements	Balance June 30, 2020
<u>Performance Bonds:</u>				
ASSETS				
Due from other funds	\$ 40,416	\$ 1,500	\$ -	\$ 41,916
Total assets	<u>\$ 40,416</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 41,916</u>
LIABILITIES				
Due to others	\$ 40,416	\$ 1,500	\$ -	\$ 41,916
Total liabilities	<u>\$ 40,416</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ 41,916</u>
<u>Volunteer Fire Department Supplementary Benefit Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 36,688	\$ -	\$ 2,808	\$ 33,880
Investments	525,973	27,158	52,264	500,867
Total assets	<u>\$ 562,661</u>	<u>\$ 27,158</u>	<u>\$ 55,072</u>	<u>\$ 534,747</u>
LIABILITIES				
Due to others	\$ 562,661	\$ 27,158	\$ 55,072	\$ 534,747
Total liabilities	<u>\$ 562,661</u>	<u>\$ 27,158</u>	<u>\$ 55,072</u>	<u>\$ 534,747</u>
<u>Giving Gardens:</u>				
ASSETS				
Due from other funds	\$ 1,932	\$ 13,253	\$ 10,576	\$ 4,609
Total assets	<u>\$ 1,932</u>	<u>\$ 13,253</u>	<u>\$ 10,576</u>	<u>\$ 4,609</u>
LIABILITIES				
Due to others	\$ 1,932	\$ 13,253	\$ 10,576	\$ 4,609
Total liabilities	<u>\$ 1,932</u>	<u>\$ 13,253</u>	<u>\$ 10,576</u>	<u>\$ 4,609</u>
<u>Totals:</u>				
ASSETS				
Cash and cash equivalents	\$ 36,688	\$ -	\$ 2,808	\$ 33,880
Investments	525,973	27,158	52,264	500,867
Due from other funds	42,348	14,753	10,576	46,525
Total assets	<u>\$ 605,009</u>	<u>\$ 41,911</u>	<u>\$ 65,648</u>	<u>\$ 581,272</u>
LIABILITIES				
Due to others	\$ 605,009	\$ 41,911	\$ 65,648	\$ 581,272
Total liabilities	<u>\$ 605,009</u>	<u>\$ 41,911</u>	<u>\$ 65,648</u>	<u>\$ 581,272</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2020

	Appropriations			Expenditures			Unexpended (Overexpended)
	Balance July 1, 2019	Current Year	Balance June 30, 2020	Balance July 1, 2019	Current Year	Balance June 30, 2020	Balance
Accounting software	\$ 30,000	\$ -	\$ 30,000	\$ 17,955	\$ 3,140	\$ 21,095	\$ 8,905
Town Hall improvements	152,135	16,703	168,838	146,809	-	146,809	22,029
Community Center improvements	308,096	118,552	426,648	194,007	35,452	229,459	197,189
Community Center underground tank	39,535	2,647	42,182	-	-	-	42,182
Vehicle replacements	47,154	4,513	51,667	-	-	-	51,667
Telephone system upgrade	6,000	759	6,759	5,923	-	5,923	836
Computer replacement and upgrades	165,697	5,000	170,697	166,349	13,553	179,902	(9,205)
Server replacement	21,575	4,791	26,366	10,557	-	10,557	15,809
Facilities asset management plan	12,000	5,000	17,000	-	-	-	17,000
Accrued benefits	154,079	9,866	163,945	148,272	656	148,928	15,017
Town Clerk - ordinance codification	1,000	-	1,000	-	-	-	1,000
Building code books	500	-	500	-	-	-	500
Revaluation	447,622	19,700	467,322	406,722	-	406,722	60,600
Senior/disabled bus	65,138	(96)	65,042	65,042	-	65,042	-
Mattabessee bridge	425,360	-	425,360	425,360	-	425,360	-
Storm contingency	57,718	-	57,718	22,718	-	22,718	35,000
Tree removal	222,580	30,000	252,580	210,305	26,100	236,405	16,175
Garage improvements	87,090	4,090	91,180	62,742	17,715	80,457	10,723
Road improvements	549,562	66,248	615,810	320,016	77,648	397,664	218,146
Garage environmental compliance	64,000	(26,514)	37,486	37,486	-	37,486	-
Lake Beseck remediation	181,149	13,035	194,184	143,445	13,420	156,865	37,319
LED street light assessment	10,500	243,635	254,135	10,530	230,920	241,450	12,685
Dump truck replacement	830,276	82,885	913,161	648,215	182,898	831,113	82,048
Small dump truck replacement	277,507	13,274	290,781	178,392	-	178,392	112,389
Snow plow replacement	12,211	(7,145)	5,066	-	-	-	5,066
Emergency repairs	10,000	-	10,000	-	-	-	10,000
Pickup replacement	34,198	5,067	39,265	21,274	-	21,274	17,991
Paver replacement	6,921	4,363	11,284	-	-	-	11,284
Roller and trailer replacement	20,875	5,071	25,946	-	-	-	25,946
Guard rail tractor replacement	193,220	17,051	210,271	96,676	-	96,676	113,595
Sweeper replacement	123,852	16,784	140,636	24,396	-	24,396	116,240

... Continued ...

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
SCHEDULE OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2020
. . . Continued . . .

	Appropriations			Expenditures			Unexpended
	Balance July 1, 2019	Current Year	Balance June 30, 2020	Balance July 1, 2019	Current Year	Balance June 30, 2020	(Overexpended) Balance
Front-end loader replacement	\$ 159,380	\$ 14,324	\$ 173,704	\$ 88,632	\$ -	\$ 88,632	\$ 85,072
Zero turn mower	7,073	3,536	10,609	-	10,757	10,757	(148)
Backhoe replacement	71,822	13,262	85,084	-	-	-	85,084
Tractor/mower replacement	39,436	4,868	44,304	-	-	-	44,304
Fuel tanks	-	1,243	1,243	-	-	-	1,243
Town property remediation	5,000	-	5,000	-	8,500	8,500	(3,500)
Park improvements	120,295	55,330	175,625	114,514	-	114,514	61,111
Playscape replacement	25,336	12,668	38,004	-	-	-	38,004
Animal shelter	6,000	-	6,000	-	-	-	6,000
Enforcement equipment	4,323	-	4,323	3,323	-	3,323	1,000
Water supply development	142,500	5,000	147,500	134,594	1,383	135,977	11,523
Fire hose replacement	50,000	4,000	54,000	45,487	2,650	48,137	5,863
State EMS plan	7,500	-	7,500	-	-	-	7,500
Breathing apparatus	235,494	(94,283)	141,211	96,211	19,342	115,553	25,658
Thermal imaging camera	24,374	5,121	29,495	24,462	-	24,462	5,033
Communications equipment	121,475	-	121,475	33,975	4,072	38,047	83,428
Computer upgrades	21,682	-	21,682	15,174	5,319	20,493	1,189
Rescue truck replacement	493,313	86,726	580,039	254,563	-	254,563	325,476
Medical truck replacement	136,273	10,262	146,535	124,253	-	124,253	22,282
All terrain vehicle	31,691	2,300	33,991	29,474	-	29,474	4,517
Fire Chief's vehicle	18,177	4,166	22,343	10,000	-	10,000	12,343
Tanker replacement	385,000	48,629	433,629	385,852	-	385,852	47,777
Life saving equipment	74,000	4,000	78,000	65,323	6,056	71,379	6,621
Building maintenance/improvements	140,000	-	140,000	95,118	7,458	102,576	37,424
Pumper replacement '02	1,134,782	97,391	1,232,173	782,409	-	782,409	449,764
Pumper replacement '13	61,500	62,270	123,770	-	-	-	123,770
Emergency repairs and purchases	15,067	-	15,067	5,067	-	5,067	10,000
50 KW generator	12,760	6,380	19,140	-	-	-	19,140
Siren - Lyman/Rockfall	16,154	8,077	24,231	-	-	-	24,231
Boat replacement	4,283	1,410	5,693	-	-	-	5,693
Industrial park projects	333,243	-	333,243	322,244	-	322,244	10,999
Plan of conservation and development	15,197	(5,113)	10,084	10,084	-	10,084	-
Planning & zoning regulation revisions	10,000	7,000	17,000	-	-	-	17,000
Land bank reserve	2,500	-	2,500	-	-	-	2,500
Open space property improvements	10,695	-	10,695	7,663	-	7,663	3,032
Open space acquisitions	2,500	-	2,500	-	-	-	2,500
Old Indian Trail emergency generator	10,000	-	10,000	-	-	-	10,000
Old Indian Trail pump house repairs	-	3,000	3,000	-	2,185	2,185	815
Levi E. Coe improvements	31,030	4,526	35,556	16,242	-	16,242	19,314
	<u>\$ 8,537,405</u>	<u>\$ 1,021,372</u>	<u>\$ 9,558,777</u>	<u>\$ 6,027,855</u>	<u>\$ 669,224</u>	<u>\$ 6,697,079</u>	<u>\$ 2,861,698</u>

**TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
FOR THE YEAR ENDED JUNE 30, 2020**

Total tax collections (including interest, penalties and late payment of taxes) for immediate preceding fiscal year	\$ 14,227,758
State reimbursement for revenue loss on tax relief for elderly under CGS Sections 12-129d and 7-528 for immediate preceding fiscal year	<u>-</u>
Annual receipts from taxation (total of above) (the "Base")	<u><u>\$ 14,227,758</u></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 \$99,594,306, 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	\$ 32,012,456	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	64,024,911	-	-	-
3 3/4 times base	-	-	53,354,093	-	-
3 1/4 times base	-	-	-	46,240,214	-
3 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,683,274</u>
Total debt limitation	<u>32,012,456</u>	<u>64,024,911</u>	<u>53,354,093</u>	<u>46,240,214</u>	<u>42,683,274</u>
Indebtedness:					
General obligation bonds	200,639	-	-	-	-
Notes payable	141,237	-	81,577	-	-
Regional School District #13 bonds	<u>-</u>	<u>1,058,818</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>341,876</u>	<u>1,058,818</u>	<u>81,577</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 31,670,580</u></u>	<u><u>\$ 62,966,093</u></u>	<u><u>\$ 53,272,516</u></u>	<u><u>\$ 46,240,214</u></u>	<u><u>\$ 42,683,274</u></u>

Note:

The Town of Middlefield is a member of Regional School District #13 which provides education facilities for grades kindergarten through twelve for the Towns of Middlefield and Durham. As of June 30, 2020, based on the most current and available information, the indebtedness of the District was \$3,155,000. The Town of Middlefield's share will be approximately 33.56% of the debt, of \$1,058,818. These are the general obligations of Regional School District #13 and its member towns.

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
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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, 2020, 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 February 5, 2021.

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
February 5, 2021

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT

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

Report on Compliance for Each Major State Program

We have audited the Town of Middlefield, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Middlefield's major state programs for the year ended June 30, 2020. The Town of Middlefield's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

ASSOCIATED WORLD-WIDE WITH



Opinion on Each Major State Program

In our opinion, the Town of Middlefield, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.

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
February 5, 2021

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2020

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	31,592
Property tax relief for veterans	11000-OPM20600-17024	5,209
Property tax relief on property of totally disabled persons	11000-OPM20600-17011	420
Payment in lieu of taxes (PILOT) on state-owned property	11000-OPM20600-17004	4,920
Neglected cemetery account grant program	12060-OPM20600-35570	2,500
<u>Department of Transportation:</u>		
Town aid road grants transportation fund	12052-DOT57131-43455-34005	98,625
Town aid road grants transportation fund	12052-DOT57131-43459-34005	98,625
		<u>197,250</u>
Bus operations	12001-DOT57000-12175	12,591
<u>Connecticut State Library:</u>		
Historic documents preservation grants	12060-CSL66094-35150	5,500
<u>Judicial Branch:</u>		
Judicial fines and fees	34001-JUD95162-40001	<u>8,998</u>
Total State Financial Assistance Before Exempt Programs		<u>517,632</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>1,894,751</u>
Total Exempt Programs		<u>1,915,338</u>
Total State Financial Assistance		<u><u>\$ 2,432,970</u></u>

See notes to schedule.

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2020

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, 2020. 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, 2020:

Department of Energy and Environmental Protection:
Clean Water Fund

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Retired</u>	<u>Ending Balance</u>
5/31/2001	2.00%	\$ 3,271,712	\$ 274,613	\$ 193,036	\$ 81,577

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X 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 X 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	\$ 98,625
Town aid road grants transportation fund	12052-DOT57131-43459-34005	98,625
		<u>197,250</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, 2020
. . . Continued . . .**

II. FINANCIAL STATEMENT FINDINGS

There were no findings.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

There were no findings or questioned costs.