

TOWN OF MIDDLEFIELD, CONNECTICUT

**AUDITED FINANCIAL STATEMENTS
TOGETHER WITH SUPPLEMENTAL
REPORTS AND SCHEDULES**

FOR THE YEAR ENDED JUNE 30, 2014

**TOWN OF MIDDLEFIELD, CONNECTICUT
TABLE OF CONTENTS
AUDITED FINANCIAL STATEMENTS TOGETHER WITH
SUPPLEMENTAL SCHEDULES
YEAR ENDED JUNE 30, 2014**

	<u>Exhibit/ Schedule</u>	<u>Page Number</u>
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	I	10
Statement of Activities	II	11
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	III	12
Statement of Revenues, Expenditures and Changes in Fund Balances	IV	13
Fiduciary Funds:		
Statement of Fiduciary Net Position	V	14
Notes to Financial Statements		15-34
Required Supplementary Information:		
General Fund:		
Schedule of Revenues and Other Financing Sources-Budget and Actual	RSI-1	35-36
Schedule of Expenditures and Other Financing Uses-Budget and Actual	RSI-2	37-43
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Schedule of Property Taxes Levied, Collected and Outstanding	1	44
Nonmajor Governmental Funds:		
Combining Balance Sheet	2	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	3	46
Fiduciary Funds:		
Agency Funds:		
Combining Balance Sheet	4	47
Combining Statement of Changes in Assets and Liabilities	5	48
Other Information:		
Reserve Fund for Capital and Nonrecurring Expenditures-Statement of Expenditures Compared With Appropriations	6	49-50
Schedule of Debt Limitation	7	51

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
TABLE OF CONTENTS
AUDITED FINANCIAL STATEMENTS TOGETHER WITH
SUPPLEMENTAL REPORTS AND SCHEDULES
YEAR ENDED JUNE 30, 2014**

	<u>Exhibit/ Schedule</u>	<u>Page Number</u>
Report Required by Government Auditing Standards:		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		52-53
Report and Schedules Required by the State of Connecticut		
Single Audit Act:		
Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance		54-55
Schedule of State Financial Assistance	8	56
Notes to the Schedule of Expenditures of State Financial Assistance		57-58
Schedule of Findings and Questioned Costs		59-60

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut (the Town) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 9, the budgetary comparison information on pages 35-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the State of Connecticut Single Audit Act, and is also not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 8, 2015, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Albert J. Rusilowicz", with a long, sweeping horizontal stroke at the end.

Albert J. Rusilowicz, CPA, LLC
Killingworth, Connecticut
June 8, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF MIDDLEFIELD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 \$327,064 or approximately 2.85%.
- The total cost of all of the Town's governmental activities was \$17,390,853.
- The General Fund reported a fund balance of \$1,841,380 at June 30, 2014.
- For the year ended June 30, 2014, the resources available for appropriation were \$48,964 less than budgeted for the general fund. Expenditures were \$82,376 less than budgeted for the general fund.
- The Town's total bonded debt decreased by \$1,263,847 to a level of \$3,064,618.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III and IV. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information on the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibit I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in it during the current fiscal year. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position is one indicator of whether its financial health is improving or deteriorating. The reader need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall financial health of the Town.

(Continued)

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

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

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter or State law. However, the First Selectman establishes many other funds to help the Town control and manage financial activities for particular purposes (like the Water Purchase Fund, Sewer Fund and Grant Funds) or to show that the Town is meeting legal responsibilities for using certain grants and other money (like grants received from the State of Connecticut). The Town's fund is divided into two categories; governmental and fiduciary.

- *Governmental funds* (Exhibit III and IV) – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Fiduciary funds* (Exhibits V) – The Town is the trustee, or fiduciary, for its volunteer fire department supplementary benefit fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the Town's other financial statements because the Town cannot use the assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

(Continued)

Government-wide Financial Analysis

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

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,653,567	\$ 6,768,633
Capital assets, net	9,674,715	9,467,245
Total assets	<u>15,328,282</u>	<u>16,235,878</u>
Long-term liabilities outstanding	3,198,468	4,475,010
Other liabilities	339,707	297,825
Total liabilities	<u>3,538,175</u>	<u>4,772,835</u>
Net position:		
Invested in capital assets, net of related debt	6,610,097	7,134,578
Unrestricted	5,180,010	4,328,465
Total net position	<u>\$ 11,790,107</u>	<u>\$ 11,463,043</u>

The net position of the Town's governmental activities increased by \$327,064 or 2.85%. 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 \$851,545 to \$5,180,010 at June 30, 2014.

Changes in Net Position

	Governmental Activities	
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 522,256	\$ 542,657
Operating grants and contributions	2,892,447	2,284,374
Capital grants and contributions	130,965	168,906
General revenues:		
Property taxes	13,500,102	12,917,215
Grants and contributions not restricted to specific purposes	390,523	320,367
Unrestricted investment earnings	9,915	9,707
Other general revenues	271,709	130,404
Total revenues	<u>17,717,917</u>	<u>16,373,630</u>
Program expenses:		
General government	3,140,957	2,427,905
Public safety	144,830	590,943
Public works	1,036,764	836,985
Health and welfare	65,788	75,450
Parks and recreation	166,709	178,927
Education	11,969,987	11,549,668
Capital outlays	656,118	-
Interest/fees on long-term debt	209,700	94,081
Total program expenses	<u>17,390,853</u>	<u>15,753,959</u>
Increase (decrease) in net position	<u>\$ 327,064</u>	<u>\$ 619,671</u>

The Town's total revenue (excluding special items) was \$17,717,917. The total cost of all programs and services was \$17,390,853. Our analysis above separately considers the operations of governmental activities.

(Continued)

Governmental activities

Governmental activities increased the Town's net position by \$327,064. Revenues including property sales as well as expenditures below budgeted levels were the main contributors to this year's results. General government expenditures came in under budget by \$82,376.

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

Governmental Activities

	<u>Year Ended June 30, 2014</u>		<u>Year Ended June 30, 2013</u>	
	<u>Total Cost of</u>	<u>Net Cost of</u>	<u>Total Cost of</u>	<u>Net Cost of</u>
	<u>Services</u>	<u>Services</u>	<u>Services</u>	<u>Services</u>
General government	\$ 3,140,957	2,336,407	\$ 2,427,905	2,119,484
Public works	1,036,764	578,201	836,985	476,111
Parks and recreation	166,709	59,472	178,927	75,716
Public safety	144,830	72,666	590,943	492,013
Education	11,969,987	9,831,858	11,549,668	9,416,892

Town Fund Financial Analysis

Governmental funds

As the Town completed the year, its governmental funds (as presented in the balance sheet – Exhibit III) reported a combined fund balance of \$3,446,665 which is a decrease of \$484,396 from last year's total of \$3,931,061. Included in this year's total change in fund balance is an decrease in the Town's General Fund balance of \$22,386, and a decrease in the Town's Reserve Fund for Capital and Nonrecurring Expenditures Fund balance of \$457,885. The primary reasons for the General Fund's shortfall mirror the governmental activities analysis highlighted in Exhibit IV. The decrease in the Town's Reserve Fund is attributable primarily to the significant fixed asset acquisitions during the year.

General Fund budgetary highlights

General property taxes-property tax revenue was \$186,375 more than budgeted due primarily to an overall increase in current and prior year tax collections and related interest. Intergovernmental revenue-grant revenues in total were higher than budgeted due primarily to greater than anticipated State funding of the municipal revenue sharing grant. Local revenues in total were greater than budgeted amounts primarily as a result of police department services.

(Continued)

Capital asset and debt administration

At June 30, 2014, the Town had a net balance of \$9,674,715 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 \$207,470, or approximately 2.19% from the prior year.

Capital Assets at Year-End (net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 4,249,457	\$ 4,512,857
Construction in progress	-	-
Powder Ridge development rights	1,893,919	1,893,919
Buildings and improvements	1,136,170	1,198,904
Machinery, equipment and vehicles	1,753,088	1,254,072
Infrastructure	642,081	607,493
Totals	<u>\$ 9,674,715</u>	<u>\$ 9,467,245</u>

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

Long-term debt

At June 30, 2014, the Town had outstanding debt obligations, excluding compensated absences, as shown below:

Outstanding Debt at Year-End

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 1,327,000	\$ -
Bond anticipation notes	-	2,360,000
Loans	1,737,618	1,968,465
Capital lease obligations	-	11,457
Totals	<u>\$ 3,064,618</u>	<u>\$ 4,339,922</u>

(Continued)

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

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

Economic factors and next year's budgets and rates

The Town's elected and appointed officials consider many factors when establishing the annual budget and setting the mil rate. One of those factors is the state and local economy. Other factors include anticipated tax collections as well as uncertainty regarding the levels of state funding to be received.

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

Contacting the Town's financial management

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

FINANCIAL STATEMENTS

TOWN OF MIDDLEFIELD, CONNECTICUT

STATEMENT OF NET POSITION

June 30, 2014

	Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 3,648,536
Receivables, net	2,005,031
Capital assets not being depreciated	6,143,376
Capital assets being depreciated, net of depreciation	3,531,339
Total Assets	15,328,282
LIABILITIES:	
Accounts payable and accrued expenses	232,851
Unearned revenue	19,468
Due to Fiduciary Funds	87,388
Noncurrent liabilities:	
Due within one year	466,641
Due in more than one year	2,731,827
Total Liabilities	3,538,175
NET POSITION:	
Invested in capital assets, net of related debt	6,610,097
Unrestricted	5,180,010
Total Net Position	\$ 11,790,107

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

TOWN OF MIDDLEFIELD, CONNECTICUT

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
			Capital Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 3,140,957	141,823	531,762	(2,336,407)
Public safety	144,830	51,558	20,606	(72,666)
Public works	1,036,764	256,613	201,950	(578,201)
Health and welfare	65,788	(34,975)	-	(100,763)
Parks and recreation	166,709	107,237	-	(59,472)
Education	11,969,987	-	2,138,129	(9,831,858)
Capital outlays	656,118	-	-	(656,118)
Interest/fees on long-term debt	209,700	-	-	(209,700)
Total governmental activities	17,390,853	522,256	2,892,447	(13,845,185)
Total government	\$ 17,390,853	522,256	2,892,447	130,965
General revenues:				
Property taxes				13,500,102
Grants and contributions not restricted to specific programs				390,523
Unrestricted investment earnings				9,915
Miscellaneous				271,709
Total general revenues and transfers				14,172,249
Change in net position				327,064
Net position-beginning				11,463,043
Net position-ending				\$ 11,790,107

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

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET
June 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Reserve Fund For Capital And Nonrecurring Expenditures</u>	<u>Lake Beseck</u>	<u>Housing Rehabilitation Programs</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,178,927	-	308,208	93,589	67,812	3,648,536
Receivables, net	380,758	24,440	939,009	-	21,610	1,365,817
Loans receivable	-	-	-	639,214	-	639,214
Prepaid expenses	-	-	-	-	-	-
Due from other funds	-	813,516	-	-	414,003	1,227,519
Total Assets	\$ 3,559,685	837,956	1,247,217	732,803	503,425	6,881,086
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable and accrued expenses	\$ 64,494	137,457	975	-	1,410	204,336
Due to other funds	1,314,907	-	-	-	-	1,314,907
Total Liabilities	1,379,401	137,457	975	-	1,410	1,519,243
Deferred Inflows of Resources:						
Unavailable revenue	323,244	-	926,642	639,214	6,610	1,895,710
Unearned revenue	15,660	-	-	-	3,808	19,468
Total Deferred Inflows of Resources	338,904	-	926,642	639,214	10,418	1,915,178
Fund Balances:						
Restricted	-	-	319,600	93,589	491,597	904,786
Committed	-	700,499	-	-	-	700,499
Assigned	350,000	-	-	-	-	350,000
Unassigned	1,491,380	-	-	-	-	1,491,380
Total Fund Balances	1,841,380	700,499	319,600	93,589	491,597	3,446,665
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 3,559,685	837,956	1,247,217	732,803	503,425	

Amounts reported for governmental activities in the statement of net assets (Exhibit I) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,674,715
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	1,895,710
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(3,198,468)
Accrued interest payable on long-term liabilities is not recorded in the funds	(28,515)
Net assets of governmental activities	\$ 11,790,107

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

TOWN OF MIDDLEFIELD, CONNECTICUT

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2014

	General	Reserve Fund For Capital And Nonrecurring Expenditures	Lake Beseck	Housing Rehabilitation Programs	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Property taxes	\$ 13,487,421	-	-	-	-	13,487,421
Intergovernmental	2,558,866	24,440	-	-	830,629	3,413,935
Licenses, fees and charges for goods and services	196,481	-	369,933	-	135,938	702,352
Interest and investment income	9,298	-	457	89	71	9,915
Miscellaneous	496,354	-	677	38,075	506,603	1,041,709
Total Revenues	16,748,420	24,440	371,067	38,164	1,473,241	18,655,332
EXPENDITURES:						
Current:						
General government	2,337,308	146,894	-	-	622,395	3,106,597
Public safety	492,382	52,700	-	-	-	545,082
Public works	524,317	194,423	182,271	-	261,125	1,162,136
Health and welfare	65,788	-	-	-	-	65,788
Parks and recreation	96,045	-	-	-	58,108	154,153
Education	11,969,987	-	-	-	-	11,969,987
Debt service	2,306,867	-	-	-	500,000	2,806,867
Capital outlays	-	649,765	-	-	6,353	656,118
Total Expenditures	17,792,694	1,043,782	182,271	-	1,447,981	20,466,728
Excess of Revenues Over (Under) Expenditures	(1,044,274)	(1,019,342)	188,796	38,164	25,260	(1,811,396)
Other Financing Sources (Uses):						
Proceeds from general obligation bonds	1,327,000	-	-	-	-	1,327,000
Operating transfers in	260,695	561,457	-	-	4,350	826,502
Operating transfers out	(565,807)	-	(212,765)	-	(47,930)	(826,502)
Total Other Financing Sources (Uses)	1,021,888	561,457	(212,765)	-	(43,580)	1,327,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(22,386)	(457,885)	(23,969)	38,164	(18,320)	(484,396)
Fund Balances, June 30, 2013	1,863,766	1,158,384	343,569	55,425	509,917	
Fund Balances, June 30, 2014	\$ 1,841,380	700,499	319,600	93,589	491,597	

Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because:

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 net capital outlays exceeded depreciation expense in the current year.	207,470
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	(187,415)
Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets. This is the amount by which principal payments exceeded proceeds.	1,275,304
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	96,101
The sale of fixed assets is recorded as revenue in the fund financial statements but is recorded as a reduction in the related receivables and/or fixed assets in the statement of net position.	(600,000)
	<u>\$ 327,064</u>

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

TOWN OF MIDDLEFIELD, CONNECTICUT

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ -
Investments	505,674
Due from the General Fund	87,388
Total Assets	<u><u>\$ 593,062</u></u>
<u>LIABILITIES</u>	
Bonds deposited and amounts due to volunteers/employees	\$ 593,062
Total Liabilities	<u><u>\$ 593,062</u></u>

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

**TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Middlefield, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below:

A. Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which generally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of net position presents the Town's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in Capital Assets Net of Related Debt – This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those capital assets.

Restricted – This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category consists of net assets which do not meet the definition of the two preceding categories.

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies, Continued

B. Government-Wide and Fund Financial Statements, Continued

When both restricted and unrestricted revenue are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are available.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The various funds included in the financial statements are described below:

Governmental Funds

Governmental Funds are those through which most of the governmental functions are financed.

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds - Special Revenue Funds are used to account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Agency Funds - The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Performance Bond and Volunteer Fire Department Supplement Benefit Fund are the Town's agency funds.

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies, Continued

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

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

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

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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

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

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

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

Additionally, the Town reports the following fiduciary fund types:

Agency Funds-These funds are used to account for monies held as a custodian for performance bonds held by the Town for various projects and the Volunteer Fire Department Supplement Benefit Fund.

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

**TOWN OF MIDDEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies, Continued

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenues. Likewise, general revenues include property taxes.

D. Deposits and Investments

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

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

Investments of the Town are reported at fair value.

E. Receivables and Payables

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

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

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes and related interest receivable at June 30, 2014 are stated net of an allowance for uncollectible amounts of \$2,481.

F. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At June 30, 2014, the Town had no prepaid expenses.

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies, Continued

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

G. Capital Assets

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

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

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

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

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

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

H. Compensated Absences

Employees are paid by prescribed formula for absences due to vacation or sickness. Accumulated vacation and sick pay earned and not paid for governmental funds as of June 30, 2014 amounted to \$133,850. This liability for unpaid vacation and sick leave is reflected in the government-wide statement of net assets.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies, Continued

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

I. Long-Term Obligations

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

J. Fund Equity-Fund Financial Statements

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

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

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

Committed Fund Balance - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Middlefield Town Meeting).

Assigned Fund Balance - represents amounts that are constrained by the Town's intent to be used for a specific purpose, but are neither restricted or committed. Intent is expressed by a governing board or body or official that has been delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies, Continued

J. Fund Equity-Fund Financial Statements, Continued

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

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

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore not reported in the funds." The details of this (\$3,198,468) are as follows:

General obligation bonds payable	\$ 1,327,000
Loans payable	1,737,618
Compensated absences	133,850
Net adjustment to reduce fund balance - total government funds to arrive at net assets-governmental activities	<u>\$ 3,198,468</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$207,470 are as follows:

Net capital outlays	\$ 458,891
Depreciation expense	(251,421)
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	<u>\$ 207,470</u>

Another element of that reconciliation states that “Bond proceeds and capital lease obligation proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and capital lease obligation principal is an expenditure in governmental funds, but the repayment of such debt reduces long-term liabilities in the statement of net assets.” The details of this \$1,275,304 difference are as follows:

General obligation bond proceeds	\$ (1,327,000)
Principal repayments:	
Bond anticipation notes payable	2,360,000
Loans payable	230,847
Capital lease financing	11,457
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets- governmental activities	<u>\$ 1,275,304</u>

Another element of that reconciliation states that “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.” The details of this \$96,101 difference are as follows:

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities, Continued

Change in accrued interest payable	\$ (5,137)
Change in compensated absences payable	1,238
Change in liability related to Powder Ridge sale	100,000
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net position-governmental activities	<u>\$ 96,101</u>

3. Stewardship, Compliance and Accountability

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

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

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

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

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

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

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

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

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

4. Cash, Cash Equivalents and Investments

The deposit of public funds is controlled by Connecticut General Statutes (Section 7-402). Deposits may be invested in any "qualified public depository" as defined by State Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit, in an "out of state bank", as defined by the State Statutes, which is not a "qualified public depository".

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

The State Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2014:

	<u>Government-Wide</u>	<u>Fiduciary Funds</u>
	<u>Statement of</u> <u>Net Position</u>	<u>Statement of</u> <u>Fiduciary</u> <u>Net Position</u>
Deposits:		
Demand, savings and money market accounts	\$ 2,781,973	-
Petty cash and cash on hand	100	-
Cash equivalents:		
State Short-Term Investment Fund (STIF)	866,463	-
Total Cash and Cash Equivalents	<u>\$ 3,648,536</u>	<u>-</u>

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

4. Cash, Cash Equivalents and Investments, Continued

Deposits

At June 30, 2014, the carrying amount of the Town's deposits with financial institutions was \$2,781,973 and the bank balance was \$2,868,204.

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, 2014 bank balance, \$701,670 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 \$351,857, based on the June 30, 2014 deposits, was collateralized (collateral held by the pledging bank's trust department is not in the Town's name). The remaining bank balance of \$1,814,677 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2014, the Town's cash equivalents amounted to \$866,463 and represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut.

The Short Term Investment Fund pool is rated 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.

B. Investments

Investments as of June 30, 2014 in all funds are as follows:

Volunteer Fire Department Supplemental Benefit Fund:		
Flexible annuities	\$	450,853
Brokerage accounts		41,269
Flexible savings accounts		13,552
	\$	<u>505,674</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. The following table provides a summary of the Town's investments (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

4. Cash, Cash Equivalents and Investments, Continued

B. Investments, Continued

	<u>Moody's Investor Service</u>	<u>Fitch Ratings</u>	<u>Not Rated</u>
Volunteer Fire Department Supplemental Benefit Fund:			
Flexible annuities	Aa3	AA-	
Flexible savings accounts			X

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, 2014, 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.

5. Receivables and Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The Town reports unavailable and unearned in this category as more fully described below.

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

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

5. Receivables and Deferred Inflows of Resources, Continued

	General <u>Fund</u>	Reserve Fund for Capital and Nonrecurring <u>Expenditures</u>	Lake Beseck <u>Fund</u>	Housing Rehabilitation <u>Programs</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Receivables:						
Taxes	\$ 320,977	-	-	-	-	320,977
Interest	51,598	-	17,652	-	1,714	70,964
Accounts	10,664	-	70,261	-	4,896	85,821
Assessments	-	-	851,096	-	-	851,096
Intergovernmental	-	24,440	-	-	15,000	39,440
Loans	-	-	-	639,214	-	639,214
Gross receivables	<u>383,239</u>	<u>24,440</u>	<u>939,009</u>	<u>639,214</u>	<u>21,610</u>	<u>2,007,512</u>
Less: allowance for uncollectibles	<u>(2,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,481)</u>
Net total receivables	<u>\$ 380,758</u>	<u>24,440</u>	<u>939,009</u>	<u>639,214</u>	<u>21,610</u>	<u>2,005,031</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the component of deferred inflows of resources reported in the governmental funds is as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 278,601	-
Accrued interest and fees on delinquent property taxes	44,643	-
Grants receivable not collected within 60 days	-	-
Advance tax collections	-	3,310
Grant drawdowns prior to meeting all eligibility requirements	-	16,158
Other receipts not yet earned	-	-
Assessments not yet due	851,096	-
Accrued interest on delinquent sewer usage and assessment fees	24,262	-
Sewer user fees receivable	57,894	-
Loans receivable-not yet due	639,214	-
	<u>\$ 1,895,710</u>	<u>19,468</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

6. Capital Assets

Capital asset activity for the year ended June 30, 2014 is as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,512,857	5,600	(269,000)	4,249,457
Construction in progress	-	-	-	-
Powder Ridge development rights	1,893,919	-	-	1,893,919
	<u>6,406,776</u>	<u>5,600</u>	<u>(269,000)</u>	<u>6,143,376</u>
Capital assets being depreciated:				
Buildings and improvements	2,207,031	7,583	-	2,214,614
Machinery and equipment	2,947,166	666,901	(20,000)	3,594,067
Infrastructure	702,749	48,807	-	751,556
Total assets being depreciated	<u>5,856,946</u>	<u>723,291</u>	<u>(20,000)</u>	<u>6,560,237</u>
Less: accumulated depreciation for:				
Buildings and improvements	(1,008,127)	(70,317)	-	(1,078,444)
Machinery and equipment	(1,693,094)	(166,885)	19,000	(1,840,979)
Infrastructure	(95,256)	(14,219)	-	(109,475)
	<u>(2,796,477)</u>	<u>(251,421)</u>	<u>19,000</u>	<u>(3,028,898)</u>
Total capital assets being depreciated, net	<u>3,060,469</u>	<u>471,870</u>	<u>(1,000)</u>	<u>3,531,339</u>
Total Government-Wide Capital Assets, Net	<u><u>\$ 9,467,245</u></u>	<u><u>477,470</u></u>	<u><u>(270,000)</u></u>	<u><u>9,674,715</u></u>

The Town has elected not to capitalize infrastructure assets acquired prior to July 1, 2003, the implementation date of GASB Statement Number 34.

Depreciation expense was charged to functions/programs as follows:

General government	\$ 48,769
Public safety	99,653
Public works	90,443
Parks and recreation	12,556
Total depreciation expense-governmental activities	<u><u>\$ 251,421</u></u>

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

7. Interfund Accounts

At June 30, 2014, amounts due from and to other funds were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	1,314,907
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	813,516	-
Lake Beseck	-	-
Nonmajor Governmental Funds:		
Town Aid Road	380,910	-
Old Indian Trail Water System	28,938	-
Miscellaneous Grants	3,808	-
Donation Fund	347	-
Fiduciary Funds:		
Performance Bonds	87,388	-
	<u>\$ 1,314,907</u>	<u>1,314,907</u>

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

Interfund transfers:

Interfund transfers represent routine recurring transactions to move resources from one fund to another. Interfund transfers for the year ended June 30, 2014 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 260,695	565,807
Major Governmental Funds:		
Reserve Fund for Capital and Nonrecurring Expenditures	561,457	-
Lake Beseck	-	212,765
Nonmajor Governmental Funds:		
Route 66 Sewer Project	-	4,500
Parks and Recreation Commission	-	37,420
Old Indian Trail Water System	4,350	6,010
	<u>\$ 826,502</u>	<u>826,502</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

8. Leases

Operating Lease

The Town entered into an operating lease agreement with Nextel Communications and/or other designees for the right to use certain premises on 393 Jackson Hill Road for wireless communication. The Town is to receive rental income payable in equal monthly installments with a scheduled increase every five years equal to 15% of the rent scheduled to be paid for each year of the previous term. Rental income for the year ended June 30, 2014 amounted to \$53,609.

9. Long-term Debt

Changes in Long-Term Liabilities

Long-term liability for the year ended June 30, 2014 was as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions/ Maturities</u>	Balance <u>June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bond anticipation notes payable	\$ 2,360,000	-	2,360,000	-	-
General obligation bonds payable	-	1,327,000	-	1,327,000	177,524
Loans payable	1,968,465	-	230,847	1,737,618	236,702
Compensated absences	135,088	743	1,981	133,850	52,415
Capital leases	11,457	-	11,457	-	-
Total Governmental Activities					
long-term liabilities	<u>\$ 4,475,010</u>	<u>1,327,743</u>	<u>2,604,285</u>	<u>3,198,468</u>	<u>466,641</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

9. Long-term Debt, Continued

A schedule of bonds and loans payable at June 30, 2014 is presented below:

<u>Purpose/Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2014</u>
Loans payable:				
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.75%	\$ 153,813
Storm drainage-Lake Beseck	9/6/2001	9/6/2021	4.875%	339,810
Lake Beseck sewer project	5/31/2001	11/30/2020	2.00%	1,183,995
Development rights-Merriam property	1/20/2011	7/31/2019	0%	60,000
General obligation bonds payable	3/5/2014	4/21/2021	1.87%	\$ 1,327,000
				<u>\$ 3,064,618</u>

The following is a schedule of loan and note maturities as of June 30, 2014:

<u>Fiscal year ending:</u>	<u>Principal</u>	<u>Interest</u>
June 30, 2015	\$ 404,226	71,900
June 30, 2016	415,486	60,640
June 30, 2017	425,167	50,959
June 30, 2018	435,114	41,013
June 30, 2019	445,334	30,793
June 30, 2020	455,837	20,289
June 30, 2021	351,279	10,068
June 30, 2022	72,175	3,491
	<u>\$ 3,004,618</u>	<u>289,153</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014

9. Long-term Debt, Continued

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

<u>Category</u>	<u>Debt Limit</u>	<u>Present Indebtedness</u>	<u>Balance</u>
General purpose	\$ 30,473,269	1,880,623	28,592,646
Schools	60,946,538	3,873,978	57,072,560
Sewers	50,788,781	1,183,995	49,604,786
Urban renewal	44,016,944	-	44,016,944
Pension deficit	40,631,025	-	40,631,025

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$94,805,725.

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, 2014, the outstanding indebtedness of the District was \$11,190,000. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 34.82% or \$3,873,978.

A schedule of bonds authorized but unissued is presented below:

	<u>Authorized</u>	<u>Permanent Loans/BAN's</u>	<u>Authorized But Unissued</u>
Lake Beseck-Storm Drainage	\$ 990,000	959,000	31,000

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

The following is a summary of management's estimate of vested potential liability for lump-sum payments to employees as of June 30, 2014:

Compensated Absences

Town:	
Sick	\$ 109,755
Vacation	24,095
Total	<u>\$ 133,850</u>

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

10. Fund Balances

The following is a summary of the Governmental Fund balances of the Town at the year ended June 30, 2014:

General Fund:	
Assigned:	
Appropriation of fund balance	\$ 350,000
Unassigned	1,491,380
Total General Fund Balance	<u>1,841,380</u>
Reserve Fund for Capital and Nonrecurring Expenditures:	
Committed to Capital Projects	700,499
Lake Beseck:	
Restricted for Public Works	319,600
Housing Rehabilitation Programs:	
Restricted for Health and Welfare	93,589
Other Governmental Funds:	
General Government	347
Restricted for Public Works	464,981
Restricted for Parks and Recreation	26,269
Unassigned	-
Total Other Governmental Fund Balances	<u>491,597</u>
Total Governmental Fund Balances	<u>\$ 3,446,665</u>

11. Risk Management

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

12. Employees Retirement Systems and Pension Plans

Municipal Employees' Retirement Fund

Full-time policemen and Town employees participate in the Municipal Employees' Retirement Fund (MERF), a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement and disability benefits, annual cost-of-living adjustments and death benefits to the employees and beneficiaries of the participating municipalities. Chapter 113 Part II of the Connecticut General Statutes, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions.

**TOWN OF MIDDLEFIELD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2014**

12. Employees Retirement Systems and Pension Plans, Continued

Municipal Employees' Retirement Fund, Continued

MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

Funding Policy

Plan members are required by State Statute to contribute 2.25% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The contribution requirements of the Town are established and may be amended by the State Retirement Commission. The current rate of contribution for the Town is 16.96% of covered payroll for police and 11.98% for other Town employees. The Town's contribution to MERF for the years ended June 30, 2014, 2013 and 2012, excluding amortization and assessments, was \$109,713, \$109,800 and \$90,304 respectively, equal to the required contributions for each year.

13. Contingent Liabilities

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

14. Subsequent Events

The Town has evaluated subsequent events from the period after June 30, 2014 through June 8, 2015, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2014**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Property Taxes:				
Property tax collections	\$ 13,351,877	13,351,877	13,543,675	191,798
Other tax refunds	-	-	(5,423)	(5,423)
	<u>13,351,877</u>	<u>13,351,877</u>	<u>13,538,252</u>	<u>186,375</u>
Intergovernmental Revenue:				
State of Connecticut:				
PILOT-State owned property	-	-	10,023	10,023
Mohegan-Pequot grant	-	-	18,712	18,712
Municipal revenue sharing	133,379	133,379	311,813	178,434
PILOT-homeowners tax credit	38,750	38,750	39,902	1,152
PILOT-veterans tax relief	9,885	9,885	9,517	(368)
PILOT-disabled program	625	625	556	(69)
Judicial fines	9,100	9,100	9,856	756
DUI police grants	11,750	11,750	10,560	(1,190)
Senior/Disabled bus service	10,087	10,087	9,608	(479)
Education cost sharing	2,147,902	2,147,902	2,138,129	(9,773)
Other	4,750	4,750	190	(4,560)
Total State of Connecticut	<u>2,366,228</u>	<u>2,366,228</u>	<u>2,558,866</u>	<u>192,638</u>
Total Intergovernmental Revenues	<u>2,366,228</u>	<u>2,366,228</u>	<u>2,558,866</u>	<u>192,638</u>
Charges for Services:				
Licenses and permits	2,000	2,000	2,295	295
Land use departments	80,000	80,000	67,556	(12,444)
Town Clerk	66,500	66,500	68,380	1,880
Police department services	32,000	32,000	47,355	15,355
Fire department services	500	500	344	(156)
Fire Marshal fees	200	200	-	(200)
Health department	5,000	5,000	3,100	(1,900)
Dog licenses and fees	4,000	4,000	3,859	(141)
Miscellaneous	2,000	2,000	3,592	1,592
Total Charges for Services	<u>\$ 192,200</u>	<u>192,200</u>	<u>196,481</u>	<u>4,281</u>

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Other Revenues:				
Middlefield Housing Authority	\$ 19,800	19,800	19,761	(39)
Joseph E. Coe trust fund	7,910	7,910	8,056	146
Sale of property and equipment	102,200	102,200	400,004	297,804
Telephone access line tax	12,700	12,700	11,174	(1,526)
Rental of Town property	51,540	51,540	53,609	2,069
Miscellaneous	100	100	3,750	3,650
Total Other Revenues	<u>194,250</u>	<u>194,250</u>	<u>496,354</u>	<u>302,104</u>
Transfers From Other Funds:				
Park and recreation fund-summer camp payroll expenses	40,600	40,600	37,420	(3,180)
Old Indian Trail fund	6,010	6,010	6,010	-
WPCA-Route 66 water system	4,500	4,500	4,500	-
WPCA-Lake Beseck	212,765	212,765	212,765	-
Total Transfers	<u>263,875</u>	<u>263,875</u>	<u>260,695</u>	<u>(3,180)</u>
Revenue From the Use of Money:				
Interest income	7,200	7,200	9,298	2,098
Total Revenue From the Use of Money	<u>7,200</u>	<u>7,200</u>	<u>9,298</u>	<u>2,098</u>
Other Financing Sources:				
General Fund Balance	230,000	733,280	-	(733,280)
Total Other Financing Sources	<u>230,000</u>	<u>733,280</u>	<u>-</u>	<u>(733,280)</u>
Total Revenues	<u>\$ 16,605,630</u>	<u>17,108,910</u>	<u>17,059,946</u>	<u>(48,964)</u>

Budgetary revenues are different from GAAP revenues because:

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

-

Property taxes are budgeted on a cash basis:

Change in net property taxes, interest and fees receivable	(38,150)
Change in deferred property tax revenue	(12,681)

Proceeds from general obligation bonds were not budgeted as revenues	1,327,000
--	-----------

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

18,336,115

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, 2014

	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
General Government:				
Selectman's Office:				
First Selectmans Salary	\$ 63,577	63,577	63,576	1
Selectmen's Salaries	7,577	7,577	7,577	-
Administrative Assistant	45,591	45,591	45,590	1
Finance Director	81,255	81,255	81,255	-
Accounting Software Fees	4,250	4,250	4,250	-
Payroll Service Fees	6,600	6,600	6,180	420
Dues and Organizations	4,500	4,500	4,055	445
Office Expenses	5,500	5,500	4,423	1,077
Total Selectman's Office	218,850	218,850	216,906	1,944
Professional Services:				
Town Engineer	17,000	39,695	39,694	1
Town Planner	21,000	5,307	5,307	-
Town Counsel	33,000	22,199	22,199	-
Labor Counsel	5,000	891	891	-
Bond Counsel	3,500	-	-	-
Legal Notices	8,500	8,500	7,069	1,431
Town Auditor	15,700	15,700	15,700	-
Computer Network Consultant	12,500	14,036	14,035	1
Town Web Site	-	7,000	7,000	-
Total Professional Services	116,200	113,328	111,895	1,433
Municipal Insurances:				
Property/Auto/Liability	63,350	63,445	63,445	-
Insurance Deductibles	2,000	1,905	-	1,905
Workers Compensation	71,881	74,898	74,897	1
Total Municipal Insurances	137,231	140,248	138,342	1,906
General and Central Services:				
Town Hall Expenses	17,000	17,000	15,005	1,995
Community Center Expenses	45,000	45,000	41,536	3,464
Street Lighting	54,000	46,135	46,134	1
Telephone/Postage/Copier/ Expenses	32,000	32,000	31,659	341
Custodian Salary	19,296	19,869	19,868	1
Automobile Maintenance	4,500	4,500	1,761	2,739
Town Vehicle Fuel	39,850	47,124	47,124	-
Total General and Central Services	211,646	211,628	203,087	8,541

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2014**

	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Employee Benefits:				
Social Security	\$ 91,678	91,678	88,780	2,898
Health/Life Insurance	345,940	345,940	340,339	5,601
Pension-Municipal Employees	112,565	112,565	109,713	2,852
Pension-Elected Officials	3,665	3,665	3,664	1
Total Employee Benefits	553,848	553,848	542,496	11,352
Town Clerk:				
Town Clerk Salary	41,528	41,528	41,527	1
Indexing, recording and vital statistics	2,000	2,000	1,849	151
Records System License	11,244	11,244	10,980	264
Town Clerk Assistant	23,400	23,824	23,824	-
Town Records and Restoration	2,000	2,000	1,971	29
Conferences and Dues	500	500	500	-
Office Expenses	2,000	2,000	1,853	147
Total Town Clerk	82,672	83,096	82,504	592
Tax Collector:				
Tax Collector Salary	30,468	30,468	30,467	1
Tax Collector Assistant	3,000	3,000	2,002	998
State-Delinquent Autos Fee	1,064	1,064	1,064	-
Property Tax System	5,900	5,900	5,707	193
Conferences and Dues	300	300	153	147
Office Expenses	750	750	588	162
Total Tax Collector	41,482	41,482	39,981	1,501
Treasurer:				
Treasurer's Salary	5,780	5,780	5,780	-
Total Treasurer	5,780	5,780	5,780	-
Registrars:				
Registrar's Salary	14,071	14,071	14,070	1
Election Expenses	12,000	12,000	10,920	1,080
Office Expenses	1,100	1,100	471	629
Conferences and Dues	1,000	1,073	1,073	-
Total Registrar of Voters	28,171	28,244	26,534	1,710

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2014**

	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Land Use Department:				
Building Official	\$ 51,263	51,334	51,334	-
Office Assistant	35,556	35,556	35,556	-
Zoning Officer	23,481	26,938	26,938	-
Sanitarian	74,985	74,985	74,985	-
Health Director	1,775	1,775	1,775	-
Specialized Expert Inspections	2,000	2,000	1,280	720
D.E.P./Education Fees	6,750	6,750	6,181	569
Code Books	2,000	2,000	42	1,958
Water Testing Lab Fees	1,650	1,650	551	1,099
Water Filter Service	4,200	4,200	3,532	668
Conferences and Dues	750	750	633	117
Office Expenses	2,650	2,650	2,564	86
Total Land Use/Health Department	207,060	210,588	205,371	5,217
Assessor's Office:				
Assessor	56,029	56,029	56,028	1
Property Assessment System	11,150	11,150	10,150	1,000
Conferences and Dues	605	605	351	254
Office Expenses	605	622	621	1
Total Assessor's Office	68,389	68,406	67,150	1,256
Boards and Commissions:				
Board of Selectmen	1,750	1,750	750	1,000
Board of Finance	2,000	2,770	2,770	-
Board of Assessment Appeals	750	750	690	60
Planning and Zoning Commission	32,000	82,000	81,125	875
Economic Development Commission	1,000	1,000	60	940
Inland/Wetlands Agency	11,500	13,480	13,479	1
Zoning Board of Appeals	3,000	8,484	8,484	-
Conservation Commission	1,000	1,000	-	1,000
Lane Beseck Ad Hoc	11,000	11,000	8,938	2,062
Total Board and Commissions	64,000	122,234	116,296	5,938
Contingencies:				
Operational (Board of Finance)	50,000	18,367	18,366	1
Total Contingencies	50,000	18,367	18,366	1

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED**
For the Year Ended June 30, 2014

	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Outside Agencies:				
DMIAAB Operations	\$ 194,736	194,736	194,735	1
Regional Hazardous Waste	6,850	6,850	4,556	2,294
Levi E. Coe Library	284,784	284,784	284,784	-
Youth and Family Services	11,500	11,500	11,500	-
911 Valley Shore	49,985	49,985	49,985	-
Middlefield Cemetary	4,300	4,300	4,300	-
Probate Court	4,700	4,700	4,620	80
Total Outside Agencies	556,855	556,855	554,480	2,375
Sewer Systems:				
Brookside Drive Sewer System	5,625	12,267	12,266	1
WPCA-Route 66	500	500	171	329
WPCA-Lake Beseck	2,250	2,250	1,182	1,068
Total Sewer Systems:	8,375	15,017	13,619	1,398
Total General Government	2,350,559	2,387,971	2,342,807	45,164
Public Safety:				
Police Department:				
Resident State Trooper	98,650	108,495	108,493	2
Constables Salary	118,474	118,474	118,474	-
Constables Overtime	27,925	26,525	23,491	3,034
Private Duty Wages	17,500	30,112	30,111	1
Equipment	2,500	2,500	2,262	238
Training Clinics	1,200	1,200	700	500
Secretary	15,148	15,148	15,147	1
Sundry Expenses	5,000	5,000	4,978	22
Total Police Department	286,397	307,454	303,656	3,798
Fire Department:				
Fire House Operations	28,500	28,500	27,811	689
Truck Operations and Maintenance	30,000	34,195	34,194	1
Communications	5,000	5,063	5,063	-
Equipment and Supplies	21,500	21,500	20,848	652
Physicals and Wellness	6,000	6,000	2,736	3,264
Training and Preparedness	8,000	8,000	7,632	368
Life Insurance	8,000	8,000	7,808	192
Appreciation Night	1,500	1,500	1,500	-
Supplemental Benefits	28,500	24,500	24,332	168
Part-time Labor	15,801	15,801	14,705	1,096
Total Fire Department	152,801	153,059	146,629	6,430

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2014**

	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Fire Marshal:				
Fire Marshal Salary	\$ 10,805	10,805	10,805	-
Deputy Callout Expenses	200	200	120	80
Vehicle Allowance	750	750	742	8
Conference and Dues	500	1,266	1,266	-
Sundry Expenses	200	386	385	1
Total Fire Marshal	12,455	13,407	13,318	89
Incident Management:				
Director's Stipend	3,091	3,091	2,576	515
Shelter Equipment	500	500	495	5
Communications	500	939	939	-
Emergency notification system	2,184	2,364	2,363	1
Sundry Expenses	100	269	269	-
Total Incident Management	6,375	7,163	6,642	521
Animal Control:				
Animal Control Officer	16,149	16,149	16,149	-
Vehicle Allowance	750	750	750	-
Shelter and Animal Expenses	2,800	3,448	3,448	-
State of Connecticut Fees	2,900	2,402	2,340	62
Sundry Expenses	1,400	1,400	1,302	98
Total Animal Control	23,999	24,149	23,989	160
Total Public Safety	482,027	505,232	494,234	10,998
Public Works:				
Payroll	264,804	264,804	264,801	3
Snow Removal Expenses	57,700	96,700	95,951	749
Equipment Maintenance	42,850	44,772	44,771	1
Overtime Expenses	31,250	33,190	33,189	1
Road Maintenance	65,300	50,677	48,979	1,698
Garage Expenses	14,500	14,500	12,599	1,901
Sundry Expenses	5,200	5,200	4,124	1,076
Total Public Works	481,604	509,843	504,414	5,429

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2014**

	Original Budget	Revised Budget	Actual	Variance- Favorable (Unfavorable)
Health and Welfare:				
Senior/Social Services:				
Municipal Agent	\$ 35,556	34,043	28,097	5,946
Senior Center Activities	7,200	7,200	6,751	449
Dial-A-Ride	16,280	16,280	16,280	-
Office Assistant	1,400	2,985	2,985	-
Social Services Agencies	3,000	3,000	2,736	264
Public Health	500	500	-	500
Senior/Disabled Bus Service	10,087	10,087	7,968	2,119
Conferences and Dues	300	360	360	-
Office Expenses	600	612	611	1
Total Senior/Social Services	74,923	75,067	65,788	9,279
Park and Recreation:				
Director	39,833	39,833	39,833	-
Peckam Park Expenses	25,000	25,000	24,058	942
Lake Beseck Expenses	8,500	8,500	7,757	743
Summer Camp Payroll	34,000	34,000	31,121	2,879
Summer Entertainment	500	500	500	-
Office Expenses	500	500	362	138
Total Park and Recreation	108,333	108,333	103,631	4,702
Total Health and Welfare	183,256	183,400	169,419	13,981

(Continued)

TOWN OF MIDDLEFIELD, CONNECTICUT

GENERAL FUND

**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES-
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS), CONTINUED
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Education:				
Regional School District Number 13	\$ 11,969,987	11,969,987	11,969,987	-
Total Education	<u>11,969,987</u>	<u>11,969,987</u>	<u>11,969,987</u>	<u>-</u>
Debt Service and Capital Leases:				
Powder Ridge	200,000	592,000	585,197	6,803
Middlefield Holdings LLC	100,000	100,000	100,000	-
Merriam Property	10,000	10,000	10,000	-
Sweeper Lease	12,012	12,012	12,012	-
U.S.D.A.	75,893	75,893	75,893	-
Clean Water Fund	196,766	196,766	196,765	1
Total Debt Service and Capital Leases	<u>594,671</u>	<u>986,671</u>	<u>979,867</u>	<u>6,804</u>
Total Expenditures	<u>16,062,104</u>	<u>16,543,104</u>	<u>16,460,728</u>	<u>82,376</u>
Transfers to Other Funds:				
Reserve Fund for Capital and Nonrecurring Expenditures	539,177	561,457	561,457	-
Old Indian Trail	4,350	4,350	4,350	-
Total Transfers to Other Funds	<u>543,527</u>	<u>565,807</u>	<u>565,807</u>	<u>-</u>
Total Expenditures and Transfers	<u>\$ 16,605,631</u>	<u>17,108,911</u>	<u>17,026,535</u>	<u>82,376</u>

Budgetary expenditures are different from GAAP expenditures because:

Encumbrances for purchases and commitments ordered but not received are reported in the year that the order is placed for budgetary purposes, but in the year received for financial reporting purposes.

4,966

The payoff of the bond anticipation notes with the proceeds of the general obligation bonds was not budgeted.

1,327,000

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

18,358,501

SUPPLEMENTAL SCHEDULES

**TOWN OF MIDDLEFIELD, CONNECTICUT
GENERAL FUND
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2014**

Grand List Year	Uncollected Taxes July 1, 2013 and Current Levy	Lawful Corrections	Suspense Collections	Transfers (To) Suspense	Taxes Collectible	Tax Collections	Interest and Fees	Total Collections	Uncollected Taxes June 30, 2014
2012	\$ 13,418,634	(7,275)	-	-	13,411,359	13,218,715	39,135	13,257,850	192,644
2011	208,528	(1,228)	5,966	(24,716)	188,550	130,553	39,247	169,800	57,997
2010	75,573	-	5,856	-	81,429	54,871	20,981	75,852	26,558
2009	39,783	-	2,054	-	41,837	19,957	6,150	26,107	21,880
2008	16,656	-	1,464	-	18,120	7,914	3,729	11,643	10,206
2007	3,397	-	637	-	4,034	637	735	1,372	3,397
2006	3,144	-	302	-	3,446	302	347	649	3,144
2005	2,582	-	-	-	2,582	-	-	-	2,582
2004	2,569	-	-	-	2,569	-	-	-	2,569
2003	-	-	47	-	47	47	89	136	-
2002	-	-	90	-	90	90	176	266	-
	<u>\$ 13,770,866</u>	<u>(8,503)</u>	<u>16,416</u>	<u>(24,716)</u>	<u>13,754,063</u>	<u>13,433,086</u>	<u>110,589</u>	<u>13,543,675</u>	<u>320,977</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2014

		Special Revenue							Total Nonmajor Governmental Funds
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grants	Special Purpose Fund	Donation Fund	Total Special Revenue	
ASSETS	Cash and cash equivalents	\$ 41,543	-	26,269	-	-	-	67,812	67,812
	Accounts receivable	6,610	-	-	15,000	-	-	21,610	21,610
	Due from other funds	-	380,910	-	28,938	3,808	-	347	414,003
	Total Assets	\$ 48,153	380,910	26,269	43,938	3,808	-	347	503,425
LIABILITIES AND FUND BALANCE									
Liabilities:									
Accounts payable and accrued expenses	\$ 1,410	-	-	-	-	-	-	1,410	1,410
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	6,610	-	-	-	3,808	-	-	10,418	10,418
Total Liabilities	8,020	-	-	-	3,808	-	-	11,828	11,828
Fund Balance:									
Restricted	40,133	380,910	26,269	43,938	-	-	347	491,597	491,597
Unassigned	-	-	-	-	-	-	-	-	-
Total Fund Balance	40,133	380,910	26,269	43,938	-	-	347	491,597	491,597
Total Liabilities and Fund Balance	\$ 48,153	380,910	26,269	43,938	3,808	-	347	503,425	503,425

TOWN OF MIDDLEFIELD, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2014

		Special Revenue						Total Nonmajor Governmental Funds
	Route 66 Sewer Project	Town Aid Road	Parks and Recreation Commission	Old Indian Trail Water System	Miscellaneous Grants	Special Purpose Fund	Donation Fund	Total Special Revenue
REVENUES:								
Intergovernmental	\$ -	197,600	-	4,350	628,679	-	-	830,629
Licenses, fees and charges for goods and services	28,701	-	107,237	-	-	-	-	135,938
Revenues from the use of money	71	-	-	-	-	-	-	71
Other revenue	-	-	-	-	-	506,353	250	506,603
Total Revenues	28,772	197,600	107,237	4,350	628,679	506,353	250	1,473,241
EXPENDITURES:								
Current:								
General government	-	-	-	-	622,395	-	-	622,395
Public safety	-	-	-	-	-	-	-	-
Public works	35,003	222,267	-	3,855	-	-	-	261,125
Health and welfare	-	-	-	-	-	-	-	-
Parks and recreation	-	-	58,108	-	-	-	-	58,108
Debt Service	-	-	-	-	-	500,000	-	500,000
Capital Outlays	-	-	-	-	-	6,353	-	6,353
Total Expenditures	35,003	222,267	58,108	3,855	622,395	506,353	-	1,447,981
Excess of Revenues Over (Under) Expenditures	(6,231)	(24,667)	49,129	495	6,284	-	250	25,260
Other Financing Sources (Uses):								
Operating transfers in	-	-	-	4,350	-	-	-	4,350
Operating transfers out	(4,500)	-	(37,420)	(6,010)	-	-	-	(47,930)
Total Other Financing Sources (Uses)	(4,500)	-	(37,420)	(1,660)	-	-	-	(43,580)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(10,731)	(24,667)	11,709	(1,165)	6,284	-	250	(18,320)
Fund Balance, June 30, 2013	50,864	405,577	14,560	45,103	(6,284)	-	97	509,917
Fund Balance (Deficit), June 30, 2014	\$ 40,133	380,910	26,269	43,938	-	-	347	491,597

TOWN OF MIDDLEFIELD, CONNECTICUT

AGENCY FUNDS

Combining Balance Sheet

June 30, 2014

	<u>Performance Bonds</u>	<u>Volunteer Fire Department Supplementary Benefit Fund</u>	<u>Total</u>
ASSETS			
Cash and equivalent investments	\$ -	-	-
Investments	-	505,674	505,674
Due from the General Fund	87,388	-	87,388
Total Assets	<u>\$ -</u>	<u>505,674</u>	<u>593,062</u>
LIABILITIES			
Liabilities			
Due To Contractors and Others	\$ 87,388	505,674	593,062
Total Liabilities	<u>\$ 87,388</u>	<u>505,674</u>	<u>593,062</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
AGENCY FUNDS
Combining Statement of Changes in Assets and Liabilities-Agency Funds
For the Year Ended June 30, 2014

PERFORMANCE BONDS				
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
ASSETS				
Due from other funds	\$ 87,097	18,880	18,589	87,388
Total Assets	<u>\$ 87,097</u>	<u>18,880</u>	<u>18,589</u>	<u>87,388</u>
LIABILITIES				
Due To Contractors and Others	\$ 87,097	18,880	18,589	87,388
Total Liabilities	<u>\$ 87,097</u>	<u>18,880</u>	<u>18,589</u>	<u>87,388</u>
VOLUNTEER FIRE DEPARTMENT SUPPLEMENTARY BENEFIT FUND				
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
ASSETS				
Investments	\$ 448,677	56,997	-	505,674
Total Assets	<u>\$ 448,677</u>	<u>56,997</u>	<u>-</u>	<u>505,674</u>
LIABILITIES				
Due to Others	\$ 448,677	56,997	-	505,674
Total Liabilities	<u>\$ 448,677</u>	<u>56,997</u>	<u>-</u>	<u>505,674</u>
TOTAL AGENCY FUNDS				
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
ASSETS				
Due from other funds	\$ 87,097	18,880	18,589	87,388
Investments	448,677	56,997	-	505,674
Total Assets	<u>\$ 535,774</u>	<u>75,877</u>	<u>18,589</u>	<u>593,062</u>
LIABILITIES				
Due To Contractors and Others	\$ 535,774	75,877	18,589	593,062
Total Liabilities	<u>\$ 535,774</u>	<u>75,877</u>	<u>18,589</u>	<u>593,062</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2014

Project	Appropriation			Expenditures		
	Beginning Balance	Current Year	Ending Balance	Beginning Balance	Current Year	Ending Balance
Town Hall improvements	\$ 65,500	25,000	90,500	55,073	48,918	103,991
Community Center improvements	169,500	-	169,500	93,819	23,267	117,086
Web site development	5,000	-	5,000	5,000	-	5,000
Computer replacement and upgrade	124,800	8,000	132,800	131,635	1,990	133,625
Accrued benefits	80,000	10,000	90,000	14,370	2,383	16,753
Record management survey	5,000	-	5,000	5,000	-	5,000
Document computerization	10,675	-	10,675	10,675	-	10,675
Town Clerk-ordinance codification	-	12,480	12,480	-	12,480	12,480
Revaluation	465,000	(25,000)	440,000	358,222	-	358,222
Community Center boiler	9,163	-	9,163	9,163	-	9,163
Mattabesec bridge	287,358	23,000	310,358	425,360	-	425,360
Guardrail replacement	32,050	-	32,050	32,050	-	32,050
Tree removal	78,000	15,000	93,000	68,400	20,980	89,380
Garage improvements	51,000	-	51,000	23,953	3,880	27,833
Road improvements	219,028	21,000	240,028	74,208	59,364	133,572
Miller Road bridge-STEAP	250,000	-	250,000	46,215	(46,215)	-
Bridge repairs	50,000	-	50,000	-	49,727	49,727
Garage environmental compliance	80,000	(16,000)	64,000	33,761	3,725	37,486
Lake Besec remediation	-	95,000	95,000	-	62,962	62,962
Environmental remediation	20,000	20,000	40,000	-	40,000	40,000
Dump truck replacement	430,250	137,000	567,250	348,858	148,306	497,164
Small dump truck replacement	223,427	-	223,427	178,392	-	178,392
Funnel plows	-	18,000	18,000	-	17,633	17,633
Pickup replacement	21,000	300	21,300	21,274	-	21,274
Tractor replacement	104,799	2,400	107,199	91,799	-	91,799
Sweeper replacement	27,000	-	27,000	-	-	-
Front-end loader replacement	117,132	-	117,132	88,632	-	88,632
Tractor/mower replacement	-	16,500	16,500	-	-	-
Park improvements	59,000	3,000	62,000	59,000	-	59,000
Peckham Field parking	38,420	-	38,420	38,420	-	38,420
Peckham Park-STEAP	203,500	-	203,500	203,500	-	203,500
Animal control vehicle replacement	-	-	-	-	-	-
Vehicle replacement	123,450	20,750	144,200	122,547	480	123,027
Enforcement equipment	7,000	11,000	18,000	7,000	10,765	17,765

(Continued)

**TOWN OF MIDDLEFIELD, CONNECTICUT
RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES
STATEMENT OF EXPENDITURES COMPARED WITH APPROPRIATIONS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2014**

Project	Appropriation			Expenditures			Unexpended Balance
	Beginning Balance	Current Year	Ending Balance	Beginning Balance	Current Year	Ending Balance	
Water supply development	\$ 120,000	5,000	125,000	104,905	226	105,131	19,869
Fire hose replacement	30,000	2,500	32,500	20,910	4,561	25,471	7,029
Breathing apparatus	90,000	5,000	95,000	82,229	-	82,229	12,771
Thermal imaging camera	4,000	3,200	7,200	-	-	-	7,200
Communications equipment	40,500	5,000	45,500	17,110	6,816	23,926	21,574
Computer upgrades	4,000	1,300	5,300	-	5,273	5,273	27
Rescue truck replacement	259,563	-	259,563	254,563	-	254,563	5,000
Brush truck replacement	54,793	12,300	67,093	49,793	-	49,793	17,300
All terrain vehicle	5,000	(5,000)	-	-	-	-	-
Fire chiefs vehicle	10,000	-	10,000	-	10,000	10,000	-
Tanker replacement	140,000	59,000	199,000	-	-	-	199,000
Life saving equipment	47,000	5,000	52,000	35,171	6,854	42,025	9,975
Building maintenance/improvements	85,000	15,000	100,000	53,503	26,446	79,949	20,051
Pumper replacement	715,000	115,000	830,000	324,887	457,522	782,409	47,591
Industrial park projects	380,700	(30,000)	350,700	314,244	-	314,244	36,456
Planning and zoning studies	17,570	-	17,570	17,570	-	17,570	-
Plan of conservation and development	12,500	-	12,500	-	-	-	12,500
Land bank reserve	1,083,363	-	1,083,363	1,083,363	-	1,083,363	-
Open space property improvements	7,695	-	7,695	6,695	968	7,663	32
Open space acquisition	3,592,065	-	3,592,065	3,592,065	-	3,592,065	-
Coe Hill house demolition	24,700	-	24,700	24,700	-	24,700	-
Dinosaur footprint area	1,745	-	1,745	1,745	-	1,745	-
Powder Ridge development	65,000	-	65,000	56,537	8,463	65,000	-
Powder Ridge bonding	66,267	-	66,267	66,267	-	66,267	-
Coe Hill sanctuary	60,456	-	60,456	60,456	-	60,456	-
Levi Coe Library improvements	71,908	22,500	94,408	64,408	56,008	120,416	(26,008)
Boat replacement	9,272	-	9,272	9,272	-	9,272	-
Voting machines	-	-	-	-	-	-	-
Community Center-STEAP grant	350,000	-	350,000	350,000	-	350,000	-
	<u>\$ 10,705,149</u>	<u>613,230</u>	<u>11,318,379</u>	<u>9,136,719</u>	<u>1,043,782</u>	<u>10,180,501</u>	<u>1,137,878</u>

TOWN OF MIDDLEFIELD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
June 30, 2014

Total Current Year Tax Collections, Including Interest and Lien Fees \$ 13,543,675

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 30,473,269				
4-1/2 times base		60,946,538			
3-3/4 times base			50,788,781		
3-1/4 times base				44,016,944	
3 times base					40,631,025
Total Debt Limitation	<u>30,473,269</u>	<u>60,946,538</u>	<u>50,788,781</u>	<u>44,016,944</u>	<u>40,631,025</u>
Indebtedness:					
Loans payable	553,623		1,183,995		
Bonds payable					
General obligation bonds payable	1,327,000				
Overlapping debt:					
Town Share of Regional School District Number 13 Bonded Indebtedness		3,873,978			
Total Indebtedness	<u>1,880,623</u>	<u>3,873,978</u>	<u>1,183,995</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 28,592,646</u>	<u>57,072,560</u>	<u>49,604,786</u>	<u>44,016,944</u>	<u>40,631,025</u>
Total Capacity For Borrowing (7 times annual receipts from taxation)				<u>\$ 94,805,725</u>	

Note 1: The Town of Middlefield is a member of Regional School District Number 13 which provides educational facilities for the Towns of Middlefield and Durham. As of June 30, 2014, the outstanding indebtedness of the District was \$11,190,000. These are general obligations of the Regional School District Number 13 and its member towns. The Town of Middlefield's share of the bonded indebtedness is approximately 34.62% or \$3,873,978.

**REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Middlefield, Connecticut (the Town), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued my report thereon dated June 8, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

(Continued)

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Albert J. Rusilowicz", with a stylized, sweeping flourish at the end.

Albert J. Rusilowicz, CPA, LLC
Killingworth, Connecticut
June 8, 2015

**REPORT AND SCHEDULES REQUIRED
BY THE STATE SINGLE AUDIT**

ALBERT J. RUSILOWICZ

Certified Public Accountant, LLC

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

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

Report on Compliance for Each Major State Program

I have audited the Town of Middlefield, Connecticut's (the Town) compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2014. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In my opinion, the Town of Middlefield, Connecticut complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

(Continued)

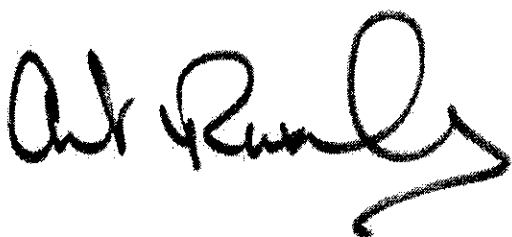
A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

I have audited the financial statements of the Town as of and for the year ended June 30, 2014, and have issued my report thereon dated June 8, 2015, which contained an unmodified opinion on those financial statements. My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated, in all material respects, in relation to the financial statements as a whole.



Albert J. Rusilowicz
Certified Public Accountant, LLC
Killingworth, Connecticut
June 8, 2015

TOWN OF MIDDLEFIELD, CONNECTICUT
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2014

<u>State Grantor; Pass-Through Grantor; Program Title</u>	<u>State Grant Program Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	197,600
Alcohol Open Container Requirements	12062-DOT57513-22091	10,560
Bus Operations	12001-DOT57931-12175	9,608
Total Department of Transportation		<u>217,768</u>
Office of Policy and Management:		
Municipal Grants-In-Aid	12052-OPM20600-43587	233,857
Inter-Town Capital Equipment Program	12052-OPM20600-43515	106,525
Property Tax Relief For Elderly And Totally Disabled Homeowners	11000-OPM20600-17018	39,902
Local Capital Improvement Fund (LOCIP)	12050-OPM20600-40254	24,440
Property Tax Relief For Veterans	11000-OPM20600-17024	9,517
Payment In-Lieu of Taxes-State Owned Property	11000-OPM20600-17004	9,362
Property Tax Reimbursement-Disabled Exemption	11000-OPM20600-17011	556
Total Office of Policy and Management		<u>424,159</u>
Department of Economic Development:		
Urban Act OPM	13019-ECD46260-41240	500,000
Judicial Department:		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	9,856
State Library:		
Historic Documents Preservation Grant	12060-CSL66094-35150	4,000
Total State Financial Assistance Before Exempt Programs		<u>1,155,783</u>
Exempt Programs:		
Department of Education:		
Education Cost Sharing	11000-SDE64370-17041	2,138,129
Office of Policy and Management:		
Municipal Revenue Sharing	12060-OPM20600-35458	77,956
Municipal Video Competition Grant	12060-OPM20600-35362	661
Total Office of Policy and Management		<u>78,617</u>
Office of the State Comptroller:		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	18,712
Total Exempt Programs		<u>2,235,458</u>
Total State Financial Assistance		<u>\$ 3,391,241</u>

TOWN OF MIDDLEFIELD, CONNECTICUT

Notes to the Schedule of Expenditures of State Financial Assistance

For the Year Ended June 30, 2014

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Middlefield, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including:

- Education
- Public works
- Property tax relief

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Middlefield, Connecticut conform to generally accepted accounting principles accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements contained in the Town of Middlefield, Connecticut's annual audit report are generally prepared on the modified accrual basis of accounting. The following is a summary of such basis:

Revenues are generally recognized when susceptible to accrual (i.e., when they become both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures are generally recorded when goods or services are received and actual liabilities are incurred.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2014

2. Loan Programs

In accordance with Section 4-236-23(a)(4)(f) of the Regulations of the State Single Audit Act, the notes to the Schedule of Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2014:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>
5/31/01	2%	\$3,271,712	\$1,355,220	\$ -	\$ 171,225	\$ 1,183,995

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☐ yes ☒ no

State Financial Assistance

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be
Reported in accordance with Section 4-236-24 of
the Regulations to the State Single Audit Act? ☐ yes ☒ no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Office of Policy and Management:		
Municipal Grants-In-Aid	12052-OPM20600-43857	\$ 233,857
Department of Economic Development:		
Urban Act OPM	13019-ECD46260-41240	\$ 500,000

TOWN OF MIDDLEFIELD, CONNECTICUT

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

For the Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

State Financial Assistance, Continued

- Dollar threshold used to distinguish between Type A and Type B programs:
\$200,000

II. Financial Statement Findings

- I have issued reports dated June 8, 2015 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- My report on compliance and other matters indicated no reportable instances of noncompliance.
- My report on internal control over financial reporting indicated no significant deficiencies.

III. State Financial Assistance Findings and Questioned Costs

No findings or questioned costs are reported relating to State financial assistance programs.