

TOWN OF MIDDLEBURY, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2020



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TOWN OF MIDDLEBURY, CONNECTICUT
TABLE OF CONTENTS
JUNE 30, 2020

Financial Section

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10

Exhibit

	Basic Financial Statements:	
	Government-Wide Financial Statements:	
I	Statement of Net Position	11
II	Statement of Activities	12
	Fund Financial Statements:	
	Governmental Funds:	
III	Balance Sheet	13-14
IV	Statement of Revenues, Expenditures and Changes in Fund Balances	15-16
	Proprietary Funds:	
V	Statement of Net Position	17
VI	Statement of Revenues, Expenses and Changes in Net Position	18
VII	Statement of Cash Flows	19
	Fiduciary Funds:	
VIII	Statement of Fiduciary Net Position	20
IX	Statement of Changes in Net Position - Pension Trust Funds	21
	Notes to the Financial Statements	22-47
	Required Supplementary Information	
	General Fund:	
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual	48-49
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	50-51
RSI-3	Schedule of Changes in Net Pension Liability and Related Ratios - Last Fiscal Year	52
RSI-4	Schedule of Employer Contributions - Last Ten Fiscal Years	53
RSI-5	Schedule of Investment Returns - Last Fiscal Year	54
RSI-6	Schedule of Changes in Total OPEB Liability and Related Ratios	55
	Combining, Individual Fund and Account Group Statements and Schedules	
	General Fund:	
A-1	Report of Tax Collector	56
	Nonmajor Governmental Funds:	
B-1	Combining Balance Sheet	57-58
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	59-60
	Capital Projects Fund:	
C-1	Combining Balances Sheet	61
C-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62
	Agency Funds:	
D-1	Combining Statement of Changes in Assets and Liabilities	63
	Other Schedules:	
1	Schedule of Debt Limitation	64



Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
Town of Middlebury, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Middlebury, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Middlebury, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Middlebury, Connecticut, as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustment

As discussed in Note 14 to the financial statements, during the fiscal year ended June 30, 2020, the Town of Middlebury, Connecticut, restated beginning net position of the governmental activities and the beginning fund balance of the Small Cities Repayment Fund, Capital Project Fund, General Fund and non-major governmental funds and total governmental funds. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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 our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

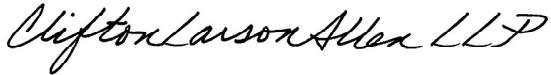
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Middlebury, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 our opinion, the combining and individual nonmajor fund financial statements and schedules 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*, we have also issued our report dated April 21, 2021 on our consideration of the Town of Middlebury, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Middlebury, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Middlebury, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

West Hartford, Connecticut
April 21, 2021

**TOWN OF MIDDLEBURY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

This discussion and analysis of the Town of Middlebury, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read this MD&A in conjunction with the Town's financial statements presented in Exhibits I through IX.

Financial Highlights

- The Town's net position for governmental activities decreased by \$2,102,097, which was mainly a result of an issuance of \$5,000,000 in Bond Anticipation Notes in the current year, which decreased the net investment in capital assets.
- Exhibit IV of Governmental Funds shows the Town ended the year with a surplus in the General Fund of \$569,653.
- The total cost of all of the Town's programs was \$38,638,247.
- The Town had a restatement of net position to adjust for incorrect revenue recognition with respect to a lien sale and small cities loans, and adjustment to performance bonds which in total increased net position by \$495,392.
- At the end of the fiscal year, the total General Fund balance was \$4,490,394, or 13.2% of General Fund expenditures and transfers out.

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 to IX. 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 statements by providing information about 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 of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits 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 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 to it. 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 are one indicator of whether its financial health is improving or deteriorating. The reader needs 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 health of the Town.

In the Statement of Net Position and the Statement of Activities, the Town reports its activities as follows:

- *Governmental Activities* - The Town's basic services are reported here, including education, general government, public safety, public works, health and welfare and recreation and leisure. 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. The Town establishes funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State Department of Education). The Town's funds are divided into three categories: governmental, proprietary, and fiduciary.

Governmental Funds (Exhibits 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 readily be 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. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation included in the fund financial statements.

Proprietary Funds (Exhibits V through VII)

The Town's short and long-term financial information about the activities the government operates like business, such as the Town's Medical internal service fund, are reported in the proprietary funds. These funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds (Exhibits VIII and IX)

The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's net position from a year ago decreased from \$25,642,283 to \$20,746,459. The analysis below focuses on the net position and changes in net position of the Town's governmental activities.

**TABLE 1
NET POSITION**

	Governmental Activities	
	2020	2019 (as restated)
Current assets	\$ 12,101,806	\$ 14,207,126
Capital assets, net of accumulated depreciation	43,415,308	41,944,883
Total assets	<u>55,517,114</u>	<u>56,152,009</u>
Deferred Outflow of Resources	<u>1,328,239</u>	<u>35,226</u>
Long-term liabilities outstanding	30,010,467	24,152,960
Other liabilities	944,141	1,967,877
Total liabilities	<u>30,954,608</u>	<u>26,120,837</u>
Deferred Inflows of Resources	<u>2,350,559</u>	<u>4,424,115</u>
Net Position:		
Net investment in capital assets	27,471,354	30,244,871
Restricted	118,236	
Unrestricted	<u>(4,049,404)</u>	<u>(4,602,588)</u>
Total Net Position	<u>\$ 23,540,186</u>	<u>\$ 25,642,283</u>

Net position of the Town's governmental activities decreased by \$2,102,097. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements -333 changed from (\$4,602,588) at June 30, 2019, to (\$4,049,404) at the end of this year.

**TABLE 2
CHANGE IN NET POSITION**

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,169,491	\$ 3,736,521
Operating grants and contributions	1,027,431	826,854
Capital grants and contributions	315,586	388,063
General revenues:		
Property taxes	31,698,546	30,020,388
Grants and contributions not restricted to specific purposes	32,337	224,166
Unrestricted investment earnings	221,244	295,043
Other general revenues	71,515	662,341
Total revenues	<u>36,536,150</u>	<u>36,153,376</u>
 Program expenses:		
General government	4,378,993	3,880,294
Public safety	2,882,521	2,660,486
Public works	6,444,071	7,505,897
Health and welfare	278,024	167,105
Parks and recreation	587,690	439,467
Library	531,618	484,393
Education	23,170,483	22,438,773
Interest on long-term debt	364,847	311,771
Total program expenses	<u>38,638,247</u>	<u>37,888,186</u>
 Increase (Decrease) in Net Position	 <u>\$ (2,102,097)</u>	 <u>\$ (1,734,810)</u>

The Town's total revenues were \$36,536,150. The total cost of all programs and services was \$38,638,247. Our analysis below considers the operations of governmental activities.

Governmental Activities

Approximately 86.8% of the Town's revenues were derived from property taxes, followed by 0.9% from capital grants and contributions, 2.8% from operating grants and contributions, 8.7% from charges for services, and 0.9% from other/miscellaneous revenue. The mil rate for fiscal year 2018-2019 was 32.51. The mil rate for fiscal year 2019-2020 was 33.4.

For Governmental Activities, 60.0% of the Town's expenditures relate to education, 16.7% relate to public works and Capital Plan, and 11.3% to general government, and 7.5% relate to Public Safety.

Table 3 presents the cost of each of the Town’s largest programs – general government, public safety, public works, health and welfare, recreation and leisure, and education – as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town’s taxpayers by each of these functions.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
General government	\$ 4,378,993	\$ 4,210,532	\$ 2,096,680	\$ 3,673,821
Public safety	2,882,521	2,476,609	2,206,426	1,938,453
Public works	6,444,071	4,663,694	5,974,620	3,485,817
Health and welfare	278,024	178,318	189,967	163,608
Parks and recreation	587,690	565,188	438,003	353,936
Education	23,170,483	18,677,886	22,349,467	17,993,700
All others	896,465	718,053	870,576	715,548
Total	<u>\$ 38,638,247</u>	<u>\$ 31,490,280</u>	<u>\$ 34,125,739</u>	<u>\$ 28,324,883</u>

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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 \$7,777,997, which is an increase from last year’s restated balance of \$7,384,077. The increase in combined fund balance is largely attributed to the surplus in the General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenue was favorable to budget by \$238,510. Current year levy (\$29,654), prior years’ property tax collection \$74,091, supplemental auto \$34,079, interest and lien fees \$11,424, equalized cost sharing grant was down \$27,716, Town Clerk \$44,814, building permits \$76,868, donation/tower rental \$28,204, and park & recreation (\$25,748) contributed to the net favorable variance.

Expenditures for general government were under budget by \$331,143 due to lower anticipated costs for general government and public safety.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the Town had \$43,415,308 invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, and roads – Table 4. This amount represents a net increase (including additions and deductions) of \$1,470,425 over last year.

**TABLE 4
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Land	\$ 8,303,997	\$ 8,303,997
Construction in progress	2,793,727	
Buildings and improvements	9,042,020	9,536,705
Equipment	3,535,044	3,487,219
Infrastructure	<u>19,740,520</u>	<u>20,616,962</u>
Total	<u>\$ 43,415,308</u>	<u>\$ 41,944,883</u>

More detailed information about the Town’s capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

**TABLE 5
OUTSTANDING DEBT, AT YEAR END**

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 10,725,000	\$ 11,340,000
Total	<u>\$ 10,725,000</u>	<u>\$ 11,340,000</u>

At June 30, 2020, the Town had \$10,725,000 in bonds and notes outstanding versus \$11,340,000 last year due to the continuation of paying down the debt on the Capital Projects and Sewer Pump Station upgrades project.

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

Other obligations include accrued vacation pay and sick leave. More detailed information about the Town’s long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During May 2020, following the Governors Executive Order 71, the Town adopted a General Fund budget for the fiscal year ending June 30, 2021. Elected and appointed officials considered many factors when adopting the fiscal year 2020-2021 General Fund budget.

- Primarily a residential community, the Town has continued to rely on residential property taxes in recent years. The increase in the 10/1/2019 grand list to \$972,444,926 was \$11,152,540 or 1.15% above last year as the result of New Home Construction.
- The FY 2020-2021 Town budget was approved May 19, 2020 with a vote at the Special Board of Finance and Board of Selectmen meeting. The Town budget was not approved at a Town referendum as required by Town Charter due to COVID-19 restrictions as stated above.
- The Town's approved budget for fiscal year 2020-2021 is \$36,449,086 with an increase in total spending of \$2,036,288. \$1,731,777 of the \$2M increase is due to the swing in the ADM split with Southbury and the Board of Ed. Due to the large increase in the budget, the mil rate increased from 33.40 mils to 35.10 mils.
- The Town has adopted the most recent State of Connecticut revenue projection estimates in formulating the fiscal year 2020-2021 annual budget. The numbers have remained flat but could see a reduction from The State of Connecticut due to the dramatic downturn in the economy due to impact of COVID-19.
- The Town remains heavily reliant upon property taxes as the primary source of revenue.

REQUESTS FOR INFORMATION

This financial report is designed to provide our 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 questions about this report, or need additional financial information, contact the Finance Department, Town of Middlebury, 1212 Whittemore Road, Middlebury, CT 06762-2425.

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

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 9,326,640
Investments	36,109
Receivables, net	1,963,550
Prepaid expenses	107,734
Advance to plan administrator	667,773
Capital assets not being depreciated	11,097,724
Capital assets being depreciated, net	32,317,584
Total assets	<u>55,517,114</u>
Deferred Outflow on Resources:	
Related to pension	192,458
Related to OPEB	1,103,071
Deferred charge on refunding	32,710
Total deferred outflows of resources:	<u>1,328,239</u>
Liabilities:	
Accounts and other payables	927,594
Unearned revenue	16,547
Noncurrent liabilities:	
Due within one year	995,749
Due in more than one year	29,014,718
Total liabilities	<u>30,954,608</u>
Deferred Inflows on Resources:	
Related to pension	1,920
Related to OPEB	1,214,376
Advance tax collections	1,126,998
Advance fees	7,265
Total deferred inflows of resources:	<u>2,350,559</u>
Net Position:	
Net investment in capital assets	27,471,354
Restricted for:	
Grants	118,236
Unrestricted	<u>(4,049,404)</u>
Total Net Position	<u>\$ 23,540,186</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
				Governmental Activities	
Governmental activities:					
General government	\$ 4,378,993	\$ 2,228,695	\$ 53,618	\$ 4,421	\$ (2,096,680)
Public safety	2,882,521	648,146	23,528		(2,206,426)
Public works	6,444,071	52,973	106,813	309,665	(5,974,620)
Parks and recreation	587,690	147,342	2,345		(438,003)
Health and welfare	278,024	71,590	14,967	1,500	(189,967)
Library	531,618	20,745	5,144		(505,729)
Education	23,170,483		821,016		(22,349,467)
Interest on long-term debt	364,847				(364,847)
Total	\$ 38,638,247	\$ 3,169,491	\$ 1,027,431	\$ 315,586	(34,125,739)
General revenues:					
					31,698,546
					32,337
					221,244
					71,515
					<u>32,023,642</u>
					(2,102,097)
					<u>25,642,283</u>
					<u>\$ 23,540,186</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MIDDLEBURY, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessment and Fee Fund</u>	<u>Water Revolving Fund</u>	<u>Small Cities Repayment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 4,545,501	\$ 2,075,381	\$ 2,076,293	\$ 29,936	\$ 89,109	\$ 510,420	\$ 9,326,640
Investments		36,109					36,109
Receivables, net	680,986	48,205	453,910		664,475	115,974	1,963,550
Due from other funds	1,393,772	561,736	248,000			5,422	2,208,930
Prepaid expenditures	107,734						107,734
Total Assets	\$ 6,727,993	\$ 2,721,431	\$ 2,778,203	\$ 29,936	\$ 753,584	\$ 631,816	\$ 13,642,963
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts and other payables	\$ 407,555	\$ 193,317	\$ 212,298	\$	\$	\$ 10,976	\$ 824,146
Due to other funds	113,590	840,830	463,687	701,568		89,255	2,208,930
Unearned revenue	16,547						16,547
Total liabilities	537,692	1,034,147	675,985	701,568	-	100,231	3,049,623
Deferred inflows of resources:							
Unavailable revenue - sewer assessments			450,961				450,961
Unavailable revenue - property taxes	565,644						565,644
Unavailable revenue - loans receivable					664,475		664,475
Advance fees	7,265						7,265
Advance tax collections	1,126,998						1,126,998
Total deferred inflows of resources	1,699,907	-	450,961	-	664,475	-	2,815,343
Fund balances:							
Nonspendable	107,734						107,734
Restricted					89,109	29,127	118,236
Committed		2,173,250	1,651,257			502,458	4,326,965
Assigned	112,287						112,287
Unassigned	4,270,373	(485,966)		(671,632)			3,112,775
Total fund balances	4,490,394	1,687,284	1,651,257	(671,632)	89,109	531,585	7,777,997
Total Liabilities and Fund Balances	\$ 6,727,993	\$ 2,721,431	\$ 2,778,203	\$ 29,936	\$ 753,584	\$ 631,816	\$ 13,642,963

(Continued on next page)

TOWN OF MIDDLEBURY, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2020

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:
 Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds	\$ 7,777,997
--	--------------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 91,951,359	
Less accumulated depreciation	<u>(48,536,051)</u>	
Net capital assets		43,415,308

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

Property tax receivables greater than 60 days	436,410
Interest receivable on property taxes	129,234
Assessments and user fee receivable	450,961
Small cities loan receivable	664,475
Deferred outflows of resources related to pensions	192,458
Deferred outflows of resources related to OPEB	1,103,071
Deferred charge on refunding	32,710

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net assets.

639,306

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

Bonds and notes payable	(15,725,000)
Bonds and note premiums	(251,664)
Interest payable on bonds and notes	(74,981)
Compensated absences	(298,657)
Net pension liability	(4,783,225)
Total OPEB liability	(8,951,921)
Deferred inflows of resources related to pensions	(1,920)
Deferred inflows of resources related to OPEB	<u>(1,214,376)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u><u>23,540,186</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessment and Fee Fund</u>	<u>Water Revolving Fund</u>	<u>Small Cities Repayment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
Property taxes	\$ 32,117,249	\$	\$	\$	\$	\$	\$ 32,117,249
Intergovernmental	1,178,917	11,880	21,146			107,060	1,319,003
Charges for services	994,990	56,875	1,448,267	28,000	889	580,105	3,109,126
Income on investments	139,708	31,902	43,952	444	1,056	4,182	221,244
Miscellaneous		64,409	935			62,523	127,867
Total revenues	<u>34,430,864</u>	<u>165,066</u>	<u>1,514,300</u>	<u>28,444</u>	<u>1,945</u>	<u>753,870</u>	<u>36,894,489</u>
Expenditures:							
Current:							
General government	4,041,468					5,525	4,046,993
Public safety	2,125,189					404,493	2,529,682
Public works	2,456,095					52,445	2,508,540
Health and welfare	134,485				68,038	17,037	219,560
Parks and recreation	393,813					7,373	401,186
Education	23,170,483						23,170,483
Library	405,293					2,238	407,531
Sewer operations			3,756,109				3,756,109
Debt service	612,041		457,436				1,069,477
Capital outlay	441,095	2,973,465					3,414,560
Total expenditures	<u>33,779,962</u>	<u>2,973,465</u>	<u>4,213,545</u>	<u>-</u>	<u>68,038</u>	<u>489,111</u>	<u>41,524,121</u>
Excess (Deficiency) of Revenues over Expenditures	<u>650,902</u>	<u>(2,808,399)</u>	<u>(2,699,245)</u>	<u>28,444</u>	<u>(66,093)</u>	<u>264,759</u>	<u>(4,629,632)</u>
Other Financing Sources (Uses):							
Issuance of debt		5,000,000					5,000,000
Premium on issuance of debt		23,552					23,552
Transfers in	220,444	501,693	1,572,987				2,295,124
Transfers out	(301,693)	(1,572,987)	(294,039)			(126,405)	(2,295,124)
Total other financing sources (uses)	<u>(81,249)</u>	<u>3,952,258</u>	<u>1,278,948</u>	<u>-</u>	<u>-</u>	<u>(126,405)</u>	<u>5,023,552</u>
Net Change in Fund Balances	569,653	1,143,859	(1,420,297)	28,444	(66,093)	138,354	393,920
Fund Balances at Beginning of Year, as restated	<u>3,920,741</u>	<u>543,425</u>	<u>3,071,554</u>	<u>(700,076)</u>	<u>155,202</u>	<u>393,231</u>	<u>7,384,077</u>
Fund Balances at End of Year	<u>\$ 4,490,394</u>	<u>\$ 1,687,284</u>	<u>\$ 1,651,257</u>	<u>\$ (671,632)</u>	<u>\$ 89,109</u>	<u>\$ 531,585</u>	<u>\$ 7,777,997</u>

(Continued on next page)

**TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund

Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 393,920
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	3,130,229
Depreciation expense	(1,659,804)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	(135,334)
Property tax interest and lien revenue - accrual basis change	(283,369)
Sewer assessment and sewer receivable - accrual basis change	(238,942)
Small Cities loan receivable - accrual basis change	60,365
Change in deferred outflows of resources related to pensions	(425,259)
Change in deferred outflows of resources related to OPEB	829,400

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

Bond and note principal payments	615,000
Issuance of bonds and notes	(5,000,000)
Bond premium	(23,552)
Amortization of bond premiums	23,534
Amortization of deferred charge on refunding	(2,516)

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 the governmental funds:

Compensated absences	42,062
Accrued interest	68,611
Change in net pension liability	(181,592)
Change in total OPEB liability	(1,332,959)
Change in deferred inflows of resources related to pensions	628,805
Change in deferred inflows of resources related to OPEB	1,190,566

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

198,738

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ (2,102,097)</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Governmental Activities
	Internal Service Fund
Assets:	
Advance to plan administrator	\$ 667,773
Liabilities:	
Claims payable	<u>28,467</u>
Net Position:	
Unrestricted	<u>\$ 639,306</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Activities
	Internal Service Fund
Operating Revenues:	
Contributions	\$ <u>732,000</u>
Operating Expenses:	
Employee benefits	453,230
Other expenses	<u>80,032</u>
Total operating expenses	<u>533,262</u>
Operating Income	198,738
Net Position at Beginning of Year	<u>440,568</u>
Net Position at End of Year	\$ <u><u>639,306</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities:	
Cash received from customers and users	\$ 732,000
Payment to suppliers	(80,032)
Payments for insurance claims	(651,968)
Net cash provided by (used in) operating activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	<u>-</u>
Cash and Cash Equivalents at End of Year	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ 198,738
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
(Increase) decrease in advance to plan administrators	(166,057)
Increase (decrease) in claims payable	(32,681)
Net Cash Provided by (Used in) Operating Activities	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
Assets:		
Cash and cash equivalents	\$	\$ 75,019
Investments	18,416,681	
Accounts Receivable	<u>6,612</u>	
Total assets	18,423,293	<u>\$ 75,019</u>
Liabilities:		
Deposits held for others		<u>\$ 75,019</u>
Net Position:		
Held in Trust for Pension Benefits	<u>\$ 18,423,293</u>	

The accompanying notes are an integral part of the financial statements

**TOWN OF MIDDLEBURY, CONNECTICUT
STATEMENT OF CHANGES IN PLAN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	Pension Trust Fund
	<u> </u>
Additions:	
Contributions:	
Employer	\$ 629,350
Plan members	89,568
Total contributions	<u>718,918</u>
Investment earnings:	
Net change in fair value of investments	951,157
Interest income	73,889
Total investment earnings	<u>1,025,046</u>
Less investment expenses:	
Investment management fees	<u>117,143</u>
Net investment earnings	<u>907,903</u>
Total additions	1,626,821
Deductions:	
Benefits	<u>1,090,385</u>
Change in Net Position	536,436
Net Position at Beginning of Year	<u>17,886,857</u>
Net Position at End of Year	<u>\$ 18,423,293</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Middlebury, 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 standard-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 was incorporated in 1807. Its current charter was adopted in 1987 and amended as of 2000. The Town operates under a Town Meeting form of government, with a Board of Selectmen consisting of three elected members, and a Board of Finance made up of six elected members and three alternates appointed by the Board of Selectmen. The Town provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning, zoning and general administrative services to its residents.

Accounting principles generally accepted in the United States of America require that the reporting entity include: 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity includes the primary government only. The criteria provided by the GASB has been considered and there are no entities which should be presented as component units of the Town.

B. Government-Wide and Fund 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, as are proprietary and fiduciary fund financial statements. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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.

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.

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.

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 Capital Projects Fund is used to account for financial resources for the acquisition, expansion, betterments and construction of major capital facilities. The major source of revenue is from bond proceeds and General Fund transfers.

The Sewer Assessment and Fee Fund accounts for all of the financial resources required for extending sewers within the Town. The major source of revenue for the fund is sewer assessment charges and sewer use charges.

The Water Revolving Fund accounts for the expansion and betterments to the water distribution system within the Town. The major source of revenue for the fund is water assessments.

The Small Cities Fund accounts for grants to be used for the rehabilitation of private residential structures. The major source of revenue for the fund is grants and loan repayments.

Additionally, the Town reports the following fund types:

The Internal Service Fund accounts for the self-insured activities related to employee medical insurance.

The Pension Trust Fund accounts for the activities of the Town of Middlebury Pension System, which accumulates resources for pension benefit payments to qualified Town employees.

The Agency Funds account for monies held as a custodian for the Middlebury Emergency 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 costs and program revenues reported for the various functions concerned.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 revenues rather than as program revenues. Likewise, general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's internal service funds are charges for benefits. Operating expenses for the internal service funds include the cost of benefits and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Cash, Cash Equivalents 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 as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and the following January 1. Liens on real property are filed on May 1 following the due date. Interest on delinquent taxes accrues at the rate of 1.5% per month.

F. Prepaid Items

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

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value rather than fair value at the date of donation.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets 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 assets is not included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building improvements	20
Distribution and collection systems	50
Infrastructure	50
Machinery, equipment and vehicles	5-20

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension and OPEB result from differences between expected and actual experience, change in assumptions and other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net 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 or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources for advance property tax collections in the government-wide statement of net position and in the governmental funds. A deferred inflow of resources from advance property tax collections represent taxes inherently associated with a future period. The Town reports a deferred inflow of resources related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions and other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided benefits

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

through the pension and OPEB plan (active employees and inactive employees). In the governmental funds, in addition to advance property tax collections, the Town reports a deferred inflow of resources for unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, sewer assessments and loans receivable. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Under various agreements, employees may accumulate unused sick leave to be paid upon retirement. Sick leave and vacation leave expenditures are recognized in the fund financial statements in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for accrued vacation and sick leave earned is reported in the government-wide statements. Although the liability is liquidated by the General Fund, the only portion of the liability that would be reported by the General Fund at year end would be the amount of unused reimbursable leave payable to employees following their resignation or retirement.

J. Long-Term Obligations

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

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

K. Net Pension Liability

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

L. Total OPEB Liability

The total OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

M. Fund Equity

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

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Net position is restricted because it is externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has no assets under restriction.

Unrestricted Net Position - This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Nonspendable Fund Balance - This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance - This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

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

Assigned Fund Balance - This represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts.

Unassigned Fund Balance - This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

N. Accounting Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues and expenditures during the fiscal year.

O. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is April 21, 2021.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town adheres to the following procedures in establishing the budget for the General Fund. On or before January 15th of each year, the Board of Finance submits to a Town Meeting, at which taxpayer comments are obtained, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- Prior to July 1, the budget is legally adopted by vote of the Annual Town Meeting.
- The Town Charter provides the manner which is to be utilized by Town Meeting in acting upon the budget. The budget as adopted by Town meeting provides for departmental appropriations. Transfers and additional appropriations can be made subject to restrictions provided by the Charter, following the approval of the Board of Finance and/or Town Meeting.
- Budgets are adopted on the modified accrual basis of accounting.
- The legal budget is a departmental level budget.

All General Fund appropriations lapse at year end. Appropriations for Capital Projects Funds and several Special Revenue Funds are continued until completion of the project, even when projects extend for more than one fiscal year. If three years lapse without any expenditure or any encumbrance of said funds, the appropriation will lapse.

Encumbrance accounting is employed in the General Fund. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for various special revenue funds are utilized to account for specific grant programs in accordance with requirements of the grantor agencies. Such budgets carry over until completion of the grants

Legal authorization for expenditures of the capital project funds are provided by Town ordinance and/or intergovernmental grant agreements or Connecticut General Statutes. Capital appropriations do not lapse until completion of the applicable projects.

Fund Deficits

The Water Revolving Fund has a fund balance deficit of \$671,632. The deficit will be funded through future revenue from water assessments and transfers from other funds.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

**TOWN OF MIDDLEBURY, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) 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 asset 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 do 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 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 a market-average rate of return throughout budgetary and economic cycles. Investors accrue 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. Deposits

Deposit Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town has a formal deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut. 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$9,166,922 of the Town’s bank balance of \$9,961,889 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,200,230
Uninsured and collateralized held by the pledging bank’s trust department, not in the Town’s name	<u>966,692</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 9,166,922</u></u>

**TOWN OF MIDDLEBURY, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

B. Cash Equivalents

At June 30, 2020, the Town’s cash equivalents amounted to \$34,545. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

C. Investments

As of June 30, 2020, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Mutual funds	\$ 18,416,681
Common Stock	<u>36,109</u>
Total Investments	<u>\$ 18,452,790</u>

Interest Rate Risk - The Town does not limit its maximum final stated maturities to fifteen years. To the extent possible, the Town will attempt to match its investments with anticipated cash flow requirements.

Credit Risk - Investments - As indicated above, State Statutes limit the investment options of cities and towns. The Town has an investment policy that allows the same type of investments as State Statutes.

Concentration of Credit Risk - The Town has a policy limiting an investment in any one issuer that is in excess of 5% of the Town’s total investments.

Custodial Credit Risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to 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 investments or collateral securities that are in the possession of an outside party. The Town has a policy for custodial credit risk. At June 30, 2020, the Town did not have any uninsured and unregistered securities held by the counter party or by its trust department or agent that were not in the Town’s name.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town had no financial assets measured at Level 2 or Level 3 at June 30, 2020.

	<u>June 30, 2020</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Mutual funds	\$ 18,416,681	\$ 18,416,681	\$	\$
Common Stock	36,109	36,109		
Total Investments by Fair Value Level	<u>\$ 18,452,790</u>	<u>\$ 18,452,790</u>	<u>\$ -</u>	<u>\$ -</u>

4. RECEIVABLES

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

	<u>General</u>	<u>Capital Projects</u>	<u>Sewer Assessment and Fee Fund</u>	<u>Small Cities Repayment Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Interest	\$ 418,490	\$	\$	\$	\$	\$ 418,490
Taxes	750,804					750,804
Accounts	9,665	48,205			115,974	173,844
Loans - small cities				664,475		664,475
Sewer benefit			453,910			453,910
Intergovernmental	19,628					19,628
Gross receivables	<u>1,198,587</u>	<u>48,205</u>	<u>453,910</u>	<u>664,475</u>	<u>115,974</u>	<u>2,481,151</u>
Less allowance for uncollectibles	<u>517,601</u>					<u>517,601</u>
Net Total Receivables	<u>\$ 680,986</u>	<u>\$ 48,205</u>	<u>\$ 453,910</u>	<u>\$ 664,475</u>	<u>\$ 115,974</u>	<u>\$ 1,963,550</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,303,997	\$	\$	\$ 8,303,997
Construction in progress		<u>2,793,727</u>		<u>2,793,727</u>
Total capital assets not being depreciated	<u>8,303,997</u>	<u>2,793,727</u>	<u>-</u>	<u>11,097,724</u>
Capital assets being depreciated:				
Buildings	20,207,282	17,812		20,225,094
Improvements	1,042,379			1,042,379
Machinery and equipment	3,308,648	265,049		3,573,697
Furniture and computer equipment	2,540,523	31,381		2,571,904
Transportation equipment	6,253,796		87,396	6,166,400
Infrastructure	<u>47,251,901</u>	<u>22,260</u>		<u>47,274,161</u>
Total capital assets being depreciated	<u>80,604,529</u>	<u>336,502</u>	<u>87,396</u>	<u>80,853,635</u>
Less accumulated depreciation for:				
Buildings	10,810,111	476,003		11,286,114
Improvements	902,845	36,494		939,339
Machinery and equipment	2,733,183	114,465		2,847,648
Furniture and computer equipment	681,184	6,219		687,403
Transportation equipment	5,201,381	127,921	87,396	5,241,906
Infrastructure	<u>26,634,939</u>	<u>898,702</u>		<u>27,533,641</u>
Total accumulated depreciation	<u>46,963,643</u>	<u>1,659,804</u>	<u>87,396</u>	<u>48,536,051</u>
Total capital assets being depreciated, net	<u>33,640,886</u>	<u>(1,323,302)</u>	<u>-</u>	<u>32,317,584</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,944,883</u>	<u>\$ 1,470,425</u>	<u>\$ -</u>	<u>\$ 43,415,308</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 69,712
Public safety	141,083
Public works	1,261,452
Health and welfare	16,598
Parks and recreation	64,732
Library	<u>106,227</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,659,804</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Construction Commitments

The government has one active construction project for the wastewater pump-stations as of June 30, 2020 totaling \$2,872,229. As of June 30, 2020, the total outstanding balance on the contract was \$215,913.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2020, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 840,830
General Fund	Sewer Assessment and Fee Fund	263,687
General Fund	Nonmajor Governmental Funds	89,255
General Fund	Water Revolving Fund	200,000
Capital Projects	General Fund	108,168
Capital Projects	Sewer Assessment and Fee Fund	200,000
Capital Projects	Water Revolving Fund	253,568
Sewer Assessment and Fee Fund	Water Revolving Fund	248,000
Nonmajor Governmental Funds	General Fund	<u>5,422</u>
Total		\$ <u>2,208,930</u>

Included in the above amounts are \$701,568 of interfund payable balances, in the water revolving fund, expected to be repaid on a long-term basis. The remaining balances reflect recurring reimbursement-type transactions expected to be repaid in the current period.

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Sewer Assessment and Fee Fund</u>	
Transfers out:				
General Fund	\$	\$ 301,693	\$	\$ 301,693
Capital Project Fund			1,572,987	1,572,987
Sewer Assessment and Fee Fund	94,039	200,000		294,039
Nonmajor Governmental Funds	<u>126,405</u>			<u>126,405</u>
Total Transfers Out	\$ <u>220,444</u>	\$ <u>501,693</u>	\$ <u>1,572,987</u>	\$ <u>2,295,124</u>

All transfers are for regularly recurring operational transfers.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 11,340,000	\$	\$ 615,000	\$ 10,725,000	\$ 860,000
Bond premiums	<u>251,646</u>	<u> </u>	<u>23,534</u>	<u>228,112</u>	<u> </u>
Total bonds payable	11,591,646	-	638,534	10,953,112	860,000
Bond anticipation notes*:					
Bond anticipation note principal		5,000,000		5,000,000	
Premium on bond anticipation notes		<u>23,552</u>		<u>23,552</u>	
Total bond anticipation notes	-	5,023,552	-	5,023,552	-
Compensated absences	340,719	127,767	169,829	298,657	135,749
Net pension liability	4,601,633	181,592		4,783,225	
Total OPEB liability	<u>7,618,962</u>	<u>1,332,959</u>		<u>8,951,921</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 24,152,960</u>	<u>\$ 6,665,870</u>	<u>\$ 808,363</u>	<u>\$ 30,010,467</u>	<u>\$ 995,749</u>

* Bond anticipation notes above consists of notes for which long-term debt was issued to replace subsequent to June 30, 2020.

Annual maturities of bonds and notes are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 860,000	\$ 324,316	\$ 1,184,316
2022	860,000	302,806	1,162,806
2023	860,000	278,950	1,138,950
2024	545,000	254,750	799,750
2025	550,000	234,900	784,900
2026-2030	2,855,000	898,000	3,753,000
2031-2035	2,470,000	467,559	2,937,559
2036-2040	<u>1,725,000</u>	<u>148,998</u>	<u>1,873,998</u>
Total	<u>\$ 10,725,000</u>	<u>\$ 2,910,279</u>	<u>\$ 13,635,279</u>

Bond Authorizations

At June 30, 2020, there was \$4,300,000 of authorized and unissued bonds.

**TOWN OF MIDDLEBURY, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

Overlapping Debt

The Town is a member of Regional School District #15, which provides education facilities for grades kindergarten through twelve for the Towns of Middlebury and Southbury. As of June 30, 2020, the District has bonds outstanding of \$6,325,000. The Town of Middlebury's share will be approximately 32% of the remainder or \$2,053,791. These are general obligations of Regional School District #15 and its member towns.

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

<u>Category</u>	<u>Debt Limitation</u>	<u>Indebtedness*</u>	<u>Balance</u>
General purpose	\$ 64,557	\$ 13,469	\$ 51,088
Schools	129,113	2,054	127,060
Sewers	107,595	6,556	101,039
Urban renewal	93,249	-	93,249
Pension deficit	86,076	-	86,076

* Portion of Regional School District #15 indebtedness as described above. Also includes bonds authorized unissued when debt has been issued.

In no case shall total indebtedness exceed seven times annual receipts from taxation \$200,843.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2020 are as follows:

	Major Special Revenue Funds					Nonmajor Governmental Funds	Total
	General Fund	Capital Projects	Sewer Assessment and Fee Fund	Water Revolving Fund	Small Cities Repayment Fund		
Fund balances:							
Nonspendable:							
Prepaid expenditures	\$ 107,734		\$	\$		\$	\$ 107,734
Restricted for:							
Unspent grant balances						29,127	29,127
Health and Welfare					89,109		89,109
Committed to:							
Assessments			1,651,257				1,651,257
General government						133,136	133,136
Public safety						97,909	97,909
Public works		2,173,250				177,712	2,350,962
Parks and recreation						24,000	24,000
Health and Welfare						17,784	17,784
Library						51,917	51,917
Assigned to:							
General government	112,287						112,287
Subsequent year's budget							-
Unassigned	<u>4,270,373</u>	<u>(485,966)</u>		<u>(671,632)</u>		-	<u>3,112,775</u>
Total Fund Balances	<u>\$ 4,490,394</u>	<u>\$ 1,687,284</u>	<u>\$ 1,651,257</u>	<u>\$ (671,632)</u>	<u>\$ 89,109</u>	<u>\$ 531,585</u>	<u>\$ 7,777,997</u>

There are no encumbrances outstanding at year end.

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Pension Trust Fund

A. Plan Description

The Town of Middlebury is the administrator of a single-employer Public Employee Retirement System (PERS) established and administered by the Town to provide retirement, disability and death benefits for its employees. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. There is no separate report for the pension plan available. The Town has the authority to establish and amend the plan.

Management of the plan rests with the Retirement Board, which consists of three members appointed by the Board of Selectmen. One member is selected as an employee representative, one as a Board of Finance representative and one as a representative of the taxpayers at large.

**TOWN OF MIDDLEBURY, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

The PERS covers full-time employees and any part-time employees who work in excess of 20 hours per week. A participant, excluding the exceptions listed below, is eligible for normal retirement at the age of 60 or completion of 10 years of service, but not later than age 65. Normal retirement for police department employees shall be age 47 and completion of 20 years of service, whichever comes later. Normal retirement for teamsters is the earliest of (a) "Rule of 80" combined years of age and service (minimum age 55), (b) age 60 with 10 years of service, or (c) age 65. The monthly benefit is 2% of the average monthly salary multiplied by the employee's credited service not in excess of 30 years. Police department employees retiring after 20 years of service shall receive credit for 2.5% of the average pay per year of service for the first 20 years of service and 2% for each year of service over 20 years, but no more than 30 years. The plan contains additional provisions for early retirement at a reduced level of benefits and disability retirement benefits. Vesting occurs once an employee completes 10 years of service, except for police union personnel where vesting occurs at 5 years of service. As of July 1, 2011, the plan is closed to new participants.

The membership of the plan consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

Retirees and beneficiaries currently receiving benefits	50
Terminated plan members entitled to benefits but not yet receiving them	4
Current plan members	<u>32</u>
Total	<u><u>86</u></u>

B. Summary of Significant Accounting Policies

Basis of Accounting: Financial statements are prepared using the accrual basis of accounting for the defined benefit pension plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments: Investments are reported at market value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

C. Funding Policy

The Town is required to contribute the amounts necessary to fund the PERS and cover all administrative charges. Currently, teamster and clerical employees contribute 4.1% of pay, police department employees contribute 4.6% of pay, and all other employees contribute 2.9% of pay. All amounts are determined by annual actuarial valuations and are included as part of the annual budgeted expenditures.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

D. Investments

Investment Policy: The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	50 %
International developed markets equity	10
Core fixed income	25
High-yield fixed income	11
Commodities	2
Cash	2
	<hr/>
Total	<u>100 %</u>

Rate of Return: For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (2.66)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the Town

The Town’s net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The components of the net pension liability of the Town at June 30, 2020 were as follows:

Pension liability	\$ 23,206,518
Plan fiduciary net position	<u>18,423,293</u>
Net Pension Liability	<u>\$ 4,783,225</u>
Plan fiduciary net position as a percentage of the total pension liability	79.39%

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Amortization method	Amortization of unfunded liability with 2.25% per year increase, closed
Remaining amortization period	15 years remaining as of July 1, 2019
Asset valuation method	Expected asset value
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases	3.75%
Inflation	2.55%

Mortality rates were based on the RP-2014 (adjusted back to 2006) Employee and Healthy Annuitant Tables projected generationally with Scale MP-2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.40 %
International developed markets equity	7.05
Core fixed income	1.15
High-yield fixed income	3.65
Commodities	4.30
Cash	0.65

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of July 1, 2019	\$ 22,488,490	\$ 17,886,857	\$ 4,601,633
Changes for the year:			
Service cost	254,563		254,563
Interest on total pension liability	1,553,850		1,553,850
Differences between expected and actual experience			-
Changes in assumptions			-
Benefit payments	(1,090,385)	(1,090,385)	
Employer contributions		629,350	(629,350)
Member contributions		89,568	(89,568)
Net investment income		907,903	(907,903)
Administrative expenses			-
Net changes	<u>718,028</u>	<u>536,436</u>	<u>181,592</u>
Balances as of June 30, 2020	\$ <u>23,206,518</u>	\$ <u>18,423,293</u>	\$ <u>4,783,225</u>

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the current discount rate, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 7,171,295	\$ 4,783,225	\$ 2,751,692

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

H. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$607,396. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,920	\$
Changes of assumptions and other inputs		1,669
Net difference between projected and actual earning on pension plan investments	<u> </u>	<u>190,789</u>
Total	<u>\$ 1,920</u>	<u>\$ 192,458</u>

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

Year Ending June 30

2021	\$ (85,899)
2022	91,255
2023	118,947
2023	<u>66,235</u>
	<u>\$ 190,538</u>

Town of Middlebury Defined Contribution Retirement Plan

The Town of Middlebury Defined Contribution Retirement Plan was adopted on August 25, 2011 by the Board of Selectmen and Town Meeting. The plan can be amended by the Board of Selectmen through similar action.

**TOWN OF MIDDLEBURY, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020**

All full-time Town employees are eligible for the plan if they work more than 20 hours a week and are not already participating in the Town’s PERS mentioned above or otherwise excluded per other bargaining agreements. In order to become a participant in the plan, the employee must irrevocably agree to contribute 6% of their compensation to the plan, for which the Town will make a matching contribution of 100% of the mandatory contribution. Benefits are vested at 20% for the first year of service and increases incrementally by 20% until fully vested after 5 years of service. Normal retirement age occurs when the employee reaches their 65th birthday and early retirement is eligible at age 59 1/2 if the employee has attained 5 years of service with the Town. There are currently 18 participants in the plan as of June 30, 2020. Contributions of \$58,540 have been made during the fiscal year ended June 30, 2020.

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with the various collective bargaining agreements, is required to provide health benefits to certain eligible retirees and/or their spouses. The Other Postemployment Benefit (OPEB) program covers most Town employees. Police officers are eligible for medical coverage upon retiring at age 60 with 10 years of service or after age 47 with 20 years of service. Other employees are eligible for medical coverage upon retiring at age 60 with 10 years of service. The contribution requirement of plan members and the Town are established and may be amended by the Town. The Town does not issue a separate stand-alone financial statement for this program. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

At July 1, 2018, plan membership consisted of the following:

	Post- Retirement Medical Program
Retired members	24
Active plan members	26
Total Participants	50

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits. The Town does not currently have a funding strategy to provide for normal cost and the amortization of the accrued liability. The Town currently contributes enough money to the plan to satisfy the current obligations on a pay-as-you-go basis. Appointed/elected employees pay 100% of the premium if retired prior to age 65 and none of the premium if retired after age 65. Police employees pay 5% to 11% of the premium based on the date hired and retired. All other plan members pay 100% of the premium.

C. Total OPEB Liability of the Town

The Town’s Total OPEB liability of \$8,951,921 was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal, level percent of salary
Salary increases	4.0% average, including inflation
Healthcare cost trend rates	Pre 65 Medical - 7.0% percent, reduced by 0.5% per year, 4.5% ultimate rate Post 65 Medical - 6.0% percent, reduced by 0.5% per year, 4.5% ultimate rate Dental - 3.0%

Mortality rates were based on the RP-2014 (adjusted back to 2006) Employee and Healthy Annuitant Mortality Tables projected generationally with Scale MP-2017.

The plan has not had an actuarial experience study performed.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. Since the plan is unfunded, the discount rate was based on the 20-year tax exempt GO municipal bond index rates.

Changes in the Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB</u> <u>Liability</u>
Balances as of July 1, 2019	\$ <u>7,618,962</u>
Changes for the year:	
Service cost	141,390
Interest	266,372
Differences between expected and actual experience	
Changes in assumptions	1,224,662
Benefit payments	<u>(299,465)</u>
Net changes	<u>1,332,959</u>
Balances as of June 30, 2020	\$ <u><u>8,951,921</u></u>

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB Liability	\$ 10,462,955	\$ 8,951,921	\$ 7,756,497

E. Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 7,623,732	\$ 8,951,921	\$ 10,634,592

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$387,542. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 190,220	\$
Changes of assumptions and other inputs	<u>1,024,156</u>	<u>1,103,071</u>
Total	<u>\$ 1,214,376</u>	<u>\$ 1,103,071</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

Year Ending June 30

2021	\$	(795,304)
2022		371,452
2023		306,453
2023		<u>6,094</u>
	\$	<u><u>(111,305)</u></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; and natural disasters for which the Town carries commercial insurance. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

The Town entered into a Cooperative Agreement with the Town of Southbury and the Regional School District #15 Board of Education, effective July 2, 2013, to facilitate the group purchase of health benefits for active employees and non-Medicare eligible retirees. Under the program, the Town is obligated for claim payments. A schedule of changes in the claims liability for the year ended June 30, 2020 is presented below:

	<u>Claims Payable July 1</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2019-2020	\$ 61,148	\$ 453,230	\$ 485,911	\$ 28,467
2018-2019	56,172	691,999	687,023	61,148

12. RELATED PARTY

The Chairperson of the **WATER POLLUTION CONTROL AUTHORITY** is providing legal services to the Town of Middlebury as a sole practitioner and through the Middlebury Law Firm. Total payments amounted to \$37,916 as a sole practitioner and \$78,000 to the Middlebury Law Firm. The outstanding amount owed as of June 30, 2020 was \$2,460.

13. CONTINGENT LIABILITIES

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

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

14. PRIOR PERIOD RECLASSIFICATION, ADJUSTMENTS AND RESTATEMENT

To restate governmental activities for the Small Cities Repayment Fund restatement to recognize deferred inflows for loans receivable and to correct the balance and to adjust for incorrect revenue recognition with respect to a lien sale and correctly state the balance of liabilities at July 1, 2019:

	Governmental Activities		
	Unearned Revenue	Accounts Payable	Net Position
Balance at June 30, 2019 as previously reported	\$ 699,968	\$ 1,109,636	\$ 25,146,891
Adjustments:			
Adjustment to deferred inflows of resources	(653,665)		653,665
Adjustment to correct revenue recognition		118,273	(118,273)
Adjustment to opening liabilities		40,000	(40,000)
Balance at July 1, 2019, as Restated	<u>\$ 46,303</u>	<u>\$ 1,267,909</u>	<u>\$ 25,642,283</u>

The Small Cities Repayment Fund was restated to recognize deferred inflows for loans receivable and to correct the balance:

	Small Cities Repayment Fund		
	Unearned Revenue	Deferred Inflows	Fund Balance
Balance at June 30, 2019 as previously reported	\$ 653,665	\$	\$ 105,647
Adjustments:			
Adjustment to deferred inflows of resources	(653,665)	604,110	49,555
Balance at July 1, 2019, as Restated	<u>\$ -</u>	<u>\$ 604,110</u>	<u>\$ 155,202</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

To adjust for incorrect revenue recognition with respect to a lien sale and correctly state the balance of liabilities at July 1, 2019:

	<u>Capital Projects</u>	
	<u>Accounts Payable</u>	<u>Fund Balance</u>
Balance at June 30, 2019 as previously reported	\$ 594,386	\$ 701,698
Adjustments:		
Adjustment to correct revenue recognition	118,273	(118,273)
Adjustment to opening liabilities	<u>40,000</u>	<u>(40,000)</u>
Balance at July 1, 2019, as Restated	<u>\$ 752,659</u>	<u>\$ 543,425</u>

To move senior fund activity out of the general fund into a special revenue fund:

	<u>Non-Major Governmental Funds</u>		<u>General Fund</u>	
	<u>Cash</u>	<u>Fund Balance</u>	<u>Cash</u>	<u>Fund Balance</u>
Balance at June 30, 2019 as previously reported	\$ 434,092	\$ 373,378	\$ 4,888,447	\$ 3,940,594
Adjustments:				
Reclassification of activity to special revenue	<u>19,853</u>	<u>19,853</u>	<u>(19,853)</u>	<u>(19,853)</u>
Balance at July 1, 2019, as Restated	<u>\$ 453,945</u>	<u>\$ 393,231</u>	<u>\$ 4,868,594</u>	<u>\$ 3,920,741</u>

15. CORONAVIRUS (COVID-19)

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19.

The Town derives a significant portion of its revenue from property taxes. While the Town has not experienced any significant increase in the amount of delinquency from its taxpayers, the situation creates uncertainty about the impact of future revenues that might be generated. In addition, at this time, it is uncertain what the effects of the pandemic will be on the Town's health care costs, changes in interest rates, investment valuation and future federal or state fiscal relief.

16. SUBSEQUENT EVENTS

In August 2020, the Town issued \$8,905,000 of General Obligation Bonds, Issue of 2020, Series A with interest rates from 1% to 3% and a maturing date of August 15, 2040. The Town also issued \$2,730,000 of General Obligation Refunding Bonds, Issue of 2020, Series B with interest rates from 2% to 4% and a maturing date of March 15, 2033. General Obligation Bonds, Issue of 2013, Series A were paid off through the refunding by the bonds issued on August 4, 2020.

**TOWN OF MIDDLEBURY, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Current year levy	\$ 31,477,309	\$ 31,477,309	\$ 31,447,655	\$ (29,654)
Prior years' collection	200,000	200,000	274,091	74,091
Supplemental auto	275,000	275,000	309,079	34,079
Interest and lien fees	75,000	75,000	86,424	11,424
Assessor personal property audits	10,000	10,000		(10,000)
Total property taxes	<u>32,037,309</u>	<u>32,037,309</u>	<u>32,117,249</u>	<u>79,940</u>
Intergovernmental revenues:				
State of Connecticut:				
Payments in lieu of taxes on state-owned property	25,793	25,793	26,477	684
Disability exemption			807	807
Town aid road	223,762	223,762	224,275	513
LOCIP	55,640	55,640	56,344	704
Veterans exemption	6,188	6,188	5,053	(1,135)
Region 15 School Security	60,000	60,000	60,000	-
Equalized cost sharing grant	848,732	848,732	821,016	(27,716)
Telecommunications	20,000	20,000	19,596	(404)
Other intergovernmental revenue			18,945	18,945
Teacher Retirement	(70,909)	(70,909)		70,909
Total intergovernmental revenues	<u>1,169,206</u>	<u>1,169,206</u>	<u>1,232,513</u>	<u>63,307</u>

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**TOWN OF MIDDLEBURY, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Local revenues:				
Licenses, fees, permits and charges for services:				
Room rental	\$ 4,000	\$ 4,000	\$ 320	\$ (3,680)
Tax Collector	100	100	1,004	904
Town clerk	161,750	161,750	206,564	44,814
Building department	200,050	200,050	276,918	76,868
Donation/tower rental	171,000	171,000	199,204	28,204
Water commission	3,600	3,600	1,802	(1,798)
Police department	124,300	124,300	137,495	13,195
Fire Department	200	200	245	45
Waste removal	36,000	36,000	44,249	8,249
Park & recreation	171,794	171,794	146,046	(25,748)
Elderly services	17,500	17,500	11,225	(6,275)
Library	21,700	21,700	20,745	(955)
Regional school district #15 reimbursement			21,717	21,717
Other permits and fees	250	250	265	15
Total local revenues	<u>912,244</u>	<u>912,244</u>	<u>1,067,799</u>	<u>155,555</u>
Investment income	<u>200,000</u>	<u>200,000</u>	<u>139,708</u>	<u>(60,292)</u>
Transfers from other funds:				
Sewer Assessment and Fee Fund	<u>94,039</u>	<u>94,039</u>	<u>94,039</u>	<u>-</u>
Total	<u>\$ 34,412,798</u>	<u>\$ 34,412,798</u>	<u>34,651,308</u>	<u>\$ 238,510</u>

TOWN OF MIDDLEBURY, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Board of Selectmen	\$ 143,885	\$ 143,885	\$ 140,427	\$ 3,458
Department of finance	239,060	239,060	160,577	78,483
Town treasurer	5,108	5,108	2,652	2,456
Department of assessment	167,806	167,806	151,733	16,073
Tax collector	113,108	113,108	77,876	35,232
Town Clerk	130,435	130,435	118,770	11,665
Registrar of voters	49,942	49,942	26,803	23,139
Board of Finance	32,527	32,527	31,526	1,001
Board of assessment appeals	2,011	2,011	1,308	703
Legal	138,000	138,000	164,747	(26,747)
Probate court	3,500	3,500	2,921	579
Town hall	65,340	65,340	64,843	497
Building department	142,736	142,736	132,651	10,085
Payment to other jurisdictions	53,467	53,467	53,133	334
Planning and zoning	35,300	35,300	25,659	9,641
Conservation commission	14,123	14,123	12,260	1,863
Economic development commission	1,938	1,938	1,208	730
Historical society	4,678	4,678	3,313	1,365
Beautification commission	1,500	1,500		1,500
Contingency	95,000	95,000		95,000
Computer equipment/technology	95,708	95,708	120,522	(24,814)
Employee benefits	2,309,003	2,309,003	2,304,058	4,945
Insurance	504,953	504,953	493,945	11,008
Refunds of excess tax payments	12,000	12,000	5,351	6,649
Total general government	<u>4,361,128</u>	<u>4,361,128</u>	<u>4,096,283</u>	<u>264,845</u>
Public safety:				
Water commission	98,193	98,193	92,957	5,236
Fire department	261,204	261,204	266,889	(5,685)
Fire Marshal	12,685	12,685	10,483	2,202
Civil Preparedness	14,000	14,000	7,881	6,119
Police department	1,602,488	1,602,488	1,472,172	130,316
Communications center	248,298	248,298	247,211	1,087
Consulting	16,210	16,210	14,732	1,478
Dog pound	14,500	14,500	12,864	1,636
Total public safety	<u>2,267,578</u>	<u>2,267,578</u>	<u>2,125,189</u>	<u>142,389</u>

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**TOWN OF MIDDLEBURY, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Public works:				
Building and grounds	\$ 481,770	\$ 481,770	\$ 515,395	\$ (33,625)
Shepardson community center	31,565	31,565	31,999	(434)
Public works	1,643,018	1,643,018	1,645,484	(2,466)
Waste removal	374,818	374,818	364,391	10,427
Total public works	<u>2,531,171</u>	<u>2,531,171</u>	<u>2,557,269</u>	<u>(26,098)</u>
Health and welfare:				
Social services	47,976	47,976	45,518	2,458
Elderly services	106,284	106,284	94,967	11,317
Total health and welfare	<u>154,260</u>	<u>154,260</u>	<u>140,485</u>	<u>13,775</u>
Parks and recreation:				
Parks and recreation - self-sustaining	120,794	120,794	71,998	48,796
Parks and recreation department	307,985	307,985	305,373	2,612
Parks and recreation revenue fund	10,450	10,450	16,442	(5,992)
Total parks and recreation	<u>439,229</u>	<u>439,229</u>	<u>393,813</u>	<u>45,416</u>
Education:				
Payment to Regional School District #15	23,170,483	23,170,483	23,170,483	-
Total education	<u>23,170,483</u>	<u>23,170,483</u>	<u>23,170,483</u>	<u>-</u>
Libraries:				
Library	434,949	434,949	405,293	29,656
Total libraries	<u>434,949</u>	<u>434,949</u>	<u>405,293</u>	<u>29,656</u>
Debt service:				
Principal and interest	700,000	700,000	700,000	-
Total debt service	<u>700,000</u>	<u>700,000</u>	<u>700,000</u>	<u>-</u>
Capital expenditures:				
Capital expenditures	354,000	354,000	492,840	(138,840)
Total capital expenditures	<u>354,000</u>	<u>354,000</u>	<u>492,840</u>	<u>(138,840)</u>
Total	<u>\$ 34,412,798</u>	<u>\$ 34,412,798</u>	<u>34,081,655</u>	<u>\$ 331,143</u>

TOWN OF MIDDLEBURY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:							
Service cost	\$ 254,563	\$ 328,496	\$ 320,484	\$ 332,462	\$ 344,507	\$ 324,036	\$ 310,082
Interest	1,553,850	1,559,893	1,503,325	1,443,325	1,360,008	1,287,837	1,252,263
Changes of benefit terms							
Differences between expected and actual experience		(385,762)		(267,962)	12,026		
Changes of assumptions		335,295		292,420	831,399		
Benefit payments, including refunds of member contributions	(1,090,385)	(1,073,390)	(1,029,761)	(891,612)	(885,056)	(834,197)	(736,761)
Net change in total pension liability	718,028	764,532	794,048	908,633	1,662,884	777,676	825,584
Total pension liability - beginning	22,488,490	21,723,958	20,929,910	20,021,277	18,358,393	17,580,717	16,755,133
Total pension liability - ending	23,206,518	22,488,490	21,723,958	20,929,910	20,021,277	18,358,393	17,580,717
Plan fiduciary net position:							
Contributions - employer	629,350	610,819	565,877	546,741	512,913	490,826	573,603
Contributions - member	89,568	105,614	118,363	127,942	129,520	124,990	127,441
Net investment income	907,903	975,454	1,444,822	2,049,452	(113,108)	672,892	2,066,884
Benefit payments, including refunds of member contributions	(1,090,385)	(1,073,390)	(1,029,761)	(891,612)	(885,056)	(834,197)	(736,761)
Administrative expense			(136,726)	(115,125)	(115,125)	(117,400)	
Net change in plan fiduciary net position	536,436	618,497	962,575	1,717,398	(470,856)	337,111	2,031,167
Plan fiduciary net position - beginning	17,886,857	17,268,360	16,305,785	14,588,387	15,059,243	14,722,132	12,690,965
Plan fiduciary net position - ending	18,423,293	17,886,857	17,268,360	16,305,785	14,588,387	15,059,243	14,722,132
Net Pension Liability - Ending	\$ <u>4,783,225</u>	\$ <u>4,601,633</u>	\$ <u>4,455,598</u>	\$ <u>4,624,125</u>	\$ <u>5,432,890</u>	\$ <u>3,299,150</u>	\$ <u>2,858,585</u>
Plan fiduciary net position as a percentage of the total pension liability	79.39%	79.54%	79.49%	77.91%	72.86%	82.03%	83.74%
Covered payroll	\$ 2,804,730	\$ 2,804,730	\$ 3,194,374	\$ 3,194,374	\$ 3,157,080	\$ 3,385,155	\$ 3,239,383
Net pension liability as a percentage of covered payroll	170.54%	164.07%	139.48%	144.76%	172.09%	97.46%	88.24%

**TOWN OF MIDDLEBURY, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 626,089	\$ 610,819	\$ 565,877	\$ 546,741	\$ 512,913	\$ 490,826	\$ 573,603	\$ 548,902	\$ 609,437	\$ 583,194
Contributions in relation to the actuarially determined contribution	<u>629,350</u>	<u>610,819</u>	<u>565,877</u>	<u>546,741</u>	<u>512,913</u>	<u>490,826</u>	<u>573,603</u>	<u>548,902</u>	<u>633,794</u>	<u>583,194</u>
Contribution Deficiency (Excess)	\$ <u>(3,261)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(24,357)</u>	\$ <u>-</u>
Covered payroll	\$ 2,804,730	\$ 2,804,730	\$ 3,194,374	\$ 3,194,374	\$ 3,157,080	\$ 3,385,155	\$ 3,239,383	\$ 3,482,190	\$ 3,482,190	\$ 3,375,682
Contributions as a percentage of covered payroll	22.44%	21.78%	17.71%	17.12%	16.25%	14.50%	17.71%	15.76%	18.20%	17.28%

Notes to Schedule

Valuation date: July 1, 2019
 Measurement date: June 30, 2020

Actuarial cost method: Entry age
 Amortization method: Amortization of unfunded liability with 2.25% per year increase, closed
 Remaining amortization period: 15 years remaining as of July 1, 2019
 Asset valuation method: Expected asset value and add or subtract 20% of the difference between the expected assets and the market value of assets. The final value is adjusted to be within 20% of market value
 Inflation: 2.25%
 Salary increases: 3.75%, includes 1.00% allowance for merit increases
 Investment rate of return: 7.00%, net of pension plan investment expense, including inflation

**TOWN OF MIDDLEBURY, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST SEVEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-2.66%	5.71%	11.40%	12.50%	-0.80%	3.75%	16.92%

TOWN OF MIDDLEBURY, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 141,390	\$ 123,333	\$ 239,341
Interest	266,372	276,182	423,188
Changes of benefit terms			(95,919)
Differences between expected and actual experience			(749,696)
Changes of assumptions	1,224,662	364,291	(4,036,378)
Benefit payments, including refunds of member contributions	<u>(299,465)</u>	<u>(315,969)</u>	<u>(381,906)</u>
Net change in total OPEB liability	1,332,959	447,837	(4,601,370)
Total OPEB liability - beginning	<u>7,618,962</u>	<u>7,171,125</u>	<u>11,772,495</u>
Total OPEB liability - ending	<u>8,951,921</u>	<u>7,618,962</u>	<u>7,171,125</u>
Covered payroll	\$ -	\$ -	\$ -
Total OPEB liability as a percentage of covered payroll	N/A	N/A	N/A

Notes:

Benefit changes

None

Changes of assumptions

The impact of the excise tax on high cost health plans scheduled to begin in 2022 was repealed effective December 20, 2019 and, as such, has been removed with this valuation.

The discount rate changed from 3.50% to 2.21%

TOWN OF MIDDLEBURY, CONNECTICUT
 GENERAL FUND
 REPORT OF TAX COLLECTOR
 FOR THE YEAR ENDED JUNE 30, 2020

Grand List	Uncollected Taxes July 1, 2019	Credit Activity	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections				Uncollected Taxes June 30, 2020	
			Additions	Deductions			Taxes	Interest	Liens	Total		
2018	\$	\$ 32,417,262	\$ 47,678	\$ 175,347	\$ 11,874	\$ 32,277,719	\$ 31,998,623	\$ 57,760	\$ 1,148	\$ 32,057,531	\$ 279,096	
2017		224,806	2,034	6,017	2,560	218,263	147,940	33,585	791	182,316	70,323	
2016		79,910	261	1,988	3,333	74,850	32,096	21,137	350	53,583	42,754	
2015		154,510	23		6,542	147,991	24,314	9,157	120	33,591	123,677	
2014		88,419		845	4,240	83,334	9,564	5,335	48	14,947	73,770	
2013		38,102		290	1,924	35,888	81	2,239		2,320	35,807	
2012		36,140				36,140	3,336	4,175	30	7,541	32,804	
2011		19,203				19,203					19,203	
2010		18,619				18,619					18,619	
2009		17,481		18		17,463					17,463	
2008		17,858		17		17,841					17,841	
2007		19,270		183		19,087					19,087	
2006		360				360					360	
	\$	<u>714,678</u>	\$ <u>32,417,262</u>	\$ <u>49,996</u>	\$ <u>184,705</u>	\$ <u>30,473</u>	\$ <u>32,966,758</u>	\$ <u>32,215,954</u>	\$ <u>133,388</u>	\$ <u>2,487</u>	\$ <u>32,351,829</u>	\$ <u>750,804</u>

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

	Special Revenue Funds					
	Police Special Duty	Performance Bond Fund	Dog License Fund	Library Special Fund	Town Clerk Nominee Fund	Municipal Infrastructure Trust Fund
ASSETS						
Cash and cash equivalents	\$ 59,269	\$ 35,496	\$ 13,016	\$ 51,917	\$ 3,118	\$ 178,017
Accounts receivable	115,974					
Due from other funds			3,207		190	
Total Assets	<u>\$ 175,243</u>	<u>\$ 35,496</u>	<u>\$ 16,223</u>	<u>\$ 51,917</u>	<u>\$ 3,308</u>	<u>\$ 178,017</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 343	\$ 6,369	\$ 3,959	\$ -	\$ -	\$ 305
Due to other funds	89,255					
Total liabilities	<u>89,598</u>	<u>6,369</u>	<u>3,959</u>	<u>-</u>	<u>-</u>	<u>305</u>
Fund Balances:						
Restricted		29,127				
Committed	85,645		12,264	51,917	3,308	177,712
Total fund balances	<u>85,645</u>	<u>29,127</u>	<u>12,264</u>	<u>51,917</u>	<u>3,308</u>	<u>177,712</u>
Total Liabilities and Fund Balances	<u>\$ 175,243</u>	<u>\$ 35,496</u>	<u>\$ 16,223</u>	<u>\$ 51,917</u>	<u>\$ 3,308</u>	<u>\$ 178,017</u>

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**TOWN OF MIDDLEBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2020**

	<u>Special Revenue Funds</u>					<u>Total Nonmajor Governmental Funds</u>
	<u>Land Protection Fund</u>	<u>Town Clerk Preservation Fund</u>	<u>Senior Fund</u>	<u>Park and Recreation Revenue Fund</u>	<u>Park and Recreation Donation Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 120,075	\$ 7,728	\$ 17,784	\$ 24,000	\$ -	\$ 510,420
Accounts receivable						115,974
Due from other funds	<u>1,767</u>	<u>258</u>				<u>5,422</u>
Total Assets	<u>\$ 121,842</u>	<u>\$ 7,986</u>	<u>\$ 17,784</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 631,816</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,976
Due to other funds						<u>89,255</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,231</u>
Fund Balances:						
Restricted						29,127
Committed	<u>121,842</u>	<u>7,986</u>	<u>17,784</u>	<u>24,000</u>		<u>502,458</u>
Total fund balances	<u>121,842</u>	<u>7,986</u>	<u>17,784</u>	<u>24,000</u>	<u>-</u>	<u>531,585</u>
Total Liabilities and Fund Balances	<u>\$ 121,842</u>	<u>\$ 7,986</u>	<u>\$ 17,784</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 631,816</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	Special Revenue Funds					
	Police Special Duty	Performance Bond Fund	Dog License Fund	Library Special Fund	Town Clerk Nominee Fund	Municipal Infrastructure Trust Fund
Revenues:						
Intergovernmental revenues	\$	\$	\$	\$ 2,229	\$	\$ 99,331
Charges for services	569,713		6,271		1,860	
Income on investments	654	89	106	389	17	1,781
Miscellaneous	0	28,452		2,715		
Total revenues	<u>570,367</u>	<u>28,541</u>	<u>6,377</u>	<u>5,333</u>	<u>1,877</u>	<u>101,112</u>
Expenditures:						
Current:						
General government						
Public safety	394,887		9,606			
Public works						52,445
Health and welfare						
Parks and recreation						
Library				2,238		
Total expenditures	<u>394,887</u>	<u>-</u>	<u>9,606</u>	<u>2,238</u>	<u>-</u>	<u>52,445</u>
Excess (Deficiency) of Revenues over Expenditures	<u>175,480</u>	<u>28,541</u>	<u>(3,229)</u>	<u>3,095</u>	<u>1,877</u>	<u>48,667</u>
Other Financing Sources:						
Transfers out	<u>(126,405)</u>					
Net Change in Fund Balances	49,075	28,541	(3,229)	3,095	1,877	48,667
Fund Balances at Beginning of Year, as Restated	<u>36,570</u>	<u>586</u>	<u>15,493</u>	<u>48,822</u>	<u>1,431</u>	<u>129,045</u>
Fund Balances at End of Year	<u>\$ 85,645</u>	<u>\$ 29,127</u>	<u>\$ 12,264</u>	<u>\$ 51,917</u>	<u>\$ 3,308</u>	<u>\$ 177,712</u>

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

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Land Protection Fund	Town Clerk Preservation Fund	Senior Fund	Park and Recreation Revenue Fund	Park and Recreation Donation Fund	
Revenues:						
Intergovernmental revenues	\$	\$ 5,500	\$	\$	\$	\$ 107,060
Charges for services		965		100	1,196	580,105
Income on investments	879	78		189		4,182
Miscellaneous	14,458	1,930	14,968			62,523
Total revenues	<u>15,337</u>	<u>8,473</u>	<u>14,968</u>	<u>289</u>	<u>1,196</u>	<u>753,870</u>
Expenditures:						
Current:						
General government		5,525				5,525
Public safety						404,493
Public works						52,445
Health and welfare			17,037			17,037
Parks and recreation					7,373	7,373
Library						2,238
Total expenditures	<u>-</u>	<u>5,525</u>	<u>17,037</u>	<u>-</u>	<u>7,373</u>	<u>489,111</u>
Excess (Deficiency) of Revenues over Expenditures	<u>15,337</u>	<u>2,948</u>	<u>(2,069)</u>	<u>289</u>	<u>(6,177)</u>	<u>264,759</u>
Other Financing Sources:						
Transfers out						(126,405)
Net Change in Fund Balances	15,337	2,948	(2,069)	289	(6,177)	138,354
Fund Balances at Beginning of Year, as Restated	<u>106,505</u>	<u>5,038</u>	<u>19,853</u>	<u>23,711</u>	<u>6,177</u>	<u>393,231</u>
Fund Balances at End of Year	<u>\$ 121,842</u>	<u>\$ 7,986</u>	<u>\$ 17,784</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ 531,585</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
CAPITAL PROJECTS FUND
COMBINING BALANCE SHEET
JUNE 30, 2020**

	<u>Capital Nonrecurring</u>	<u>Capital Projects</u>	<u>Capital Reserve</u>	<u>Library Improvements</u>	<u>Library Endowment</u>	<u>Fenn Farm</u>	<u>Interfund Elimination</u>	<u>Total</u>
ASSETS								
Cash and cash equivalents	\$ 259,157	\$ 274,859	\$ 1,451,366	\$ 18,902	\$ 35,974	\$ 35,123	\$	\$ 2,075,381
Investments				36,109				36,109
Accounts receivable				48,205				48,205
Due from other funds	<u>256,720</u>		<u>305,016</u>		<u>84,695</u>		<u>(84,695)</u>	<u>561,736</u>
Total Assets	<u>\$ 515,877</u>	<u>\$ 274,859</u>	<u>\$ 1,756,382</u>	<u>\$ 103,216</u>	<u>\$ 120,669</u>	<u>\$ 35,123</u>	<u>\$ (84,695)</u>	<u>\$ 2,721,431</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 188,322	\$ 4,995	\$	\$	\$	\$	\$	\$ 193,317
Due to other funds		<u>755,830</u>		<u>84,695</u>	<u>85,000</u>		<u>(84,695)</u>	<u>840,830</u>
Total liabilities	<u>188,322</u>	<u>760,825</u>	<u>-</u>	<u>84,695</u>	<u>85,000</u>	<u>-</u>	<u>(84,695)</u>	<u>1,034,147</u>
Fund Balances:								
Committed	327,555		1,756,382	18,521	35,669	35,123		2,173,250
Unassigned		<u>(485,966)</u>						<u>(485,966)</u>
Total fund balances	<u>327,555</u>	<u>(485,966)</u>	<u>1,756,382</u>	<u>18,521</u>	<u>35,669</u>	<u>35,123</u>	<u>-</u>	<u>1,687,284</u>
Total Liabilities and Fund Balances	<u>\$ 515,877</u>	<u>\$ 274,859</u>	<u>\$ 1,756,382</u>	<u>\$ 103,216</u>	<u>\$ 120,669</u>	<u>\$ 35,123</u>	<u>\$ (84,695)</u>	<u>\$ 2,721,431</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
CAPITAL PROJECTS FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Capital Nonrecurring</u>	<u>Capital Projects</u>	<u>Capital Reserve</u>	<u>Library Improvements</u>	<u>Library Endowment</u>	<u>Fenn Farm</u>	<u>Interfund Elimination</u>	<u>Total</u>
Revenues:								
Intergovernmental revenues	\$ 4,398	\$	\$ 7,482	\$	\$	\$	\$	\$ 11,880
Charges for services	42,540		14,335					56,875
Income (Loss) on investments	450	11,465	21,332	(1,912)	285	282		31,902
Miscellaneous	64,209				200			64,409
Total revenues	<u>111,597</u>	<u>11,465</u>	<u>43,149</u>	<u>(1,912)</u>	<u>485</u>	<u>282</u>	<u>-</u>	<u>165,066</u>
Expenditures:								
Capital outlay	<u>210,321</u>	<u>2,599,093</u>	<u>162,289</u>		<u>55</u>	<u>1,707</u>		<u>2,973,465</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(98,724)</u>	<u>(2,587,628)</u>	<u>(119,140)</u>	<u>(1,912)</u>	<u>430</u>	<u>(1,425)</u>	<u>-</u>	<u>(2,808,399)</u>
Other Financing Sources (Uses):								
Issuance of debt		5,000,000						5,000,000
Premium on issuance of debt		23,552						23,552
Transfers in	26,224		550,191				(74,722)	501,693
Transfers out		(1,647,709)					74,722	(1,572,987)
Total other financing sources (uses)	<u>26,224</u>	<u>3,375,843</u>	<u>550,191</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,952,258</u>
Net Change in Fund Balances	(72,500)	788,215	431,051	(1,912)	430	(1,425)		1,143,859
Fund Balances at Beginning of Year, as Restated	<u>400,055</u>	<u>(1,274,181)</u>	<u>1,325,331</u>	<u>20,433</u>	<u>35,239</u>	<u>36,548</u>		<u>543,425</u>
Fund Balances at End of Year	<u>\$ 327,555</u>	<u>\$ (485,966)</u>	<u>\$ 1,756,382</u>	<u>\$ 18,521</u>	<u>\$ 35,669</u>	<u>\$ 35,123</u>	<u>\$ -</u>	<u>\$ 1,687,284</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2020</u>
Middlebury Emergency Fund				
Assets:				
Cash and cash equivalents	\$ <u>48,876</u>	\$ <u>44,047</u>	\$ <u>17,904</u>	\$ <u>75,019</u>
Liabilities:				
Due to student and other groups	\$ <u>48,876</u>	\$ <u>44,047</u>	\$ <u>17,904</u>	\$ <u>75,019</u>

**TOWN OF MIDDLEBURY, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2020**

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2019						\$	<u>28,691,873</u>			
Base						\$	<u><u>28,691,873</u></u>			
		General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit				
Debt Limitation:										
2-1/4 times base	\$	64,556,714	\$		\$		\$			
4-1/2 times base			129,113,429							
3-3/4 times base				107,594,524						
3-1/4 times base					93,248,587					
3 times base							86,075,619			
		<u>64,556,714</u>	<u>129,113,429</u>	<u>107,594,524</u>	<u>93,248,587</u>		<u>86,075,619</u>			
Total debt limitation		<u>64,556,714</u>	<u>129,113,429</u>	<u>107,594,524</u>	<u>93,248,587</u>		<u>86,075,619</u>			
Indebtedness:										
Bonds outstanding		7,669,000		3,056,000						
Bond anticipation notes		2,500,000		2,500,000						
Bonds authorized unissued		3,300,000		1,000,000						
Overlapping debt:										
Regional School District #15			2,053,791							
		<u>13,469,000</u>	<u>2,053,791</u>	<u>6,556,000</u>	<u>-</u>		<u>-</u>			
Total indebtedness		<u>13,469,000</u>	<u>2,053,791</u>	<u>6,556,000</u>	<u>-</u>		<u>-</u>			
Debt Limitation in Excess of Outstanding and Authorized Debt	\$	<u>51,087,714</u>	\$	<u>127,059,638</u>	\$	<u>101,038,524</u>	\$	<u>93,248,587</u>	\$	<u>86,075,619</u>

Note 1: In no case shall total indebtedness exceed \$200,843,111 or seven times annual receipts from taxation.

Note 2: The Town of Middlebury is a member of Regional School District #15, which provides education facilities for grades kindergarten through twelve for the Towns of Middlebury and Southbury. As of June 30, 2020, the District has bonds outstanding of \$6,325,000. The Town of Middlebury's share is approximately 32% of the remainder or \$2,053,791. These are the general obligation of Regional School District #15 and its member towns.

Note 3: Bond anticipation notes above consist of notes for which long-term debt was issued to replace subsequent to June 30, 2020.

