



July 27, 2015

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF BETHEL, CONNECTICUT  
\$9,405,000 General Obligation Bond Anticipation Notes**

**Dated: August 19, 2015      Date of Sale: Tuesday, August 4, 2015  
Due: May 18, 2016      Time of Sale: 11:30 A.M. (E.D.T.)**

***\*\*Phone Number to Place Bid: (203) 283-1110\*\****

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Tuesday, August 4, 2015. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Tuesday, August 4, 2015.**

*The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Town of Bethel, Connecticut as of June 30, 2014. These excerpts are included in this package. Copies of the complete reports for June 30, 2014 are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



## **BAN Sale Term Sheet**

**\$9,405,000**

### **Town of Bethel, Connecticut General Obligation Bond Anticipation Notes**

**Date of Sale:** Tuesday, August 4, 2015 at 11:30 A.M. (Eastern Time).

**Location of Sale:** Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone: (203) 283-1110

**Issuer:** Town of Bethel, Connecticut (the "Town").

**Issue:** \$9,405,000 General Obligation Bond Anticipation Notes (the "Notes").

**Dated Date:** August 19, 2015

**Principal and Interest Due:** At maturity on May 18, 2016

**Purpose:** The Notes are being issued to finance various school and general purpose projects.

**Denominations:** In minimum denominations of \$100,000 or multiples of \$1,000 in excess thereof.

**Redemption:** The Notes are not subject to redemption prior to maturity.

**Security:** The Notes will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The Town has an outstanding bond rating of "AAA" from Standard & Poor's and "AA+" from Fitch Ratings.

**Basis of Award:** Lowest Net Interest Cost (NIC), as of dated date.

**Form of Legal Opinion and Tax Exemption:** See "Bond Counsel Opinion" in the Notice of Telephone Sale.

**Bank Qualification:** The Notes shall not be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.

**Financial Advisor:** Phoenix Advisors, LLC of Milford, Connecticut will act as Financial Advisor. Telephone (203) 283-1110.

**Legal Opinion:** Pullman & Comley LLC, of Bridgeport, Connecticut will act as Bond Counsel.

**Delivery and Payment:** It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about August 19, 2015. Delivery of the Notes will be made against payment in immediately available Federal Funds.

**Issuer Official:** Questions concerning the Town should be directed to Robert V. Kozlowski, Comptroller, Municipal Center, 1 School Street, Bethel, Connecticut 06801, Telephone: (203) 794-8563 or Mr. Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut, Telephone: (203) 283-1110.

**NOTICE OF TELEPHONE SALE  
TOWN OF BETHEL, CONNECTICUT**

**\$9,405,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES  
Dated August 19, 2015 : Due May 18, 2016**

Bids by TELEPHONE will be received by the **TOWN OF BETHEL**, Connecticut (the "Town"), at 203-283-1110 until **11:30 A.M. (EST), Tuesday**

**August 4, 2015**

(the "Bid Date") for the purchase of the above-captioned **TOWN OF BETHEL** General Obligation Bond Anticipation Notes (the "Notes") which mature on May 18, 2016.

**The Issue**

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut General Statutes, as amended. The Notes will be dated August 19, 2015 and will be payable to the registered owners on May 18, 2016. They will be issued in minimum denominations of \$100,000 or multiples of \$1,000 in excess thereof. Denominations of less than \$100,000 will not be made available. The Notes will bear interest (computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Notes are NOT subject to redemption prior to maturity.

**Bid Requirements**

Telephone bids for the Notes will be received until 11:30 A.M. (EST) on behalf of the Town by Phoenix Advisors, LLC, the Town's financial advisor. All telephone bids must be made to Phoenix Advisors, LLC at 203-283-1110 and be completed by 11:30 A.M. (EST) on Wednesday, August 4, 2015. Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Town through its agent or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Town through its agent by the time required. A bid received after the time specified, as determined in the Town's sole discretion, will not be reviewed or honored by the Town.

A proposal may be for all or any part of the Notes, but any proposal for a part must be for at least \$100,000 or multiples of \$1,000 in excess thereof. A separate proposal will be required for each part of the Notes for which a separate stated interest rate is bid.

**Award, Delivery and Payment**

Unless all bids are rejected, the Notes will be awarded on the basis of the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom any premium offered. As between proposals resulting in the same lowest net interest cost, the award will be made on the basis of the highest principal amount of the Notes specified. In the event that two or more bidders offer bids at the same lowest net interest cost and the same principal amount, the Town will determine by lot which of such bidders will be awarded the Notes. No bid for less than par and accrued interest, if any, will be considered and the Town reserves the right to award to any bidder(s) all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the net interest cost shall be the same as in the bidder's proposal with respect to the amount bid, carried to four places. The purchase price must be paid in Federal funds.

Promptly upon verbal notification that a bidder's proposal may be accepted, the bidder shall confirm to the Town the reoffering prices of the Notes.

Bids will be finally accepted or rejected promptly after opening and not later than 1:00 P.M. (EST) on the Bid Date in accordance with the provisions herein.

Simultaneously with or before delivery of the Notes, the purchaser shall furnish to the Town a certificate acceptable to Bond Counsel for the Town to the effect that the purchaser has either purchased the Notes at the prices shown on such certificate for investment and not with a view toward distribution or resale and not in the capacity of a bond house, broker or other intermediary or has made a bona fide public offering of the Notes to the public (i) at initial offering prices not greater than, or yields not lower than, the respective prices or yields shown on the certificate, and (ii) a substantial amount of the Notes was sold to the final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices not greater than or yields not lower than, such offering prices or yields. Bond Counsel advises that (i) such certificates must be made on the best knowledge, information and belief of the purchaser, (ii) the sale to the public of 10% or more of the Notes at prices not greater than or yields not lower than, the initial offering prices or yields would be sufficient for the purpose of certifying as to the sale of a substantial amount of the Notes and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement.

At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with the approving opinion of Pullman & Comley, LLC, of Bridgeport, Connecticut, Bond Counsel. The successful bidder will also be furnished with a receipt of payment for the Notes, a Signature and No Litigation Certificate, dated as of the date of delivery of the Notes, stating that there is no litigation pending, or to the knowledge of the signers thereof, threatened, affecting the validity of the Notes or the power of the Town to levy and collect taxes to pay them.

The Town will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Town's costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The Town shall have no responsibility for such clearance, exemption or preparation.

It is expected that the Notes will be delivered to DTC in New York City on or about November 20, 2014 against payment in immediately available Federal Funds. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Notes prior to delivery and the Town will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning purchaser to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes.

#### **Right to Reject Bids; Waiver**

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

#### **Postponement; Change of Terms**

The Town reserves the right to alter any terms of the Notes or this Notice of Sale and to postpone, from time to time, the date or time established for the receipt of the bids.

## **Book-Entry**

Subject to the paragraph below, the Notes will be issued by means of a book-entry system with no physical distribution of certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or multiples of \$1,000 in excess thereof, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The successful bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent in Federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to Participants of DTC will be the responsibility of DTC. Principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by DTC Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered Note certificates directly to the Beneficial Owners of the Notes or their nominees.

The successful bidder for the Notes may request that the Notes be issued in the form of one fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs, including counsel fees, of any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry only form. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

## **No Continuing Disclosure or Official Statement**

Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Town will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

## **Additional Information**

More information concerning the issue and the Town may be obtained from Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, CT 06460 (203-283-1110).

Matthew S. Knickerbocker  
First Selectman

Robert V. Kozlowski  
Comptroller

July 27, 2015

850 Main Street  
P.O. Box 7006  
Bridgeport, CT 06601-7006  
p 203-330-2000  
f 203-576-8888

August \_\_\_\_, 2015

Town of Bethel  
Clifford J. Hurgin Municipal Center  
One School Street  
Bethel, CT 06801

We have acted as Bond Counsel in connection with the issuance by the Town of Bethel (the "Town"), in the State of Connecticut, of its \$9,405,000 General Obligation Bond Anticipation Notes (the "Notes") dated August 19, 2015 and maturing May 18, 2016. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated August \_\_\_\_, 2015 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank National Association, they will be valid and legally binding general obligations of the Town payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

In our opinion, under existing law, interest on the Notes is not included in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax. We express no opinion regarding other federal income tax consequences caused by the ownership or disposition of, or receipt of interest on the Notes.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We have not undertaken to advise whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Although we have rendered an opinion that interest on the Notes is not includable in gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding any tax consequence caused by ownership or disposition of, or receipt of interest income on, the Notes not specifically described herein.

Respectfully,

PULLMAN & COMLEY, LLC

# **TOWN OF BETHEL, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Statements of  
The Town of Bethel, Connecticut  
Year Ended June 30, 2014

## Independent Auditor's Report

Board of Finance  
Town of Bethel, Connecticut

### Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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, the business type-activities, each major fund and the aggregate remaining fund information of the Town of Bethel, Connecticut, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefit plan schedules on pages 6 through 14 and pages 65 through 76, respectively, 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 Bethel, Connecticut's basic financial statements. The introductory section, supplemental schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental 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 supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2015, on our consideration of the Town of Bethel, 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 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 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 Bethel, Connecticut's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Hartford, Connecticut  
February 20, 2015



# COMPTROLLER'S OFFICE

C.J. Hurgin Municipal Center  
1 School Street, Bethel, CT 06801 (203) 794-8512

Robert V. Kozlowski, Comptroller  
Brad C. Heering, Ass't Comptroller

## Management's Discussion and Analysis Year Ended June 30, 2014

---

As management of the Town of Bethel, Connecticut, we offer readers of the Town's financial statements this narrative overview and analysis of the financial position and activities of the Town for the fiscal year ended June 30, 2014.

### Financial Highlights

- On a government-wide basis, the Town's total net position increased by \$7,640,116 for the fiscal year, \$6,241,107 of which was generated by governmental activities and \$1,399,009 from business-type activities. The main reasons for the increase are positive general fund operating results of \$2,702,356 and significant capital asset additions in excess of depreciation expense and the impact of debt service activity due to the difference in the accounting basis for these items as compared to the fund financial statements. Business-type activities reported an increase in net position due to the positive operations of the water fund of \$593,764 and positive operations of the sewer fund of \$805,245 during the current year.
- The Town's combined net position totals \$114,897,679 at June 30, 2014. Of this amount, \$25,511,511 is available (unrestricted) to finance ongoing programs, \$10,061,517 in governmental activities and \$15,489,994 for business-type activities.
- At year end, the unassigned fund balance for the general fund was \$13,590,892 or 18.9% of total general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$2,929,997. This decrease was the result of the issuance of refunding bonds during the current year offset by scheduled debt service payments.

### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Bethel's basic financial statements. The Town of Bethel's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, health and welfare, public works, library and education. The business-type activities of the Town account for the Water and Sewer operations.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Bethel uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the 3 funds considered to be major funds. Data from the other 14 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided on Schedules 4 and 5 of this report.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on Exhibits C, D and F.

**Proprietary funds.** The Town maintains two enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides information for the Water and Sewer operations. Water and Sewer are considered to be major funds of the Town.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's pension and other post-employment benefit plans.

The combining statements and supplemental schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information section.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$114,897,679 at the close of the fiscal year.

The largest portion of the Town's net position (77.4%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary Statement of Net Position  
June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 24,247,990	\$ 20,138,936	\$ 16,539,621	\$ 16,037,147	\$ 40,787,611	\$ 36,176,083
Capital assets (net)	110,795,353	108,508,168	32,574,770	32,782,602	143,370,123	141,290,770
<b>Total assets</b>	<b>135,043,343</b>	<b>128,647,104</b>	<b>49,114,391</b>	<b>48,819,749</b>	<b>184,157,734</b>	<b>177,466,853</b>
Deferred outflows of resources	331,622	378,996	100,748	29,427	432,370	408,423
Long-term liabilities outstanding	37,146,842	37,808,029	15,966,055	16,571,755	53,112,897	54,379,784
Other liabilities	14,144,622	12,609,335	2,434,906	2,862,252	16,579,528	15,471,587
<b>Total liabilities</b>	<b>51,291,464</b>	<b>50,417,364</b>	<b>18,400,961</b>	<b>19,434,007</b>	<b>69,692,425</b>	<b>69,851,371</b>
Deferred inflows of resources	-	766,342	-	-	-	766,342
Net investment in capital assets	73,628,002	71,324,881	15,324,184	14,447,322	88,952,186	85,772,203
Restricted	393,982	425,634			393,982	425,634
Unrestricted	10,061,517	6,091,879	15,489,994	14,967,847	25,551,511	21,059,726
<b>Total net position</b>	<b>\$ 84,083,501</b>	<b>\$ 77,842,394</b>	<b>\$ 30,814,178</b>	<b>\$ 29,415,169</b>	<b>\$ 114,897,679</b>	<b>\$ 107,257,563</b>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

An additional portion of the Town's net position (0.34%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$25,551,511 may be used to meet the Town's ongoing obligations to citizens and creditors.

- The Town's net position increased by \$7,640,116 during the current fiscal year. The main reasons for the increase are the positive general fund operations of \$2,702,356 and the significant capital asset additions in excess of depreciation expense and the impact of debt service activity due to the difference in the accounting basis for these items as compared to the fund financial statements. Business-type activities reported an increase in net position due to the positive operations of the water fund of \$593,764 and positive operations of the sewer fund of \$805,245 during the current year.

**Governmental activities.** Already noted was the statement of activities' purpose in presenting information on how the Town's net position changed during the most recent fiscal year. For the fiscal year, net position increased \$6,241,107. The increase in assets in governmental activities is related in great part to purchases of capital assets rather than accumulation of cash or other liquid assets.

The reader should remember that the basis of accounting used in the government-wide statement of activities excludes capital expenditures while its revenues include general taxes whose primary purpose is for the construction of those very assets or their related debt service.

Statement of Changes in Net Position  
Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 3,151,069	\$ 2,844,157	\$ 5,094,176	\$ 9,495,932	\$ 8,245,245	\$ 12,340,089
Operating grants and contributions	16,581,808	14,975,434			16,581,808	14,975,434
Capital grants and contributions	1,957,278	2,501,838			1,957,278	2,501,838
General revenues:						
Property taxes	58,773,150	56,416,340			58,773,150	56,416,340
Grants and contributions not restricted to specific programs	469,015	600,290			469,015	600,290
Investment income	75,242	34,199	783	1,333	76,025	35,532
Miscellaneous	132,737	96,543			132,737	96,543
Total revenues	81,140,299	77,468,801	5,094,959	9,497,265	86,235,258	86,966,066
Expenses:						
General government	8,030,307	8,206,808			8,030,307	8,206,808
Public safety	8,192,682	7,515,646			8,192,682	7,515,646
Health and welfare	599,314	690,970			599,314	690,970
Public works	4,190,669	4,072,475			4,190,669	4,072,475
Library	1,368,922	1,291,990			1,368,922	1,291,990
Education	51,818,389	49,034,840			51,818,389	49,034,840
Interest expense	698,909	1,052,143			698,909	1,052,143
Water department			1,174,911	1,113,577	1,174,911	1,113,577
Sewer department			2,521,039	2,484,203	2,521,039	2,484,203
Transfer station					-	-
Total expenses	74,899,192	71,864,872	3,695,950	3,597,780	78,595,142	75,462,652
Change in net position	6,241,107	5,603,929	1,399,009	5,899,485	7,640,116	11,503,414
Net position - July 1	77,842,394	72,238,465	29,415,169	23,515,684	107,257,563	95,754,149
Net position - June 30	\$ 84,083,501	\$ 77,842,394	\$ 30,814,178	\$ 29,415,169	\$ 114,897,679	\$ 107,257,563

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

---

### **Governmental Activities - Revenues**

The significant changes in revenues for governmental activities for the fiscal year ended June 30, 2014, were as follows:

- Property tax revenue increased \$2,356,810 due to the increased budget approved by the Town and related tax rate increases.
- Capital grants and contributions decreased \$544,560 largely due to contributions and grant money received in the prior year for the library construction project of \$825,945 and \$783,999, respectively.
- Operating grants and contributions increased \$1,606,374 due to increases in road and educational related intergovernmental revenues and contributions as compared to the prior year.

### **Governmental Activities - Expenses**

The significant changes in expenses for governmental activities for the fiscal year ended June 30, 2014, were as follows:

- Public safety increased \$677,036 due to an increase in the budget and employee benefit costs.
- Education expenses increased by a \$2,783,549 due to an increase in the budget as well as an increase in the state teacher's retirement contribution from prior year.
- Interest expense decreased by \$353,234 due to scheduled debt service payments as well as the current year refunding.

### **Business-Type Activities**

#### Revenues

- Charges for services decreased by \$4,401,756 during the year substantially due to the prior year sewer assessment billing for the phase III sewer assessment of \$5,609,736.

#### Expenses

- There were no significant changes in expenses as compared to the prior year.

### **Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

The combined fund balances of governmental funds for the fiscal year ended June 30, 2014 is \$10,419,786. Of this amount, \$132,117 relates to a nonspendable long-term receivable and advance, \$393,982 is restricted, \$2,466,261 is committed and \$1,026,441 is assigned. The balance of \$6,400,985 is unassigned fund balance.

#### **General Fund**

The general fund is the operating fund of the Town. The fund balance of the general fund increased by \$2,702,356 for the current fiscal year. The major factors for this increase were increased property tax revenues over budget expectations of \$1,770,162, unbudgeted state grants revenues of \$265,841, increased revenues for charges for services of \$320,629, \$194,543 of which was for miscellaneous license and permits and under expenditure in the debt service line due to the debt refunding of \$143,650.

#### **Bonded Projects Fund**

The Bonded Projects Fund's net change in fund balance was a decrease of \$(933,252) for the fiscal year. This is a result of the capital outlay activity being currently financed with bond anticipation notes (short-term financing). The bond anticipation notes will be permanently financed in subsequent fiscal years.

#### **Capital Nonrecurring Fund**

The Capital Nonrecurring Fund's net change in fund balance was an increase of \$656,047 for the fiscal year. This is mainly due to the receipt of grant and contributions for the library renovation project for expenditures incurred in the prior year.

**Proprietary funds.** The Town's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The Town's enterprise funds posted an overall increase in net position of \$1,399,009 for the fiscal year ended June 30, 2014, detailed as follows:

#### **Water Department**

Net position of the water department at the end of the year amounted to \$1,611,058 an increase of \$593,764. This was mostly due to the scheduled increase in the water rates.

#### **Sewer Department**

Net position of the sewer department at the end of the year amounted to \$29,203,120, an increase of \$805,245. This was mostly due to the scheduled increase in the sewer rates.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**General Fund Budgetary Highlights**

A detailed budgetary comparison schedule for the fiscal year ended June 30, 2014 is on Exhibit F. A summary of that schedule follows:

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues and Other Financing Sources</b>				
Property taxes	\$ 56,912,177	\$ 56,912,177	\$ 58,682,339	\$ 1,770,162
Intergovernmental	9,105,125	9,105,125	9,436,491	331,366
Charges for services, use of money and property, other and proceeds from sale of assets	1,066,479	1,066,479	1,490,113	423,634
Appropriation of fund balance		151,791		(151,791)
Totals	67,083,781	67,235,572	69,608,943	2,373,371
<b>Expenditures and Other Financing Uses</b>				
Expenditures	66,345,043	66,345,043	65,959,861	385,182
Transfers out	738,738	890,529	890,529	-
Totals	67,083,781	67,235,572	64,850,390	385,182
<b>Change in Fund Balance</b>	\$ -	\$ -	\$ 2,758,553	\$ 2,758,553

**Capital Assets and Debt Administration**

At June 30, 2014, the Town of Bethel's investment in capital assets in both governmental and business-type activities amounted to \$143,370,123, net of depreciation. This includes land, intangible assets, buildings, equipment and infrastructure (roads and bridges). Capital assets for governmental activities increased by 2.1% and business-type capital assets decreased by 0.6%.

The most significant capital asset additions were as follows:

Governmental activities:

- Machinery and equipment increased \$903,194 substantially due to education related computers and other equipment purchased during the year.
- Infrastructure increased \$492,287 due to 3 road reconstruction projects completed during the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Capital Assets and Debt Administration (continued)**

Business-type Activities:

- Construction in progress increased \$231,548 related to the last phase of the sewer line installation for phase III.

**Capital Assets - Net  
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,248,810	\$ 6,178,650	\$ 157,072	\$ 157,072	\$ 6,405,882	\$ 6,335,722
Construction in progress	2,974,031	3,520,793	1,305,529	1,073,981	4,279,560	4,594,774
Land improvements	1,747,141	1,551,105			1,747,141	1,551,105
Intangible assets	102,185	108,777	7,066,353	7,229,310	7,168,538	7,338,087
Buildings	69,661,649	70,854,506	711,000	773,564	70,372,649	71,628,070
Building improvements	8,963,067	6,502,907	28,363	29,961	8,991,430	6,532,868
Distribution, collection, and treatment			22,550,828	22,726,327	22,550,828	22,726,327
Machinery and equipment	4,280,173	3,376,979	738,726	773,133	5,018,899	4,150,112
Vehicles	3,918,257	4,006,698	16,899	19,254	3,935,156	4,025,952
Infrastructure	12,900,040	12,407,753			12,900,040	12,407,753
Total	\$ 110,795,353	\$ 108,508,168	\$ 32,574,770	\$ 32,782,602	\$ 143,370,123	\$ 141,290,770

Additional information on the Town's capital assets can be found in Note III C.

**Long-term Debt**

For the year ended June 30, 2014, the Town's long-term debt decreased by \$2,929,997 due to scheduled debt service payments and the current year refunding. At the end of the current fiscal year, the Town had total bonded and loan debt outstanding of \$44,525,000, which is backed by the full faith and credit of the Town of Bethel.

**Outstanding Debt  
General Obligation and Sewer Bonds and Clean Water Notes**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General purpose bonds	\$ 4,858,000	\$ 5,591,000	\$16,390,000	\$17,240,000	\$21,248,000	\$22,831,000
School bonds	23,277,000	24,584,000			23,277,000	24,584,000
Sewer and clean water loans				39,997		39,997
Total	\$28,135,000	\$30,175,000	\$16,390,000	\$17,279,997	\$44,525,000	\$47,454,997

The Town maintains an "AA2" rating from Moody's and an "AA+" from Standard and Poor's and Fitch for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 ¼ to 4 ½ times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town is \$410,587,632, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note III.F.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the Town is currently 6.2%, which is down from 6.5% from fiscal year 2013. This is lower than both the state's average unemployment rate of 7.8% and the Fairfield County Labor Market rate of 7.1%. The Town is in line with the national average of 6.1%.
- Inflationary trends in the region compare favorably to national indices.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the state receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2015 and thereafter.

Town officials considered many factors when setting the fiscal year 2015 budget. The Town decided that it was important to adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the budget, the Town recognized the need to continue its pattern of conservative budgeting while at the same time providing excellent services to our residents and taxpayers.

The 2015 general fund budget is \$68,822,737, an increase of 2.6% over the prior year. Non-tax revenue remained relatively consistent.

**Requests for Information**

This financial report is designed to familiarize citizens, taxpayers and customers with the Town's finances and to demonstrate the Town's fiscal accountability for its operation. Questions concerning this report, or requests for additional financial information, should be directed to Mr. Robert V. Kozlowski, Comptroller, Bethel Municipal Center, 1 School Street, Bethel, Connecticut 06801. Telephone (203) 794-8512.

---

# **Basic Financial Statements**

---

Town of Bethel, Connecticut

Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash	\$ 2,998,684	\$ 605,232	\$ 3,603,916
Investments	17,525,376	398,098	17,923,474
Receivables:			
Property taxes	776,168		776,168
Assessments		1,475,000	1,475,000
Intergovernmental	1,612,191		1,612,191
Other	357,506	601,011	958,517
Internal balances	452,616	(452,616)	-
Other	16,778		16,778
Total current assets	<u>23,739,319</u>	<u>2,626,725</u>	<u>26,366,044</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash	<u>394,892</u>		<u>394,892</u>
Receivables (net):			
Property taxes	113,779		113,779
Assessments		<u>13,912,896</u>	<u>13,912,896</u>
Total receivables (net)	<u>113,779</u>	<u>13,912,896</u>	<u>14,026,675</u>
Capital assets (net of accumulated depreciation):			
Land	6,248,810	157,072	6,405,882
Construction in progress	2,974,031	1,305,529	4,279,560
Land improvements	1,747,141		1,747,141
Intangible assets	102,185	7,066,353	7,168,538
Buildings	69,661,649	711,000	70,372,649
Building improvements	8,963,067	28,363	8,991,430
Distribution and collection systems		22,550,828	22,550,828
Machinery and equipment	4,280,173	738,726	5,018,899
Vehicles	3,918,257	16,899	3,935,156
Infrastructure	<u>12,900,040</u>		<u>12,900,040</u>
Total capital assets (net of accumulated depreciation)	<u>110,795,353</u>	<u>32,574,770</u>	<u>143,370,123</u>
Total noncurrent assets	<u>111,304,024</u>	<u>46,487,666</u>	<u>157,791,690</u>
Total assets	<u>135,043,343</u>	<u>49,114,391</u>	<u>184,157,734</u>
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	<u>331,622</u>	<u>100,748</u>	<u>432,370</u>

(Continued)

Town of Bethel, Connecticut

Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 2,355,201	\$ 712,154	\$ 3,067,355
Accrued payroll and related liabilities	421,363	17,592	438,955
Accrued interest payable	260,517	73,620	334,137
Unearned revenue	55,116		55,116
Bond anticipation notes	7,883,460	881,540	8,765,000
Performance bonds	394,982		394,982
Bond and notes payable	1,775,000	750,000	2,525,000
Capital lease payable	204,183		204,183
Compensated absences	427,295		427,295
Other liabilities	367,505		367,505
	<u>14,144,622</u>	<u>2,434,906</u>	<u>16,579,528</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	27,096,572	15,719,794	42,816,366
Capital lease payable	539,758		539,758
Compensated absences	3,112,489		3,112,489
Net pension obligation	2,451,157	81,776	2,532,933
Net OPEB obligation	3,946,866	164,485	4,111,351
	<u>37,146,842</u>	<u>15,966,055</u>	<u>53,112,897</u>
Total noncurrent liabilities			
Total liabilities			
	<u>51,291,464</u>	<u>18,400,961</u>	<u>69,692,425</u>
<u>Net Position</u>			
Net investment in capital assets	73,628,002	15,324,184	88,952,186
Restricted for:			
General government	220,277		220,277
Education	88,904		88,904
Other	84,801		84,801
Unrestricted	10,061,517	15,489,994	25,551,511
	<u>84,083,501</u>	<u>30,814,178</u>	<u>114,897,679</u>
Total net position			

(Concluded)

Town of Bethel, Connecticut

Statement of Activities  
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 8,030,307	\$ 1,489,381	\$ 125,618	\$ 1,924,171	\$ (4,491,137)	\$	\$ (4,491,137)
Public safety	8,192,682	296,918	9,009	33,107	(7,853,648)		(7,853,648)
Health and welfare	599,314	33,475	69,362		(496,477)		(496,477)
Public works	4,190,669	92,514	581,783		(3,516,372)		(3,516,372)
Library	1,368,922	13,205	12,119		(1,343,598)		(1,343,598)
Education	51,818,389	1,225,576	15,783,917		(34,808,896)		(34,808,896)
Interest expense	698,909				(698,909)		(698,909)
Total governmental activities	74,899,192	3,151,069	16,581,808	1,957,278	(53,209,037)	-	(53,209,037)
Business-type activities:							
Water department	1,174,911	1,768,675				593,764	593,764
Sewer department	2,521,039	3,325,501				804,462	804,462
Total business-type activities	3,695,950	5,094,176	-	-	-	1,398,226	1,398,226
Total	\$ 78,595,142	\$ 8,245,245	\$ 16,581,808	\$ 1,957,278	\$ (53,209,037)	\$ 1,398,226	\$ (51,810,811)
General revenues:							
Property taxes					\$ 58,773,150	\$	\$ 58,773,150
Grants and contributions not restricted to specific programs					469,015		469,015
Investment income					75,242	783	76,025
Miscellaneous					132,737		132,737
Total general revenues					59,450,144	783	59,450,927
Change in net position					6,241,107	1,399,009	7,640,116
Net position - July 1, 2013					77,842,394	29,415,169	107,257,563
Net position - June 30, 2014					\$ 84,083,501	\$ 30,814,178	\$ 114,897,679

Town of Bethel, Connecticut

Balance Sheet  
Governmental Funds  
June 30, 2014

	<u>General</u>	<u>Bonded Projects</u>	<u>Capital Nonrecurring</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash	\$ 1,095,762	\$	\$ 397,316	\$ 750,076	\$ 2,243,154
Restricted cash	394,892				394,892
Investments	15,185,008		1,211,199	632,727	17,028,934
Receivables, net:					
Property taxes	908,765				908,765
Intergovernmental	551,790		974,239	86,162	1,612,191
Other	297,744			59,762	357,506
Due from other funds	2,468,290	1,559,527	64,509	1,129,783	5,222,109
Advance to other funds	43,896				43,896
Other	418			16,360	16,778
	<u>\$ 20,946,565</u>	<u>\$ 1,559,527</u>	<u>\$ 2,647,263</u>	<u>\$ 2,674,870</u>	<u>\$ 27,828,225</u>
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ 1,082,326	\$ 12,270	\$ 361,214	\$ 114,119	\$ 1,569,929
Accrued payroll	418,600			2,763	421,363
Due to other funds	4,268,141		570,727	1,144,855	5,983,723
Unearned revenue	3,537			51,579	55,116
Bond anticipation notes		7,588,460	295,000		7,883,460
Performance bonds	394,982				394,982
Other liabilities	367,505				367,505
Advance from other funds				43,896	43,896
	<u>6,535,091</u>	<u>7,600,730</u>	<u>1,226,941</u>	<u>1,357,212</u>	<u>16,719,974</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - property taxes	688,465				688,465
<u>Fund Balances</u>					
Nonspendable	132,117				132,117
Restricted				393,982	393,982
Committed			1,420,322	1,045,939	2,466,261
Assigned				1,026,441	1,026,441
Unassigned	13,590,892	(6,041,203)		(1,148,704)	6,400,985
	<u>13,723,009</u>	<u>(6,041,203)</u>	<u>1,420,322</u>	<u>1,317,658</u>	<u>10,419,786</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,946,565</u>	<u>\$ 1,559,527</u>	<u>\$ 2,647,263</u>	<u>\$ 2,674,870</u>	<u>\$ 27,828,225</u>

(Continued)

Town of Bethel, Connecticut

Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
June 30, 2014

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balance (Exhibit C, Page 1 of 2)	\$ 10,419,786
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning capital assets	108,508,168
Capital assets additions (net of construction in progress)	5,678,387
Depreciation expense	(2,984,883)
Disposal of capital assets	(406,319)
Other long-term assets are not available resources and, therefore, are not reported in the funds:	
Property tax interest and lien accrual	211,182
Allowance for doubtful accounts	(230,000)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
Property tax receivable - accrual basis change	688,465
Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	1,680,930
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bond and notes payable	(28,135,000)
Bond premium	(736,572)
Deferred charges on refunding	331,622
Capital lease payable	(743,941)
Compensated absences	(3,539,784)
Net pension obligation	(2,451,157)
Net OPEB obligation	(3,946,866)
Accrued interest payable	(260,517)
Net position of governmental activities	<u>\$ 84,083,501</u>

(Concluded)

## Town of Bethel, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2014**

	General	Bonded Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 58,682,339	\$	\$	\$	\$ 58,682,339
Intergovernmental	14,565,184		1,843,656	2,505,645	18,914,485
Charges for services	1,327,108		5,724	1,818,237	3,151,069
Use of money and property	70,451		3,481	1,310	75,242
Contributions			80,515	13,101	93,616
Other	84,554		48,183		132,737
Total revenues	<u>74,729,636</u>	<u>-</u>	<u>1,981,559</u>	<u>4,338,293</u>	<u>81,049,488</u>
Expenditures:					
Current:					
General government	12,754,982			114,318	12,869,300
Public safety	4,557,634			439,836	4,997,470
Health and welfare	298,668			194,322	492,990
Public works	3,003,887			249,565	3,253,452
Library	808,573			55,250	863,823
Education	46,384,500			3,348,816	49,733,316
Debt service	3,336,507			36,621	3,373,128
Capital outlay		1,358,252	2,679,870		4,038,122
Total expenditures	<u>71,144,751</u>	<u>1,358,252</u>	<u>2,679,870</u>	<u>4,438,728</u>	<u>79,621,601</u>
Excess (deficiency) of revenues over expenditures	<u>3,584,885</u>	<u>(1,358,252)</u>	<u>(698,311)</u>	<u>(100,435)</u>	<u>1,427,887</u>
Other financing sources (uses):					
Issuance of refunding debt				1,630,000	1,630,000
Payment to refunded bond escrow agent				(1,633,247)	(1,633,247)
Bond premium				39,868	39,868
BAN premium				152,527	152,527
Capital lease			977,567		977,567
Proceeds from sale of capital assets	8,000				8,000
Transfers in		425,000	376,791	88,738	890,529
Transfers out	(890,529)				(890,529)
Net other financing sources (uses)	<u>(882,529)</u>	<u>425,000</u>	<u>1,354,358</u>	<u>277,886</u>	<u>1,174,715</u>
Net change in fund balances	2,702,356	(933,252)	656,047	177,451	2,602,602
Fund balances - July 1, 2013	<u>11,020,653</u>	<u>(5,107,951)</u>	<u>764,275</u>	<u>1,140,207</u>	<u>7,817,184</u>
Fund Balances - June 30, 2014	<u>\$ 13,723,009</u>	<u>\$ (6,041,203)</u>	<u>\$ 1,420,322</u>	<u>\$ 1,317,658</u>	<u>\$ 10,419,786</u>

## Town of Bethel, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to Statement of Activities  
Year Ended June 30, 2014**

Amounts reported for governmental activities in the statement of activities (Exhibit B) are due to:

Net change in fund balances - total governmental funds (Exhibit D) \$ 2,602,602

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

Capital outlay	5,678,387
Depreciation expense	<u>(2,984,883)</u>

Total 2,693,504

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the *loss* on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold:

Loss on disposal of assets (406,319)

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 fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	88,399
Change in property tax interest and lien revenue	<u>2,412</u>

Total 90,811

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

Debt issued or incurred:	
Issuance of refunding bonds	(1,630,000)
Bond premium	(39,868)
Capital lease	(977,567)
Principal repayments:	
General obligation bonds	2,045,000
Refunded bonds	1,625,000
Capital lease	<u>367,834</u>

Total 1,390,399

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

Compensated absences	(207,493)
Net pension obligation	642,641
Net OPEB obligation	(952,362)
Bond premium	118,641
Deferred charges	(47,374)
Accrued interest payable	<u>45,838</u>

Total (400,109)

Internal service funds are used by management to charge costs of medical insurance premiums to individual departments:

The net revenue of the activities of the internal service funds is reported with governmental activities 270,219

Change in net position of governmental activities (Exhibit B) \$ 6,241,107

## Town of Bethel, Connecticut

**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance With Final Budget
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
Property taxes	\$ 56,912,177	\$ 56,912,177	\$ 58,682,339	\$ 1,770,162
Intergovernmental	9,105,125	9,105,125	9,436,491	331,366
Charges for services	1,006,479	1,006,479	1,327,108	320,629
Use of money and property	60,000	60,000	70,451	10,451
Other	<u>          </u>	<u>          </u>	<u>84,554</u>	<u>84,554</u>
Total revenues	<u>67,083,781</u>	<u>67,083,781</u>	<u>69,600,943</u>	<u>2,517,162</u>
Expenditures:				
Current:				
General government	13,105,489	12,928,604	12,748,800	179,804
Public safety	4,565,258	4,527,289	4,527,289	-
Health and welfare	342,693	290,800	290,800	-
Public works	2,746,174	2,994,895	2,994,895	-
Library	806,408	805,763	805,763	-
Education	41,317,535	41,317,535	41,255,807	61,728
Debt service	<u>3,461,486</u>	<u>3,480,157</u>	<u>3,336,507</u>	<u>143,650</u>
Total expenditures	<u>66,345,043</u>	<u>66,345,043</u>	<u>65,959,861</u>	<u>385,182</u>
Excess (deficiency) of revenues over expenditures	<u>738,738</u>	<u>738,738</u>	<u>3,641,082</u>	<u>2,902,344</u>
Other financing sources (uses):				
Appropriation of fund balance		151,791		(151,791)
Proceeds from sale of capital assets			8,000	8,000
Transfers out	<u>(738,738)</u>	<u>(890,529)</u>	<u>(890,529)</u>	<u>-</u>
Total other financing sources	<u>(738,738)</u>	<u>(738,738)</u>	<u>(882,529)</u>	<u>(143,791)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,758,553	<u>\$ 2,758,553</u>
Fund balance, July 1, 2013			<u>11,289,054</u>	
Fund balance, June 30, 2014			<u>\$ 14,047,607</u>	

Town of Bethel, Connecticut

Statement of Net Position  
Proprietary Funds  
June 30, 2014

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
<u>Assets</u>				
Current assets:				
Cash	\$ 22,343	\$ 582,889	\$ 605,232	\$ 755,530
Investments		398,098	398,098	496,442
Receivables (net):				
Assessments		1,475,000	1,475,000	
Other	215,659	385,352	601,011	
Due from other funds		399,501	399,501	507,958
Other assets				
Total current assets	<u>238,002</u>	<u>3,240,840</u>	<u>3,478,842</u>	<u>1,759,930</u>
Noncurrent assets:				
Receivables:				
Assessments		13,912,896	13,912,896	
Capital assets (net):				
Land	24,123	132,949	157,072	
Construction in progress	205,027	1,100,502	1,305,529	
Intangible assets	6,764	7,059,589	7,066,353	
Buildings	260,326	450,674	711,000	
Building improvements	23,291	5,072	28,363	
Distribution and collection system	2,077,822	20,473,006	22,550,828	
Machinery and equipment	35,799	702,927	738,726	
Vehicles	16,899		16,899	
Total capital assets (net)	<u>2,650,051</u>	<u>29,924,719</u>	<u>32,574,770</u>	<u>-</u>
Total noncurrent assets	<u>2,650,051</u>	<u>43,837,615</u>	<u>46,487,666</u>	<u>-</u>
Total assets	<u>2,888,053</u>	<u>47,078,455</u>	<u>49,966,508</u>	<u>1,759,930</u>
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding		100,748	100,748	

(Continued)

Town of Bethel, Connecticut

Statement of Net Position  
Proprietary Funds  
June 30, 2014

Liabilities	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
Current liabilities:				
Accounts payable	\$ 76,875	\$ 635,279	\$ 712,154	\$
Accrued payroll and benefits	11,628	5,964	17,592	
Accrued interest payable	127	73,493	73,620	
Due to other funds	852,117		852,117	
Claims payable			-	79,000
Bond anticipation notes payable	191,540	690,000	881,540	
Bonds, notes and loans payable		750,000	750,000	
Total current liabilities	1,132,287	2,154,736	3,287,023	79,000
Noncurrent liabilities:				
Bonds, notes and related liabilities		15,719,794	15,719,794	
Net pension obligation	54,517	27,259	81,776	
Net OPEB obligation	90,191	74,294	164,485	
Total noncurrent liabilities	144,708	15,821,347	15,966,055	-
Total liabilities	1,276,995	17,976,083	19,253,078	79,000
<u>Net Position</u>				
Net investment in capital assets	2,458,511	12,865,673	15,324,184	
Unrestricted	(847,453)	16,337,447	15,489,994	1,680,930
Total net position	\$ 1,611,058	\$ 29,203,120	\$ 30,814,178	\$ 1,680,930

(Concluded)

## Town of Bethel, Connecticut

**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
Operating revenues:				
Charges for services	\$ 1,768,675	\$ 2,638,910	\$ 4,407,585	\$ 1,407,880
Operating expenses:				
Personnel services	589,422	371,280	960,702	
Repairs and maintenance	132,289	57,936	190,225	
Contracted services	135,086	851,971	987,057	
Materials and supplies	57,656	22,860	80,516	
Utilities	107,608	93,048	200,656	
Insurance	45,195	28,308	73,503	
Claims incurred			-	1,139,131
Administration			-	300
Capital improvement	11,412		11,412	
Depreciation and amortization	96,838	474,477	571,315	
Total operating expenses	1,175,506	1,899,880	3,075,386	1,139,431
Operating income (loss)	593,169	739,030	1,332,199	268,449
Nonoperating revenues (expenses):				
Investment income		783	783	1,770
Assessment bond interest		686,591	686,591	
Premium	2,615	6,770	9,385	
Interest expense	(2,020)	(627,929)	(629,949)	
Net nonoperating revenues (expenses)	595	66,215	66,810	1,770
Change in net position	593,764	805,245	1,399,009	270,219
Total net position - July 1, 2013	1,017,294	28,397,875	29,415,169	1,410,711
Total net position - June 30, 2014	\$ 1,611,058	\$ 29,203,120	\$ 30,814,178	\$ 1,680,930

## Town of Bethel, Connecticut

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 1,718,988	\$ 2,563,872	\$ 4,282,860	\$ 1,407,880
Receipts/(payments) on due to/from balances	(736,952)	(265,647)	(1,002,599)	106,773
Payments to suppliers	(436,210)	(1,126,832)	(1,563,042)	
Payments to employees	(589,422)	(371,280)	(960,702)	
Claims paid			-	(1,121,131)
Administration paid			-	(300)
Net cash provided by (used in) operating activities	<u>(43,596)</u>	<u>800,113</u>	<u>756,517</u>	<u>393,222</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(167,555)	(195,928)	(363,483)	
Bond anticipation notes issued	191,540	690,000	881,540	
Refunding bonds issued		2,975,000	2,975,000	
Assessment bond interest		686,591	686,591	
Principal payments (bonds and bond anticipation notes)	(266,540)	(4,630,727)	(4,897,267)	
Interest payments	595	(674,100)	(673,505)	
Net cash provided by (used in) capital and related financing activities	<u>(241,960)</u>	<u>(1,149,164)</u>	<u>(1,391,124)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income		783	783	1,770
Increase (decrease) in cash and cash equivalents	(285,556)	(348,268)	(633,824)	394,992
Cash and cash equivalents - July 1, 2013	307,899	1,329,255	1,637,154	856,980
Cash and cash equivalents - June 30, 2014	<u>\$ 22,343</u>	<u>\$ 980,987</u>	<u>\$ 1,003,330</u>	<u>\$ 1,251,972</u>
Reconciliation to Exhibit G - Cash:				
Cash and cash equivalents per above	\$ 22,343	\$ 980,987	\$ 1,003,330	\$ 1,251,972
Cash and cash equivalents reported as investments		(398,098)	(398,098)	(496,442)
Cash - Exhibit G	<u>\$ 22,343</u>	<u>\$ 582,889</u>	<u>\$ 605,232</u>	<u>\$ 755,530</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 593,169	\$ 739,030	\$ 1,332,199	\$ 268,449
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	96,838	474,477	571,315	
(Increase) decrease in:				
Receivables	(50,608)	(75,038)	(125,646)	
Due from other funds	1,635	399,501	401,136	106,773
Other assets	921		921	
Increase (decrease) in:				
Accounts and other payables	53,036	(72,709)	(19,673)	18,000
Due to other funds	(738,587)	(665,148)	(1,403,735)	
Net cash provided by (used in) operating activities	<u>\$ (43,596)</u>	<u>\$ 800,113</u>	<u>\$ 756,517</u>	<u>\$ 393,222</u>

**Town of Bethel, Connecticut**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	<u>Pension Trust Funds</u>	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>Assets</u>			
Cash	\$	\$ 26,525	\$ 151,265
Investments:			
Money market mutual funds	1,651,915	10,755	
Certificates of deposit	481,222	2	585,484
Corporate bonds	5,869,678		
U.S. government obligations	8,782,943		
U.S. government agency securities	509,158	159,715	
Common stock	9,080,914		
Equity mutual funds	4,366,906	125,332	
Total investments	<u>30,742,736</u>	<u>295,804</u>	<u>585,484</u>
Prepaid benefits and fees	373,256		
Due from other funds	706,272		
Total assets	<u>31,822,264</u>	<u>322,329</u>	<u>736,749</u>
<u>Liability</u>			
Accounts payable			<u>736,749</u>
<u>Net Position</u>			
Net position held in trust for pension benefits and other purposes	<u>\$ 31,822,264</u>	<u>\$ 322,329</u>	<u>\$ -</u>

## Town of Bethel, Connecticut

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2014**

	<u>Pension Trust Funds</u>	<u>Private - Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 2,934,953	\$
Plan members	536,146	
Private contributions		<u>37,098</u>
Total contributions	<u>3,471,099</u>	<u>37,098</u>
Investment income (loss):		
Change in fair value of investment:	2,049,823	13,275
Interest and dividends	<u>825,215</u>	<u>12,705</u>
Total investment income (loss)	2,875,038	25,980
Less investment expenses	<u>209,077</u>	
Net investment income (loss)	<u>2,665,961</u>	<u>25,980</u>
Total additions	<u>6,137,060</u>	<u>63,078</u>
Deductions:		
Benefits	1,534,907	
Administration	54,794	60
Scholarships awarded		<u>52,900</u>
Total deductions	<u>1,589,701</u>	<u>52,960</u>
Change in net position	4,547,359	10,118
Net position - July 1, 2013	<u>27,274,905</u>	<u>312,211</u>
Net position - June 30, 2014	<u><u>\$31,822,264</u></u>	<u><u>\$ 322,329</u></u>

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

**History and organization**

The Town of Bethel was incorporated in 1855 and covers an area of 17 square miles. The Town operates under a Selectmen-Town Meeting form of government as prescribed by the Connecticut General Statutes and its charter, which was adopted November 6, 1973. The Town provides the following services as authorized by its charter: public safety (police and fire), public works (streets and highways), public health and social services, sewers and water, a free public library and education encompassing grades PreK-12.

**I. Summary of significant accounting policies****A. 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 primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 and major individual enterprise funds are reported as separate columns in the fund financial statements.

**B. 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 the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

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 tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. For reimbursement grants, the Town considers revenues to be available if they are collected within one year 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes, intergovernmental revenues, charges for services 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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 general government, except those required to be accounted for in another fund.

The Bonded Projects Fund accounts for the financial revenues to be used for major capital asset construction and/or purchases.

The Capital Nonrecurring Fund accounts for activities associated with major capital improvements and equipment.

The Town reports the following major proprietary funds:

The Water Department Fund accounts for the activities of the Town's water operations.

The Sewer Department Fund accounts for the activities of the Town's sewer operations.

Additionally, the Town reports the following fund types:

The Internal Service Funds account for risk financing activities for prescription benefits and Town and Board of Education retiree medical insurance benefits.

The Hennessey, Menegay and Education Scholarship Funds are Private-Purpose Trust Funds and are used to account for resources legally held in trust for various scholarships. All resources of the fund, including any earnings on invested resources, may not be used to support the Town's activities. For the Education Scholarships, there is no requirement that any portion of these resources be preserved as capital.

The Pension Trust Funds account for the activities of the Bethel Retirement System, which accumulates resources for pension benefit payments to qualified employees.

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

The Agency Funds account for monies held on behalf of students and amounts held for performance bonds.

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 the Town's sewer, water and transfer station operations and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 all 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 water department enterprise fund and sewer department enterprise fund and of the Town's internal service funds are charges to customers for sales and services. The sewer department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity****1. Deposits and investments**

Deposits - The Town's cash and cash equivalents consist of cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

The Town's pension funds have adopted a formal investment policy that defines allowable investments, prohibited investments, prohibited transactions, asset allocation guidelines and diversification guidelines and fixed income and cash equivalent guidelines.

## Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

The investment guidelines are as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	20%	60%	40%
Fixed income	50%	90%	60%
Cash equivalents	2%	20%	N/A

No investment should be more than 5% of the total fund and not more than 25% should be in any one industry.

For fixed income investments, no more than 20% may be invested in bonds that are below investment grade. In addition, the maximum maturity for any single security is 30 years and the average portfolio maturity may not exceed 15 years.

Method used to value investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

## 2. Receivables and payables

### a. Interfunds

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 non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### b. Property taxes and other receivables

In the government-wide financial statements, all trade, property tax and water and sewer use are shown net of an allowance for uncollectibles. Allowance percentages range from 2 to 38% of outstanding receivable balances and are calculated upon prior collection history.

In the fund financial statements, all property taxes receivable at June 30, which have not been collected within sixty days of June 30, have been recorded as deferred inflow of resources since they are not considered to be available to finance expenditures of the current year. Taxes collected during the sixty day period have been recorded as revenue.

Property taxes are assessed on property as of October 1. Real estate taxes are billed in the following July and are due in four installments, July 1, October 1, January 1 and April 1. Personal property and motor vehicle taxes are billed in July and are due in one installment, July 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

## Town of Bethel, Connecticut

## Notes to Basic Financial Statements

June 30, 2014

**3. Restricted assets**

The restricted assets for the Town are restricted for performance bonds. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of contract or the Town calls the bond for nonperformance.

**4. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns 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 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, 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 estimated fair market value at the date of donation.

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 of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer departments during the current fiscal year was \$2,020 and \$674,100, respectively. None of this amount was capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	50-75
Building improvements	50
Land improvements	50
Roads	75
Bridges	50
Sewer plant	50
Sewer lines	40-50
Water lines and pumping stations	50-100
Vehicles	7-25
Equipment	10-25
Intangible assets	15-75

**5. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports the deferred charge on refunding in this category. 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.

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from property taxes (including advance collections, if any). These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**6. Net position flow assumption**

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

**7. Compensated absences**

All employees, except those specified below, are granted vacation and sick time based upon contractual provisions. At anniversary year end, unused vacation and sick time do not accumulate or vest; therefore, in the event of termination or retirement, employees are not compensated for unused vacation and sick time.

The Board of Education employees are paid vacation on a fiscal year basis; therefore, unused vacation lapses at June 30. The Town employees are paid vacation on an anniversary date basis; therefore, a liability for unused vacation has been recorded. The liability for compensated absences has also been recorded in the enterprise funds' financial statements as a current liability.

Certified employees at the Board of Education may accumulate up to 150 days of unused sick time. Only upon retirement are they entitled to receive 50% reimbursement. Retirement amounts are included in the current year budget to reimburse current year retirees.

Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal year end.

**8. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type 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 the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

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.

**9. Fund equity and net position**

In the government-wide financial statements, net position is classified into the following categories:

Net investment in capital assets

This category presents the net position that reflect capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted net position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted net position

This category presents the net position of the Town which is not restricted.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action of the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Board of Finance.

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by the Board or a properly approved purchase order.

Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless Board of Finance has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The Board of Finance adopted a minimum fund balance policy for the general fund. It is the policy of the Town to maintain a fund balance of 10 percent of the operating general fund expenditures.

**10. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

**11. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Stewardship, compliance and accountability****A. Budgets and budgetary accounting**

The Town adheres to the following procedures in establishing the budgetary data included in the general fund financial statements:

1. In April, the Board of Finance submits to a public hearing, at which taxpayer comments are obtained, the proposed operating budget of the general fund (the only fund for which a legal budget is adopted) for the year commencing July 1. The budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

2. The Board of Finance submits its proposed budget to the annual Town Meeting, which is held on one of the first seven days in May. Those in attendance at the annual Town Meeting may, by majority vote, decrease any appropriations or approve the appropriations as presented. Appropriations may not be increased. The final budget is then automatically referred to a machine vote for approval. The date of the machine vote is also established by the annual Town Meeting, which must be held not less than seven nor more than fourteen days from the date of the annual Town Meeting. Those citizens registered to vote or who have property assessments in excess of \$1,000 are eligible to vote.
3. The Board of Finance, in accordance with the provisions of the Charter and the Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another, with the exception of the wage contingency account. Authority to transfer budgeted funds is vested in the Comptroller for settlement of union contracts and general salary increases approved by the First Selectman only. Management may not authorize any additional appropriations. All additional appropriations less than \$25,000 require Board of Selectmen and Board of Finance approval. Those in excess of \$25,000 require full legislative approval (Town Meeting). During the year, there was a \$151,791 appropriation of fund balance.
4. Formal budgetary integration is employed as a management control device during the year.
5. The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level.
6. The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion.
7. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, aside from the Capital Projects Fund, all unencumbered appropriations lapse at year end. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**B. Budget - GAAP reconciliation**

A reconciliation of revenues, expenditures and fund balance between the accounting treatment required by GAAP (Exhibit D) and budgetary requirements (Exhibit F) is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balance</u>
Balance, budgetary basis, Exhibit F	\$ 69,600,943	\$ 65,959,861	\$ 14,047,607
Accrued payroll		56,197	(324,598)
State Teachers' Retirement on-behalf payment	<u>5,128,693</u>	<u>5,128,693</u>	
Balance, GAAP basis, Exhibit D	<u>\$ 74,729,636</u>	<u>\$ 71,144,751</u>	<u>\$ 13,723,009</u>

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

**C. Donor-restricted endowments**

The Town has received certain endowments for various scholarship purposes. The amounts are reflected in net position as restricted for endowments. Investment income, including appreciation of \$27,344 for the Hennessy Scholarship fund, \$59,715 for the Menegay Scholarship fund and \$0 for the Education Scholarship fund, is approved for expenditure by the individual Boards of the benefiting activities and is included in restricted net position.

**D. Capital projects authorizations**

The following is a summary of certain projects recorded in the Bonded Projects Fund at June 30, 2014:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Road Paving Project	\$ 2,000,000	\$ 2,000,000	\$ -
Road Construction	<u>1,289,117</u>	<u>1,070,332</u>	<u>218,785</u>
Totals	<u>\$ 3,289,117</u>	<u>\$ 3,070,332</u>	<u>\$ 218,785</u>

**E. Deficit Fund Balance**

The following individual funds had a deficit fund balance at June 30, 2014:

Bennett Property	\$ 38,612
Paramedic Intercept	315,249
Transfer Station	794,843

The deficits should be reduced or eliminated in future years as amounts are received for charges for services.

**III. Detailed notes****A. Cash and investments**

Deposits - custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$22,444,149 of the Town's bank balance of \$23,577,283 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 20,425,447
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,018,702</u>
Total amount subject to custodial credit risk	<u>\$ 22,444,149</u>

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

Financial instruments that potentially subject the Town to significant concentrations of credit risk consist primarily of cash. From time to time, the Town's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Town reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

At June 30, 2014, the Town's investments consisted of the following:

Type of Investment	Fair value	Investment Maturities (in Years)				
		N/A	Less than 1	1-5 Years	6-10 Years	Over 10 Years
Mutual funds and ETFs:						
Equity funds	\$ 4,492,238	\$ 4,492,238	\$	\$	\$	\$
U.S. government obligations	154,596			154,596		
Money market funds	1,677,485		1,677,485			
Certificates of deposit	4,982,589		4,982,589			
Bank money market accounts	13,557,890		13,557,890			
U.S. government obligations	8,782,943		3,148,339	2,762,317	2,872,287	
U.S. government agency securities	949,165			547,767	241,683	159,715
Common stock	9,080,914	9,080,914				
Corporate bonds	5,869,678		998,246	3,155,209	1,716,223	
Total	\$ 49,547,498	\$13,573,152	\$ 24,364,549	\$ 6,619,889	\$ 4,830,193	\$ 159,715

Interest rate risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

The Town's investments subject to credit risk had average ratings as follows by Standard & Poor's.

Average Rating	Money Market Mutual Funds	U.S. Government Obligations	U.S. Government Agency Securities	Corporate Bonds
AAA	\$	\$ 8,782,943	\$ 949,165	\$ 505,916
AA	1,677,485			1,863,955
A				1,787,481
BBB				1,712,326
Total	\$ 1,677,485	\$ 8,782,943	\$ 949,165	\$ 5,869,678

Custodial credit risk - The Town does not have a formal policy with respect to custodial credit risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

The Town has certain investments, which are covered by the Securities Investor Protection Corporation (“SIPC”) up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The Town’s investments are subject to custodial credit risk as follows:

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject to Custodial Credit Risk</u>
U.S. government obligations	\$ 8,782,943	\$ 1,000,000	\$ 7,782,943
U.S. government agency securities	949,165	659,715	289,450
Common stock	9,080,914		9,080,914
Corporate bonds	5,869,678		5,869,678
Total	<u>\$ 24,682,700</u>	<u>\$ 1,659,715</u>	<u>\$ 23,022,985</u>

**B. Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town’s government-wide financial statements with allowances for uncollectible accounts as of June 30, 2014, including the applicable allowances for uncollectible accounts, are presented below.

	<u>Property Taxes</u>		
	<u>Taxes</u>	<u>Interest &amp; Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 670,577</u>	<u>\$ 105,591</u>	<u>\$ 776,168</u>
Long-term portion	\$ 238,188	\$ 105,591	\$ 343,779
Less allowance for uncollectibles	<u>(150,000)</u>	<u>(80,000)</u>	<u>(230,000)</u>
Net long-term portion	<u>\$ 88,188</u>	<u>\$ 25,591</u>	<u>\$ 113,779</u>
Total receivable	<u>\$ 758,765</u>	<u>\$ 131,182</u>	<u>\$ 889,947</u>

	<u>Use Charge Receivables</u>	
	<u>Water Department</u>	<u>Sewer Department</u>
Gross receivable	\$ 219,659	\$ 392,852
Less allowance for uncollectibles	<u>(4,000)</u>	<u>(7,500)</u>
Net receivable	<u>\$ 215,659</u>	<u>\$ 385,352</u>

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

**C. Capital assets**

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

	Balance <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2014</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,178,650	\$ 70,160	\$	\$ 6,248,810
Construction in progress	3,520,793	2,792,582	3,339,344	2,974,031
Total capital assets, not being depreciated	<u>9,699,443</u>	<u>2,862,742</u>	<u>3,339,344</u>	<u>9,222,841</u>
Capital assets, being depreciated:				
Land improvements	2,058,382	280,517		2,338,899
Buildings	88,929,745			88,929,745
Building improvements	11,183,398	3,157,689	300,480	14,040,607
Machinery and equipment	6,102,810	1,696,261	19,453	7,779,618
Intangible assets	131,849			131,849
Vehicles	6,414,662	298,467	316,197	6,396,932
Infrastructure	15,452,590	722,055		16,174,645
Total capital assets, being depreciated	<u>130,273,436</u>	<u>6,154,989</u>	<u>636,130</u>	<u>135,792,295</u>
Total capital assets	<u>139,972,879</u>	<u>9,017,731</u>	<u>3,975,474</u>	<u>145,015,136</u>
Less accumulated depreciation for:				
Land improvements	507,277	84,481		591,758
Buildings	18,075,239	1,192,857		19,268,096
Building improvements	4,680,491	409,068	12,019	5,077,540
Machinery and equipment	2,725,831	791,414	17,800	3,499,445
Intangible assets	23,072	6,592		29,664
Vehicles	2,407,964	270,703	199,992	2,478,675
Infrastructure	3,044,837	229,768		3,274,605
Total accumulated depreciation	<u>31,464,711</u>	<u>2,984,883</u>	<u>229,811</u>	<u>34,219,783</u>
Total capital assets, being depreciated, net	<u>98,808,725</u>	<u>3,170,106</u>	<u>406,319</u>	<u>101,572,512</u>
Governmental activities capital assets, net	<u>\$ 108,508,168</u>	<u>\$ 6,032,848</u>	<u>\$ 3,745,663</u>	<u>\$ 110,795,353</u>

## Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 157,072			\$ 157,072
Construction in progress	1,073,981	231,548		1,305,529
Total capital assets, not being depreciated	<u>1,231,053</u>	<u>231,548</u>	<u>-</u>	<u>1,462,601</u>
Capital assets, being depreciated:				
Intangible assets	12,144,524			12,144,524
Buildings	4,272,636			4,272,636
Building improvements	78,674			78,674
Distribution and collection system	28,058,244	131,935		28,190,179
Machinery and equipment	1,568,714		36,640	1,532,074
Vehicles	122,666			122,666
Total capital assets, being depreciated	<u>46,245,458</u>	<u>131,935</u>	<u>36,640</u>	<u>46,340,753</u>
Total capital assets	<u>47,476,511</u>	<u>363,483</u>	<u>36,640</u>	<u>47,803,354</u>
Less accumulated depreciation for:				
Intangible assets	4,915,214	162,957		5,078,171
Buildings	3,499,072	62,564		3,561,636
Building improvements	48,713	1,598		50,311
Distribution and collection system	5,331,917	307,434		5,639,351
Machinery and equipment	795,581	34,407	36,640	793,348
Vehicles	103,412	2,355		105,767
Total accumulated depreciation	<u>14,693,909</u>	<u>571,315</u>	<u>36,640</u>	<u>15,228,584</u>
Total capital assets, being depreciated, net	<u>31,551,549</u>	<u>(439,380)</u>	<u>-</u>	<u>31,112,169</u>
Business-type capital assets, net	<u>\$ 32,782,602</u>	<u>\$ (207,832)</u>	<u>\$ -</u>	<u>\$ 32,574,770</u>

**Town of Bethel, Connecticut**  
**Notes to Financial Statements**  
**June 30, 2014**

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:	
General government	\$ 146,655
Public safety	320,589
Public works	373,824
Library	163,857
Health and welfare	24,691
Education	<u>1,955,267</u>
Total depreciation expense - governmental activities	<u>\$ 2,984,883</u>
Business-type activities:	
Water	\$ 96,838
Sewer	<u>474,477</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 571,315</u>

**Construction commitments**

The Town has substantially completed the active major construction projects and other projects as of June 30, 2014.

**D. Interfund accounts**

**1. Interfund payables and receivables**

A summary of interfund balances as of June 30, 2014 is as follows:

<u>Major funds:</u>	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Health department grants	N/A	\$	\$ 43,083
Public safety grants	N/A		30,407
Education grants	N/A		736,147
BOE contingency fund	N/A		88,738
Railroad station	N/A	719	
Paramedic intercept	N/A	309,542	
General government	N/A		7,752
Debt service	N/A		223,656
Capital and nonrecurring	N/A	570,727	
Bonded projects	N/A		1,559,527
Water department	N/A	833,251	
Sewer department	N/A		380,635
Transfer station	N/A	754,051	
BOE retiree medical	N/A		120,784
BOE medical self-insurance	N/A		387,174
Town pension fund	N/A		684,953
Police pension fund	N/A		<u>5,285</u>
Total general fund		<u>2,468,290</u>	<u>4,268,141</u>
Major - bonded projects	General Fund	<u>1,559,527</u>	

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

	Corresponding Fund	Due From	Due To
Major - capital nonrecurring:			
General fund	N/A	\$	\$ 570,727
Debt service	N/A	59,898	
Railroad station	N/A	4,611	
		<hr/>	
Total capital nonrecurring		64,509	570,727
		<hr/>	
Major - water department:			
Sewer department	N/A		18,866
General fund	N/A		833,251
			<hr/>
Total water department		-	852,117
		<hr/>	
Major - sewer department:			
Water department	N/A	18,866	
General fund	N/A	380,635	
		<hr/>	
Total sewer department		399,501	-
		<hr/>	
Internal service funds:			
BOE retiree medical	General Fund	120,784	
BOE medical self-insurance	General Fund	387,174	
		<hr/>	
Total internal service funds		507,958	-
		<hr/>	
<u>Nonmajor governmental funds:</u>			
Health department grants	General Fund	43,083	
Public safety grants	General Fund	30,407	
Education grants	General Fund	736,147	
BOE contingency fund	General Fund	88,738	
Railroad station	General Fund		719
Railroad station	Capital Nonrecurring		4,611
Paramedic intercept	General Fund		309,542
General government	General Fund	7,752	
Transfer station	Town Pension Fund		16,034
Transfer station	General Fund		754,051
Debt service fund	General Fund	223,656	
Debt service fund	Capital Nonrecurring		59,898
		<hr/>	
Total nonmajor governmental funds		1,129,783	1,144,855
		<hr/>	
Fiduciary funds:			
Police pension fund	General Fund	5,285	
Town pension fund	General Fund	684,953	
Town pension fund	Transfer Station	16,034	
		<hr/>	
Total fiduciary funds		706,272	-
		<hr/>	
Grand total		\$ 6,835,840	\$ 6,835,840

All interfund balances result from time lag between the dates payments occur between funds for short-term internal financing.

**2. Advance payable and receivable**

The advance of \$43,896 between the general fund and Bennett's Property relates to a working capital loan. This balance is not scheduled to be collected in the subsequent year.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

3. Interfund transfers

A summary of interfund transfers as of June 30, 2014 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General fund:			
Capital nonrecurring	N/A	\$	\$ 376,791
Bonded projects	N/A		425,000
Board of Education Contingency	N/A		<u>88,738</u>
Total general fund			<u>890,529</u>
Major – bonded projects:			
General fund	N/A	<u>425,000</u>	
Major – capital nonrecurring:			
General fund	N/A	<u>376,791</u>	
Nonmajor funds:			
Board of Education Contingency	General fund	<u>88,738</u>	
Grand total		<u>\$ 890,529</u>	<u>\$ 890,529</u>

Transfers are used to account for the financing by the general fund of various programs and activities in other funds.

E. Short-term obligations - bond anticipation notes

The Town uses bond anticipation notes (BANs) during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year ended June 30, 2014 was as follows:

Governmental activities:

Project	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
General purpose	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000
Fire truck	255,730	180,730	255,730	180,730
General purpose - II		1,945,730		1,945,730
Bethel firehouse renovations	370,000	295,000	370,000	295,000
Road paving	2,000,000	1,900,000	2,000,000	1,900,000
Public works equipment	807,000	707,000	807,000	707,000
Franc property	855,000	755,000	855,000	755,000
High school renovation	<u>600,000</u>	<u>550,000</u>	<u>600,000</u>	<u>550,000</u>
Total governmental activities	<u>\$ 6,437,730</u>	<u>\$ 7,883,460</u>	<u>\$ 6,437,730</u>	<u>\$ 7,883,460</u>

The BANs carry an interest rate of 1.25% and mature in November 2014.

## Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014**Business-type activities:**

The Town has issued BANS for certain enterprise fund projects.

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Water department	\$ 266,540	\$ 191,540	\$ 266,540	\$ 191,540
Sewer department	765,730	690,000	765,730	690,000
Total business-type activities	<u>\$1,032,270</u>	<u>\$ 881,540</u>	<u>\$1,032,270</u>	<u>\$ 881,540</u>

The bond anticipation notes carry an interest rate of 1.00% and mature in November 2014.

In November 2014, the Town reissued bond anticipation notes in the amount of \$8,765,000 and issued new bond anticipation notes in the amount of \$1,510,000 with a coupon rate of 1.25% and a true interest cost of .151% maturing in August 2015.

**F. Changes in long-term obligations****1. Summary of changes**

The following is a summary of changes in long-term obligations during the fiscal year:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2013	Additions	Deductions	Refunded	Balance June 30, 2014	Current Portion
General purpose:										
Improvement bonds	\$3,925,000	07/01/98	07/01/13	4.00-6.00%	\$ 260,000	\$	\$ 260,000	\$	\$	\$
Improvement bonds	9,415,000	11/01/04	05/01/20	2.75-4.75%	1,950,000		325,000	1,625,000		
Refunding bonds	1,785,000	04/28/10	07/15/20	4.00-5.00%	1,785,000				1,785,000	205,000
Refunding bonds	1,992,000	04/28/10	07/15/20	3.00-5.00%	1,596,000		153,000		1,443,000	186,000
Refunding bonds	1,630,000	05/14/14	08/01/31	2.00-3.00%		1,630,000			1,630,000	
Total general purpose					<u>5,591,000</u>	<u>1,630,000</u>	<u>738,000</u>	<u>1,625,000</u>	<u>4,858,000</u>	<u>391,000</u>
School:										
Improvement bonds	22,760,000	11/15/09	11/15/34	2.25-4.25%	20,860,000		950,000		19,910,000	950,000
Refunding bonds	4,648,000	04/28/10	07/15/20	3.00-5.00%	3,724,000		357,000		3,367,000	434,000
Total school					<u>24,584,000</u>	<u>-</u>	<u>1,307,000</u>	<u>-</u>	<u>23,277,000</u>	<u>1,384,000</u>
Total bonds					<u>30,175,000</u>	<u>1,630,000</u>	<u>2,045,000</u>	<u>1,625,000</u>	<u>28,135,000</u>	<u>1,775,000</u>
Premium					<u>815,345</u>	<u>39,868</u>	<u>118,641</u>		<u>736,572</u>	
Total bonds and notes and related liabilities					<u>30,990,345</u>	<u>1,669,868</u>	<u>2,163,641</u>	<u>1,625,000</u>	<u>28,871,572</u>	<u>1,775,000</u>
Capital lease payable					<u>134,208</u>	<u>977,567</u>	<u>367,834</u>		<u>743,941</u>	<u>204,183</u>
Compensated absences					<u>3,332,291</u>	<u>1,010,278</u>	<u>802,785</u>		<u>3,539,784</u>	<u>427,295</u>
Net pension obligation					<u>3,093,798</u>	<u>2,828,458</u>	<u>3,471,099</u>		<u>2,451,157</u>	
Net OPEB obligation					<u>2,994,504</u>	<u>1,458,129</u>	<u>505,767</u>		<u>3,946,866</u>	
Total long-term obligations					<u>\$40,545,146</u>	<u>\$ 7,944,300</u>	<u>\$ 7,311,126</u>	<u>\$ 1,625,000</u>	<u>\$ 39,553,320</u>	<u>\$ 2,406,478</u>

All long-term liabilities are generally liquidated by the general fund or the debt service fund.

## Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014Enterprise funds (1):

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2013	Additions	Deductions	Refunded	Balance June 30, 2014	Current Portion
Improvement bonds	\$ 4,300,000	08/01/06	08/01/31	4.125-5.5%	\$ 3,250,000	\$	\$ 175,000	\$ 2,900,000	\$ 175,000	\$
Improvement bonds	15,460,000	11/15/09	11/15/34	2.25-4.25%	13,600,000		620,000		12,980,000	620,000
Refunding bonds	625,000	04/28/10	07/15/20	3.00-5.00%	390,000		130,000		260,000	130,000
Refunding bonds	2,975,000	05/14/14	08/01/31	2.00-3.25%		2,975,000			2,975,000	-
Total bonds					17,240,000	2,975,000	925,000	2,900,000	16,390,000	750,000
Premium					52,440	33,909	6,555		79,794	
Clean water loan CWF#103-C2	9,159,368	07/29/94	07/29/94	2.00%	39,997		39,997		-	
Total bonds and notes and related liabilities					17,332,437	3,008,909	971,552	2,900,000	16,469,794	750,000
Net pension obligation					81,168	608			81,776	
Net OPEB obligation					123,147	41,338			164,485	
Total enterprise funds					\$ 17,536,752	\$ 3,050,855	\$ 971,552	\$ 2,900,000	\$ 16,716,055	\$ 750,000

- (1) The sewer improvement bonds are supported by means of an assessment program. The clean water loans will be supported by sewer use charges. All obligations are backed by the full faith and credit of the Town.

The following is a summary of debt maturities:

Year Ending June 30,	Debt Maturities			
	Bonds	General Purpose Interest	Sewer Bonds	Sewer Interest
2015	\$ 1,775,000	\$ 1,048,862	\$ 750,000	\$ 536,110
2016	1,780,000	1,000,851	955,000	532,944
2017	1,785,000	935,475	820,000	507,044
2018	1,790,000	867,476	810,000	484,544
2019	1,795,000	796,851	810,000	462,144
2020	1,795,000	725,507	805,000	439,407
2021	1,810,000	655,950	805,000	415,020
2022	1,805,000	585,287	800,000	387,070
2023	1,800,000	512,837	800,000	357,770
2024	1,275,000	454,806	795,000	329,201
2025	1,265,000	409,407	790,000	300,413
2026	950,000	367,668	620,000	271,044
2027	950,000	329,668	620,000	241,219
2028	945,000	291,768	1,110,000	211,644
2029	945,000	253,968	615,000	182,244
2030	945,000	216,168	930,000	152,919
2031	945,000	178,368	615,000	123,476
2032	945,000	139,978	1,095,000	97,445
2033	945,000	100,407	615,000	65,344
2034	945,000	60,244	615,000	39,207
2035	945,000	20,081	615,000	13,069
TOTALS	\$ 28,135,000	\$ 9,951,627	\$ 16,390,000	\$ 6,149,278

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

**2. Statutory debt limitations**

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 131,974,596	\$ 12,191,460	\$ 119,783,136
Schools	263,949,192	23,827,000	240,122,192
Sewers	219,957,660		219,957,660
Urban renewal	190,629,972		190,629,972
Pension deficit	175,966,128		175,966,128

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$410,587,632.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

**3. Capital leases**

At June 30, 2014, the Town is committed under capital leases for computers and vehicles. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and; therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Computers and vehicles totaling \$2,363,499, net of accumulated depreciation of \$1,357,741, are recorded under the capital lease as of June 30, 2014. This year, \$240,608 was included in depreciation expense.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments as of June 30, 2014:

<u>Year Ending</u> <u>June 30,</u>	
2015	\$ 254,670
2016	246,506
2017	246,506
2018	108,716
Less amount representing interest	<u>(112,457)</u>
Present value of minimum lease payments	<u>\$ 743,941</u>

## Town of Bethel, Connecticut

## Notes to Financial Statements

June 30, 2014

**4. Authorized/unissued bonds**

The amounts of authorized, unissued bonds are as follows:

General purpose	\$ 24,000,024
Schools	7,174,225
Sewer (enterprise fund)	4,604,896
Water (enterprise fund)	<u>1,449,000</u>
Total	<u>\$ 37,228,145</u>

**5. Current year advance refunding**

In May 2014, the Town issued \$1,630,000 of general obligation refunding bonds and \$2,975,000 of sewer refunding bonds with an average interest rate of 2.68%. These refunding bonds were issued to advance refund and defease debt issued in 2004 and 2006. The refunding resulted in an economic gain of \$554,651, with a total savings of \$649,727.

**6. Conduit debt**

The Bethel Baseball Association was desirous of having lighting installed at the baseball field at Mitchell Park. The Association and the Town executed an agreement that has the Town purchase, finance and install the lighting, and the Association would be responsible for the lease payments related to the financing. The lease agreement is payable over a 10 year period due in August 2022. The cost of the equipment is \$130,500 with total financing costs over the 10 years of \$43,365. The agreement between the Association and Town requires the Association to pay the Town 2 of the 10 installments during the fiscal year ending June 30, 2013 and then annual from September 2013 through 2020.

As of June 30, 2014, the outstanding balance of the capital lease was \$120,406. The Town has no obligation to pay the lease beyond the payment received from the lease payment received from the Association.

**G. Restricted net position**

The amount of restricted net position, which was restricted by enabling legislation, totaled \$185,394 at June 30, 2014.

## Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014**H. Fund balance classifications**

As of June 30, 2014, Fund balance components are as follows:

Fund Balance Component	General Fund	Bonded Projects	Capital Nonrecurring	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Advance to other funds	\$ 43,896	\$	\$	\$	\$ 43,896
Long-term accounts receivable	88,221				88,221
Total nonspendable	132,117	-	-	-	132,117
<u>Restricted:</u>					
Health and welfare:					
Small Cities grant				11,311	11,311
Health grants				43,083	43,083
Public safety:					
Police equipment				30,407	30,407
Education:					
School lunch program				88,904	88,904
General government:					
Railroad station				212,525	212,525
Historic documents				7,752	7,752
Total restricted	-	-	-	393,982	393,982
<u>Committed:</u>					
General government:					
Railroad station improvements				21,112	21,112
Planning and Zoning commission				106,439	106,439
Library				35,004	35,004
Education programs				883,384	883,384
Approved CNR projects			1,420,322		1,420,322
Total committed	-	-	1,420,322	1,045,939	2,466,261
<u>Assigned:</u>					
Debt service				1,026,441	1,026,441
Total assigned	-	-	-	1,026,441	1,026,441
<u>Unassigned</u>	13,590,892	(6,041,203)		(1,148,704)	6,400,985
Total	\$ 13,723,009	\$ (6,041,203)	\$ 1,420,322	\$ 1,317,658	\$ 10,419,786

Town of Bethel, Connecticut

Notes to Financial Statements

June 30, 2014

IV. Other information

A. Risk management

The Town is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years, and there have not been any significant reductions in insurance coverage from amounts held in prior year.

The Town utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for pharmacy claims. The fund records all claim expenditures and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Board of Education is charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Town's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

The following is a summary of changes in the claims liabilities:

	Claims Payable <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims <u>Paid</u>	Claims Payable <u>June 30</u>
2012-2013	\$ 48,000	\$ 1,150,182	\$ 1,137,182	\$ 61,000
2013-2014	61,000	1,139,131	1,121,131	79,000

B. Commitments and litigation

Amounts received or receivable from Federal and state grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

The Town is a defendant in various lawsuits and the outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Town of Bethel, Connecticut**  
**Notes to Financial Statements**  
**June 30, 2014**

**C. Pension plans**

**1. Plan description**

**Plan administration**

The Town administers two single employer, contributory, defined benefit pension plans (Town of Bethel and Town of Bethel Police Department). The Town plan was adopted in 1968 and revised in 2000. The Police plan was established by a memorandum of understanding effective July 1, 1997. Town employees become eligible as of their date of hire and for employees hired after January 1, 2001, participation is mandatory. All full time police officers become eligible on their date of employment. The Pension Commission makes recommendations for plan provisions, which are approved by the Board of Selectman. Both plans are part of the Town’s reporting entity and are included in the Town’s financial report as two pension trust funds. The plans do not issue separate, stand alone financial reports.

Management of the plan is vested in the Board of Selectman.

**Plan membership**

As of July 1, 2014, the plans’ membership consists of the following:

	<u>Town</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	101	11
Terminated employees entitled to benefits but not yet receiving them	5	-
Active plan members	<u>136</u>	<u>35</u>
Totals	<u>242</u>	<u>46</u>

**2. Benefit provisions**

Town

The plan provides retirement, disability and death benefits. Retirement benefits for the Town employees under the non-contributory formula are calculated as 2 percent of the member’s average monthly earnings times the years of benefit service less 50% of the employee’s social security benefit. Retirement benefits under the contributory formula are calculated as 2% of average monthly compensation multiplied by years of service (maximum of 35 years). Benefits are reduced by 20% when the participant attains social security retirement age. Town plan members with 5 years of service are eligible to retire at age 55 at a reduced benefit amount.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

All plan members permanently and totally disabled for at least 5 consecutive months may qualify for disability benefits. Disability benefits will be equal to 50 percent of the member's average earnings determine at the date of disability less other payments which may be payable by reason of disability. Death benefits will be paid any time prior to the member's termination of employment.

A plan member who leaves Town service and has attained 10 years of service will be entitled to 100% of the accrued benefit deferred to normal retirement date.

Police

The plan provides retirement, disability, and death benefits. Retirement benefits for the Police are calculated as 2 percent of the average highest 5 years base compensation multiplied by years of credited service up to a maximum of 30 years credited service and is reduced by 30 percent of the amount calculated when the member attains his or her social security retirement age. For police plan members who have attained their early retirement date, the accrued benefit is payable immediately with a 6% per year reduction calculated from the earlier of the following dates: the date on which the member reaches age 55 with 10 years of service or the date on which the member would have completed 25 years of service. The benefit is reduced by 30 percent when the member reaches social security retirement age.

All plan members permanently and totally disabled for at least 182 continuous days following the date on which the member is unable to perform his or her own job may qualify for disability benefits. Disability payments shall cease after 24 consecutive months unless at that time the member is unable to perform any job or occupation for which he is suited by reason of his education or training. Disability benefits will be the lessor of 50 percent of the member's compensation, determined at the date of disability or \$2,000. Death benefits will be paid if a member was married on the date of death.

A plan member who leaves Police service after 10 years of service will be entitled to 100% of the accrued benefit, deferred to normal retirement date.

**3. Contributions**

Town

Employees hired on or after January 1, 2001 are required to make contributions of 4% of pay.

Police

Members are required to contribute 6.5% of base salary. Members with 30 or more years of service shall contribute 3.25% of base salary. Contributions cease after 30 years of contributions.

For each member hired before July 1, 1997, the Town shall contribute 8.5% of base salary. In addition, the Town shall contribute an actuarially determined amount.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

The Town's contributions are actuarially determined on an annual basis using the frozen initial liability cost method for the Town plan and the Police plan. For the year ended June 30, 2014, The Town's contributions were 24.6% and 15.6% of covered payroll, respectively, for the Town and Police plans. Administration costs are financed from investment earnings.

**4. Investment policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Insurance and Pension Commission of the Town. It is the policy of the Town's Insurance and Pension Commission to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Commission's adopted asset allocation policy as of June 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	40%
Fixed income	<u>60%</u>
Total	<u>100%</u>

**5. Concentrations**

There were no investments in any one organization that represents 5% or more of the pension plan's net position.

**6. Rate of return**

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.61% and 9.40%, for the Town and Police plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

**7. Net pension liability**

The components of the net pension liability at June 30, 2014, were as follows:

	<u>Town</u>	<u>Police</u>
Total pension liability	\$ 32,327,673	\$9,227,068
Plan fiduciary net position	<u>(23,295,676)</u>	<u>(8,526,588)</u>
Net pension liability (asset)	<u>\$ 9,031,997</u>	<u>\$ 700,480</u>
Plan fiduciary net position as percentage of the total pension liability	<u>72.06%</u>	<u>92.41%</u>

**8. Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

<u>GASB 67</u>	<u>Town</u>	<u>Police</u>
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value
Amortization method	Level percent	Level percent
Inflation	2.00%	2.00%
Salary increase	3.00%	4.50%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation
Mortality rates	Based on the 1983 Group Mortality Table Male and Female	Based on the 1983 Group Mortality Table 50% male 50% female

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

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, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Town and Police Plans' Long-Term Expected Real Rate of Return</u>
Investment grade bonds	4.3%
Corporate bonds	7.8%
U.S. Large Cap Growth	9.9%
U.S. Large Cap Value	9.5%
U.S. Mid Cap Value	10.3%
U.S. Mid Cap Stocks	9.8%
International equity	9.7%
Limited partnerships	11.3%

**9. Discount rate**

The discount rate used to measure the total pension liability was 7.25% for the Town Plan and 7.00% for the Police Plan. 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.

**10. Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate of 7.25% for the Town Plan and 7.00% for the Police Plan as well as what the 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:

<u>Town</u>	1% Decrease <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net pension liability	\$ 11,277,559	\$ 9,031,997	\$ 7,136,714

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

Police

	1% Decrease <u>(6.00%)</u>	Current Discount <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Net pension liability (asset)	\$ 1,535,409	\$ 700,480	\$ 33,308

**11. Funded status and funding progress**

The assumptions used for the calculations required by GASB 27 are as follows:

<u>GASB 27</u>	<u>Town</u>	<u>Police</u>
Actuarial cost method	Frozen Initial Liability	Frozen Initial Liability
Asset valuation method	Fair value	Fair value
Amortization method	Level dollar	Level dollar
Remaining amortization Period	16 years	13 years
Inflation	2.00%	2.00%
Salary increase	3.00%	4.50%
Investment rate of return	8.00%, net of pension plan Investment expense, including inflation	7.00%, net of pension plan investment expense, including inflation

The actuarial accrued liability is determined under the Frozen Initial Liability method. Under this method, actuarial gains and losses are identified each year and are automatically included in the unfunded actuarial accrued liability. Therefore, they are amortized over the same number of years as the unfunded actuarial accrued liability.

The funded status of the plan as of July 1, 2014 was as follows:

	(A)	(B)	(A-B)	(A/B)	(C)	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll

Town plan

July 1, 2014	\$22,610,724	\$31,586,275	\$(8,975,551)	71.6%	\$7,607,181	(118.0)%
--------------	--------------	--------------	---------------	-------	-------------	----------

Police plan

July 1, 2014	\$ 8,526,588	\$11,541,281	\$(3,014,693)	73.9%	\$2,407,527	(125.2)%
--------------	--------------	--------------	---------------	-------	-------------	----------

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress ("RSI"), immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarially accrued liability for benefits.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

12. Annual pension cost and net pension obligation (NPO)

The changes in the net pension obligation as of June 30, 2014, were as follows:

	<u>Town</u>	<u>Police</u>
Annual required contribution	\$ 1,986,076	\$ 593,686
Interest on net pension obligation	216,450	32,854
Adjustment to ARC		
	<hr/>	<hr/>
Annual pension cost (APC)	2,202,526	626,540
Contribution made	<u>2,867,243</u>	<u>603,856</u>
Change in net pension obligation	(664,717)	22,684
Net pension obligation - July 1, 2013	<u>2,705,624</u>	<u>469,342</u>
Net pension obligation - June 30, 2014	<u>\$ 2,040,907</u>	<u>\$ 492,026</u>

13. Three year trend information

<u>Year Ending June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Town Plan</u>			
2014	\$ 2,202,526	99.0%	\$ 2,040,907
2013	2,292,401	94.3%	2,705,624
2011	2,118,672	96.5%	2,575,704
<u>Police Plan</u>			
2014	\$ 626,540	96.4%	\$ 492,026
2013	609,653	92.9%	469,342
2012	585,327	106.1%	426,031

## Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

## 14. Plan Statements

Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
June 30, 2014

	Town Pension Fund	Police Pension Fund	Total
<u>Assets</u>			
Investments:			
Money market mutual funds	\$ 1,405,216	\$ 246,699	\$ 1,651,915
Certificates of deposit	245,000	236,222	481,222
Corporate bonds	4,196,244	1,673,434	5,869,678
U.S. government obligations	6,294,681	2,488,262	8,782,943
U.S. government agency securities	362,265	146,893	509,158
Common stock	6,536,860	2,544,054	9,080,914
Equity mutual funds	3,168,120	1,198,786	4,366,906
Total investments	22,208,386	8,534,350	30,742,736
Prepaid benefits and fees	294,788	78,468	373,256
Due from other funds	700,987	5,285	706,272
Total assets	23,204,161	8,618,103	31,822,264
<u>Liability</u>			
Liability:			
Due to (from) other funds	(91,515)	91,515	-
<u>Net Position</u>			
Held in trust for employees' pension benefits	\$ 23,295,676	\$ 8,526,588	\$ 31,822,264

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

14. Plan statements

Combining Statement of Changes In Fiduciary Net Position  
Pension Trust Funds  
Year Ended June 30, 2014

	Town Pension Fund	Police Pension Fund	Total
Additions:			
Contributions:			
Employer	\$ 2,559,953	\$ 375,000	\$ 2,934,953
Plan members	307,290	228,856	536,146
Total contributions	2,867,243	603,856	3,471,099
Investment income (loss):			
Change in fair value of investments	1,523,373	526,450	2,049,823
Interest and dividends	575,800	249,415	825,215
Total investment income (loss)	2,099,173	775,865	2,875,038
Less investment expenses	157,641	51,436	209,077
Net investment income (loss)	1,941,532	724,429	2,665,961
Total additions	4,808,775	1,328,285	6,137,060
Deductions:			
Benefits	1,200,025	334,882	1,534,907
Administration	39,913	14,881	54,794
Total deductions	1,239,938	349,763	1,589,701
Change in net position	3,568,837	978,522	4,547,359
Net position - July 1, 2013	19,726,839	7,548,066	27,274,905
Net position - June 30, 2014	\$ 23,295,676	\$ 8,526,588	\$ 31,822,264

Town of Bethel, Connecticut

Notes to Financial Statements

June 30, 2014

**D. Other post-employment benefit plans**

**1. Plan description**

The Town administers three single-employer, post-retirement healthcare plans for the Town, Police and Board of Education, the Town of Bethel Other Post Employment Benefit Plans (OPEB). The Town and Police and Fire plans provide medical, dental and life insurance benefits for eligible retirees and their spouses. The Board of Education plan provides medical and dental benefits to eligible retirees and their spouses. The plan does not issue stand alone financial reports.

**2. Classes of employees covered**

As of July 1, 2013 for Town, Police and Board of Education, the plans' membership consisted of:

	<u>Town</u>	<u>Police</u>	<u>Board of Education</u>
Retirees and beneficiaries currently receiving benefits	15	4	32
Active plan members	81	35	281
Total	<u>96</u>	<u>39</u>	<u>313</u>

**3. Benefit provisions**

**a. Benefit provisions**

The Town plan provides for medical, dental and life insurance benefits for all eligible Town, Police and Fire retirees and their spouses. The Board of Education plan provides medical and dental benefits for all Board of Education retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations.

**b. Employer contributions**

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town, Police and Board of Education's total plan contribution was \$505,767.

**c. Employee contributions**

There are no employee contributions to the plan.

Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement plan. These teachers are required to contribute the cost of the insurance to the Town.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

4. Funded status and funding progress

The funded status of the plan as of July 1, 2013 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability (AAL) Projected Unit Credit	(A-B) Over (Under) Funded AAL	(A/B) Funded AAL Ratio	(C) Covered Payroll	[(A-B)/C] Over (Under) Funded AAL as a Percentage of Covered Payroll
<u>Town</u>						
July 1, 2013	\$	\$7,581,613	\$(7,581,613)	0.0%	N/A	N/A
<u>Police</u>						
July 1, 2013	\$	\$5,291,619	\$(5,291,619)	0.0%	N/A	N/A
<u>Board of Education</u>						
July 1, 2013	\$	\$4,125,282	\$(4,125,282)	0.0%	N/A	N/A

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress (“RSI”), immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

5. Actuarial methods and assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and the actuarial value of assets.

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for all plans as of the latest valuation date is as follows:

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Remaining amortization period:	
Town	25 years closed
Police	25 years closed
Board of Education	25 years closed
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return - all plans	4.00%
Healthcare inflation rate:	
Initial	7.70%
Ultimate	4.40%
Inflation rate	2.75%

Effective July 1, 2013, there were assumption changes for medical age curves, medical inflation, and demographic assumptions for teachers and administrator. The combined effect of the above changes increased the accrued liability by about \$560,000 and increased the annual required contribution by about \$35,000.

There was also a plan provision change with respect to dispatchers which decreased the accrued liability by about \$110,000 and decreased the annual required contribution by about \$5,000.

**6. Annual OPEB cost and net OPEB obligation (NOO)**

The changes in the NOO were as follows:

	<u>Town</u>	<u>Police</u>	<u>Board of Education</u>
Annual required contribution	\$ 497,799	\$ 482,622	\$ 519,046
Interest on net OPEB obligation	40,638	931	83,138
Adjustment to annual required contribution	<u>(55,638)</u>	<u>66,756</u>	<u>(135,825)</u>
Annual OPEB cost	482,799	550,309	466,359
Contributions made	<u>164,815</u>	<u>3,774</u>	<u>337,178</u>
Change in net OPEB obligation	317,984	546,535	129,181
Net OPEB obligation - July 1, 2013	<u>997,648</u>	<u>1,714,709</u>	<u>405,294</u>
Net OPEB obligation - June 30, 2014	<u>\$1,315,632</u>	<u>\$ 2,261,244</u>	<u>\$ 534,475</u>

Town of Bethel, Connecticut

Notes to Financial Statements  
June 30, 2014

**7. Three year trend information**

<u>Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB</u>
<u>Town Plan</u>			
2014	\$ 482,799	34.1%	\$1,315,632
2013	453,468	34.4%	997,648
2012	360,864	49.6%	700,335
<u>Police Plan</u>			
2014	\$ 550,309	0.7%	\$2,261,244
2013	514,584	0.7%	1,714,709
2012	316,843	1.3%	1,203,701
<u>Board of Education Plan</u>			
2014	\$ 466,359	38.3%	\$ 534,475
2013	440,244	72.6%	405,294
2012	439,922	83.2%	284,510

**E. On-behalf payments**

The amount of the State Teachers' Retirement Plan contribution recognized in the General Fund intergovernmental revenues and education expenditures for contributions made by the State on-behalf of the Town's teachers was \$5,128,693.

---

**Required  
Supplementary  
Information**

---

## Town of Bethel, Connecticut

## Town Plan

**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability**  
**Year Ended June 30, 2014**

	2014
Total pension liability:	
Service cost	\$ 1,132,089
Interest	90,567
Difference between expected and actual experience	739,333
Benefit payments, including refunds of member contributions	<u>(1,200,025)</u>
Net change in total pension liability	761,964
Total pension liability - July 1	<u>31,565,709</u>
Total pension liability - June 30 (a)	<u>32,327,673</u>
Plan fiduciary net position:	
Contributions - employer	2,559,953
Contributions - member	307,290
Net investment income	1,941,532
Benefit payments, including refunds of member contributions	(1,200,025)
Administration expense	<u>(39,913)</u>
Net change in plan fiduciary net position	3,568,837
Plan fiduciary net position - July 1	<u>19,726,839</u>
Plan fiduciary net position - June 30 (b)	<u>23,295,676</u>
Net pension liability (asset) - June 30 (a)-(b)	<u><u>\$ 9,031,997</u></u>

## Town of Bethel, Connecticut

## Police Plan

**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability**  
**Year Ended June 30, 2014**

	2014
Total pension liability:	
Service cost	\$ 473,342
Interest	33,134
Difference between expected and actual experience	247,500
Benefit payments, including refunds of member contributions	<u>(334,882)</u>
Net change in total pension liability	419,094
Total pension liability - July 1	<u>8,807,974</u>
Total pension liability - June 30 (a)	<u>9,227,068</u>
Plan fiduciary net position:	
Contributions - employer	375,000
Contributions - member	228,856
Net investment income	724,429
Benefit payments, including refunds of member contributions	(334,882)
Administration expense	<u>(14,881)</u>
Net change in plan fiduciary net position	978,522
Plan fiduciary net position - July 1	<u>7,548,066</u>
Plan fiduciary net position - June 30 (b)	<u>8,526,588</u>
Net pension liability (asset) - June 30 (a)-(b)	<u><u>\$ 700,480</u></u>

## Town of Bethel, Connecticut

## Town Plan

Required Supplementary Information  
Schedule of Net Pension Liability

June 30, 2014

	2014
Total pension liability	\$ 32,327,673
Plan fiduciary net position	<u>(23,295,676)</u>
Net pension liability	<u>\$ 9,031,997</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72.06%</u>
Covered-employee payroll	<u>\$ 7,739,426</u>
Net pension liability as a percentage of covered-employee payroll	<u>116.70%</u>

## Schedule of Investment Returns

	2014
Annual money weighted rate of return, net investment expense	<u>9.61%</u>

## Town of Bethel, Connecticut

## Police Plan

Required Supplementary Information  
Schedule of Net Pension Liability

June 30, 2014

	2014
Total pension liability	\$ 9,227,068
Plan fiduciary net position	<u>(8,526,588)</u>
Net pension liability (asset)	<u>\$ 700,480</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>92.41%</u>
Covered-employee payroll	<u>\$ 2,337,955</u>
Net pension liability (asset) as a percentage of covered-employee payroll	<u>29.96%</u>

## Schedule of Investment Returns

	2014
Annual money weighted rate of return, net investment expense	<u>9.40%</u>

## Town of Bethel, Connecticut

## Town Plan

Required Supplementary Information  
 Schedule of Contributions  
 Last 10 Fiscal Years

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 1,986,076	\$ 2,202,576	\$ (216,500)	\$ 7,739,426	28.46%
2013	2,086,345	2,162,481	(76,136)	7,678,530	28.16%
2012	1,918,557	2,044,409	(125,852)	7,711,696	26.51%
2011	2,029,673	1,663,648	366,025	7,503,503	22.17%
2010	2,173,082	1,593,210	579,872	7,219,991	22.07%
2009	1,901,896	1,586,326	315,570	6,925,811	22.90%
2008	1,747,968	1,571,596	176,372	6,633,769	23.69%
2007	1,607,110	1,132,355	474,755	6,320,397	17.92%
2006	1,436,323	1,001,859	434,464	5,976,798	16.76%
2005	800,000	800,000	-	5,941,574	13.46%

## Town of Bethel, Connecticut

## Police Plan

Required Supplementary Information  
Schedule of Contributions  
Last 10 Fiscal Years

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 593,686	\$ 603,856	\$ (10,170)	\$ 2,337,955	25.83%
2013	579,931	566,342	13,589	2,337,478	24.23%
2012	566,342	579,831	(13,489)	2,357,269	24.60%
2011	621,153	552,997	68,156	2,180,272	25.36%
2010	600,090	556,765	43,325	2,242,755	24.83%
2009	415,392	579,929	(164,537)	2,116,480	27.40%
2008	395,519	478,265	(82,746)	1,983,690	24.11%
2007	267,643	444,905	(177,262)	2,011,476	22.12%
2006	341,526	446,156	(104,630)	1,834,711	24.32%
2005	256,147	280,668	(24,521)	1,800,585	15.59%

## Town of Bethel, Connecticut

## Town Plan

Notes to Required Supplementary Information  
Year Ended June 30, 2014

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2013, one year prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Frozen initial liability method
Amortization method	Level dollar
Remaining amortization period	16 years
Asset valuation method	Fair value
Inflation	2.00%
Salary increases	3.00%
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

## Town of Bethel, Connecticut

## Police Plan

Notes to Required Supplementary Information  
Year Ended June 30, 2014

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2013, one year prior to the end of the fiscal year in which contributions are reported

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Frozen initial liability method
Amortization method	Level dollar
Remaining amortization period	13 years
Asset valuation method	Fair value
Inflation	2.00%
Salary increases	4.50%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut  
 Required Supplementary Information  
 Schedules of Funding Progress

Bethel Other Post-Employment Benefit Plans

<u>Town Plan</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 7,581,613	\$ (7,581,613)	0.0%	N/A	N/A
July 1, 2011	-	7,320,090	(7,320,090)	0.0%	N/A	N/A
June 30, 2009	-	4,144,000	(4,144,000)	0.0%	N/A	N/A

<u>Police Plan</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 5,291,619	\$ (5,291,619)	0.0%	N/A	N/A
July 1, 2011	-	4,053,220	(4,053,220)	0.0%	N/A	N/A
June 30, 2009	-	2,994,000	(2,994,000)	0.0%	N/A	N/A

<u>Board of Education Plan</u>						
	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2013	\$ -	\$ 4,125,282	\$ (4,125,282)	0.0%	N/A	N/A
July 1, 2011	-	3,145,288	(3,145,288)	0.0%	N/A	N/A
June 30, 2009	-	5,922,000	(5,922,000)	0.0%	N/A	N/A

N/A - No valuations performed for fiscal years 2010, 2012 and 2014

## Town of Bethel, Connecticut

Required Supplementary Information  
Schedules of Employer ContributionsBethel Other Post-Employment Benefit PlansTown Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 497,799	\$ 164,815	33.1%
2013	466,455	156,155	33.5%
2012	369,498	178,903	48.4%
2011	348,251	169,453	48.7%
2010	328,000	159,677	48.7%
2009	328,000	131,000	39.9%

Police Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 482,622	\$ 3,774	0.8%
2013	452,234	3,576	0.8%
2012	358,233	4,097	1.1%
2011	337,634	3,881	1.1%
2010	318,000	3,657	1.2%
2009	318,000	3,000	0.9%

Board of Education Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ 519,046	\$ 337,178	65.0%
2013	486,365	319,460	65.7%
2012	385,269	366,000	95.0%
2011	363,115	346,667	95.5%
2010	342,000	326,667	95.5%
2009	342,000	268,000	78.4%

TOWN OF BETHEL, CONNECTICUT

## OTHER POST-EMPLOYMENT BENEFIT PLAN

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2014

Changes of benefit terms	Effective July 1, 2013, the retiree medical insurance supplemental fund no longer applies to dispatchers
Changes of assumptions	Effective July 1, 2013, the healthcare inflation rate was revised to 7.7%, grading down to an ultimate inflation rate of 4.40%

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percentage
Remaining amortization period	25 years
Asset Valuation Method	Fair Value
Investment Rate of Return	4.00%
Healthcare inflation rate - Initial	7.70%
Healthcare inflation rate - Ultimate	4.40%
Inflation rate	2.75%

## Town of Bethel, Connecticut

Required Supplementary Information  
Schedules of Funding ProgressBethel Retirement SystemTown Plan

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2014	\$ 22,610,724	\$ 31,586,275	\$ (8,975,551)	71.6%	\$ 7,607,181	(118.0%)
2013	19,726,839	29,027,261	(9,300,422)	68.0%	7,739,426	(120.2%)
2012	17,645,371	27,921,815	(10,276,444)	63.2%	7,678,530	(133.8%)
2011	16,407,243	26,448,558	(10,041,315)	62.0%	7,711,696	(130.2%)
2010	14,414,186	25,321,090	(10,906,904)	56.9%	7,503,503	(145.4%)
2009	12,835,835	24,607,570	(11,771,735)	52.2%	7,219,991	(163.0%)

Police Plan

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
July 1, 2014	\$ 8,526,588	\$ 11,541,281	\$ (3,014,693)	73.9%	\$ 2,407,527	(125.2%)
2013	7,548,066	10,630,186	(3,082,120)	71.0%	2,337,955	(131.8%)
2012	7,548,066	9,943,329	(2,395,263)	75.9%	2,337,471	(102.5%)
2011	6,328,556	9,503,391	(3,174,835)	66.6%	2,357,269	(134.7%)
2010	5,403,038	8,826,293	(3,423,255)	61.2%	2,180,272	(157.0%)
2009	4,667,268	8,304,102	(3,636,834)	56.2%	2,242,755	(162.2%)