



May 25, 2018

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: TOWN OF BETHEL, CONNECTICUT
\$24,450,000 General Obligation Bond Anticipation Notes**

**Dated: June 15, 2018 Date of Sale: Tuesday, June 5, 2018
Due: November 15, 2018 Time of Sale: 11:30 A.M. (Eastern Time)**

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

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Tuesday, June 5, 2018. 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, June 5, 2018.**

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, 2017. These excerpts are included in this package. Copies of the complete reports for June 30, 2017 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
\$24,450,000
Town of Bethel, Connecticut
General Obligation Bond Anticipation Notes

Date of Sale: Tuesday, June 5, 2018 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: \$24,450,000 General Obligation Bond Anticipation Notes (the "Notes").

Dated Date: June 15, 2018

Principal and Interest Due: At maturity on November 15, 2018

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 "AAA" 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.

Option for No Book Entry: A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. See "Option for No Book Entry" in Notice of Sale.

Financial Advisor: Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone: (203) 283-1110, email: bbernabe@muniadvisors.com

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 June 15, 2018. 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.

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

**\$24,450,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
Dated June 15, 2018 : Due November 15, 2018**

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

June 5, 2018

(the "Bid Date") for the purchase of the above-captioned **TOWN OF BETHEL** General Obligation Bond Anticipation Notes (the "Notes") which mature on November 15, 2018.

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 June 15, 2018 and will be payable to the registered owners on November 15, 2018. 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. (Eastern Time) on behalf of the Town by Phoenix Advisors, LLC, the Town's municipal advisor. All telephone bids must be made to Phoenix Advisors, LLC at 203-283-1110 and be completed by 11:30 A.M. (Eastern Time) on Tuesday, June 5, 2018. 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.

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

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 Notes will NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Code for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

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 The Depository Trust Company ("DTC") on or about June 15, 2018 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.

Establishment of Issue Price

In order to provide the Town with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Town at or prior to the delivery of the Notes an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public (the "Initial Offering Price") or the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. However, such certificate may indicate that the winning bidder has purchased the Notes (or a portion thereof) for its own account in a capacity other than as an Underwriter, and currently has no intent to reoffer the Notes for sale to the Public (as defined

below). For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Town.

The Town intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the “Competitive Sale Rule”) because:

- (1) the Town shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest net interest cost, as set forth in this Notice of Sale.

By submitting a bid, each bidder is certifying that (i) it is an underwriter with an established industry reputation for underwriting municipal bonds, and (ii) its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the Competitive Sale Rule, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds. Phoenix Advisors will advise the winning bidder if the Competitive Sale Rule was met at the same time it notifies the winning bidder of the award of the Notes. Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.

In the event that the Competitive Sale Rule is not satisfied, the Town shall treat the first price at which 10% of the Notes (the “Actual Sale Rule”) are sold to the Public as the issue price of the Notes. In such event, the winning bidder shall promptly advise the Town if the Notes satisfy the Actual Sale Rule as of the Bid Date.

To satisfy the Actual Sale Rule for the Notes, the winning bidder:

- (1) will make a bona fide offering to the Public of all of the Notes at the Initial Offering Price and provide the Town with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,
- (2) will report to the Town information regarding the actual prices at which at least 10% of the Notes have been sold to the Public,
- (3) will provide the Town with reasonable supporting documentation or certifications of such sale prices the form of which is acceptable to Bond Counsel. This reporting requirement, which may extend beyond the closing date of the Notes, will continue until such date that 10% of the Notes has been sold to the Public at such sale price, and

- (4) has or will include within any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, language obligating each Underwriter to comply with the reporting requirement described above.

Sales of any Notes to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (2) “*Related Party*” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (3) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of the selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public

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.

Option for No Book Entry

A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, 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, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

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

May 29, 2018

850 Main Street
P.O. Box 7006
Bridgeport, CT 06601-7006

June ____, 2018

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 \$24,450,000 General Obligation Bond Anticipation Notes (the "Notes") dated June ____, 2018 and maturing November 15, 2018. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated June ____, 2018 (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 (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference under the Code for purposes of the federal alternative minimum tax; such interest is, however, included in adjusted current earnings of certain corporations for purposes of computing the federal alternative minimum tax in effect prior to January 1, 2018 for tax years beginning before such date. 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, 2017

Independent Auditors' Report

**The 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 ("Town"), as of and for the year ended June 30, 2017, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

**Board of Finance
Town of Bethel, Connecticut**

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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, as of June 30, 2017, 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 15 and pages 72 through 84, 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'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.

**Board of Finance
Town of Bethel, Connecticut**

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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 January 24, 2018, on our consideration of the Town'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's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
January 24, 2018



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 For the Year Ended June 30, 2017

As management of the Town of Bethel, Connecticut ("Town"), 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, 2017.

Financial Highlights

- On a government-wide basis, the Town's total net position increased by \$3,484,791 for the fiscal year, \$2,451,652 of which was generated by governmental activities and \$1,033,139 from business-type activities. The main reasons for the increase are positive general fund operating results of \$2,243,448 which was offset by a decrease in fund balance of \$2,949,302 in the bonded project fund. In addition, due to basis of accounting differences from governmental fund to the government wide financial statement amount reported as expenditures in the governmental funds are not reported as expenses on the government wide financial statements. These items included capital asset additions, which were in excess of depreciation expense and debt service payments of \$2,729,989. Finally, the Town recorded pension and OPEB expense of \$2,182,812 and \$1,065,663, respectively. Business-type activities reported an increase in net position of \$1,033,139 due to the positive operations of the water fund of \$445,265 and of the sewer fund of \$587,874.
- The Town's combined net position totals \$121,881,635. Of this amount, \$21,838,620 is available (unrestricted) to finance ongoing programs, \$5,838,026 for governmental activities and \$16,000,594 for business-type activities.
- At year end, the unassigned fund balance for the general fund was \$18,126,550 or 22.7% of total general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$714,621. This decrease was the result of scheduled debt service payments of \$2,570,000 and drinking water loan additions of \$1,855,379.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town'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, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these accounts being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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.

For governmental funds, information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general, bonded projects, and capital nonrecurring funds considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided on Schedules 6 and 7 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.

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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$121,881,635 at the close of the fiscal year.

The largest portion of the Town's net position (81.6%) 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.

An additional portion of the Town's net position (0.5%) 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 \$21,838,620 may be used to meet the Town's ongoing obligations to citizens and creditors.

Summary Statement of Net Position
June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 31,439,439	\$32,933,467	\$17,200,467	\$16,192,787	\$ 48,639,906	\$ 49,126,254
Capital assets (net)	116,701,654	113,868,449	37,108,541	35,294,689	153,810,195	149,163,138
Total assets	148,141,093	146,801,916	54,309,008	51,487,476	202,450,101	198,289,392
Deferred outflows of resources	1,404,732	3,115,119	76,839	168,700	1,481,571	3,283,819
Long-term liabilities outstanding	45,855,109	47,634,730	15,237,430	14,193,959	61,092,539	61,828,689
Other liabilities	16,449,142	17,924,812	2,524,355	1,876,023	18,973,497	19,800,835
Total liabilities	62,304,251	65,559,542	17,761,785	16,069,982	80,066,036	81,629,524
Deferred inflows of resources	1,733,902	1,301,473	250,099	245,370	1,984,001	1,546,843
Net investment in capital assets	79,047,618	72,509,424	20,373,369	20,281,852	99,420,987	92,791,276
Restricted	622,028	478,567	-	-	622,028	478,567
Unrestricted	5,838,026	10,068,029	16,000,594	15,058,972	21,838,620	25,127,001
Total net position	\$ 85,507,672	\$83,056,020	\$36,373,963	\$35,340,824	\$ 121,881,635	\$ 118,396,844

The Town's total net position increased by \$3,484,791 during the current fiscal year. The main reasons for the increase is as follows:

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 \$2,451,652. The main reasons for the increase are positive general fund operating results of \$2,243,448 and significant capital asset additions in excess of depreciation expense.

Business-type activities. Business-type activities reported an increase in net position of \$1,033,139 due to the positive operations of the water fund of \$445,265 and positive operations of the sewer fund of \$587,874 during the current year. This was substantially due to a capital grant in the water fund for Hoyts Hill Pump Station and Maple Avenue Wells and a decrease in sewer fund contracted services as compared to the prior year.

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.

Management's Discussion and Analysis (continued)

Statement of Changes in Net Position Years Ended June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 3,723,501	\$ 3,072,842	\$ 5,416,507	\$ 7,138,614	\$ 9,140,008	\$ 10,211,456
Operating grants and contribution	19,504,600	16,042,794	-	-	19,504,600	16,042,794
Capital grants and contributions	1,697,852	1,062,045	320,775	463,891	2,018,627	1,525,936
General revenues:						
Property taxes	61,698,354	61,363,537	-	-	61,698,354	61,363,537
Grants and contributions not restricted to specific programs	861,179	198,285	-	-	861,179	198,285
Investment income	198,622	151,686	2,311	-	200,933	151,686
Miscellaneous	29,269	16,776	-	-	29,269	16,776
Total revenues	87,713,377	81,907,965	5,739,593	7,602,505	93,452,970	89,510,470
Expenses:						
General government	7,620,667	7,691,037	-	-	7,620,667	7,691,037
Public safety	9,299,858	8,942,567	-	-	9,299,858	8,942,567
Health and welfare	539,269	483,017	-	-	539,269	483,017
Public works	5,573,885	4,805,524	-	-	5,573,885	4,805,524
Library	1,477,351	1,445,174	-	-	1,477,351	1,445,174
Education	59,806,837	54,290,823	-	-	59,806,837	54,290,823
Interest expense	943,858	634,493	-	-	943,858	634,493
Water department	-	-	1,977,289	1,362,593	1,977,289	1,362,593
Sewer department	-	-	2,729,165	2,985,653	2,729,165	2,985,653
Total expenses	85,261,725	78,292,635	4,706,454	4,348,246	89,968,179	82,640,881
Change in net position	2,451,652	3,615,330	1,033,139	3,254,259	3,484,791	6,869,589
Net position - July 1	83,056,020	79,440,690	35,340,824	32,086,565	118,396,844	111,527,255
Net position - June 30	\$85,507,672	\$83,056,020	\$36,373,963	\$35,340,824	\$121,881,635	\$118,396,844

Governmental Activities - Revenues

The significant changes in revenues for governmental activities as compared to the prior year were as follows:

- Capital grants and contributions increased \$635,807 largely due to grants received in the current year for the highway planning and construction grant for Plumtrees Bridge project.
- Operating grants and contributions increased \$3,461,806 due to an increase in the on-behalf amount for the Town's allocable share of the pension expense for the State Teachers' Retirement Plan of approximately \$3,759,000
- Unrestricted grants and contributions increased \$662,894 due to the receipt of the Municipal Revenue Sharing grant of \$392,605 and Municipal Grants-in-Aid of \$282,660.

Governmental Activities - Expenses

The significant changes in expenses for governmental activities from the prior year were as follows:

- Education expenses increased \$5,516,014 due to an increase in the annual appropriation, an increase in the on-behalf amount for the Town's allocable share of the pension expense for the State Teachers' Retirement Plan of approximately \$3,759,000 and approximately \$1,285,000 increase in pension expense.
- Public works expenses increased by a \$768,361 substantially due to approximately \$670,000 increase in pension expense.
- Public safety expenses increased \$357,291 substantially due to increases in salaries and related benefits, including pension and OPEB expense.
- Interest expense increased \$309,365 substantially due to an increase in capital lease interest payments because of the energy lease entered into in 2016.

Business-Type Activities - Revenues

- Charges for services decreased by \$1,722,107 substantially due to \$1,842,760 in sewer assessments billed during 2016 fiscal year.
- Capital grants and contributions decreased by \$143,116 during the year due to a grant that began in fiscal year 2015 related to the Eureka Water Tank project. This project was completed in 2017, however the majority of grant funds were in the form of a project loan. The Town did receive grant funds of \$126,077 for the Hoyts Hill Pump Station and \$164,658 for the Maple Avenue Wells.

Business-Type Activities - Expenses

- Water expenses increased \$614,696 substantially due to approximately \$217,000 increase in pension and OPEB expense as well as an increase in maintenance and other items below the capitalization threshold.
- Sewer expenses decreased \$256,488 due to a decrease in contracted expenses for the special sewer project completed in 2016 offset by an increase in pension and OPEB expense.

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 is \$14,071,084. Of this amount, \$30,185 relates to nonspendable advances, \$622,028 is restricted, \$2,976,485 is committed and \$1,071,182 is assigned. The balance of \$9,371,204 is unassigned fund balance.

Management's Discussion and Analysis (continued)

General Fund

The general fund is the operating fund of the Town. The fund balance of the general fund increased by \$2,243,448 for the current fiscal year. The major factors for this increase were increased property tax revenues over budget expectations of \$1,501,560 and increased charges for services revenues over budget expectations of \$284,183.

Expenditures were in line with the amounts budgeted.

Bonded Projects Fund

The Bonded Projects Fund's net change in fund balance was a decrease of \$2,949,302 for the fiscal year. This is a result of the capital lease for the energy project. This is due to the Town financing project using bond anticipation notes. Once the projects are completed they will be financed with bonds and the deficit fund balance will be eliminated.

Capital Nonrecurring Fund

The Capital Nonrecurring Fund's net change in fund balance was a decrease of \$27,422 for the fiscal year due to the timing of the funding and spending of projects.

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 generated an increase in net position of \$1,033,139 detailed as follows:

Water Department

Net position of the water department at the end of the year amounted to \$3,943,599 an increase of \$445,265. This was substantially due to a capital grant in the water fund for Hoyts Hill Pump Station and Maple Avenue Wells.

Sewer Department

Net position of the sewer department at the end of the year amounted to \$32,430,364, an increase of \$587,874. This was due to a decrease in sewer fund contracted services offset by increases in pension and OPEB expense.

General Fund Budgetary Highlights

A detailed budgetary comparison schedule is presented on Exhibit F. A summary of that schedule follows:

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources				
Property taxes	\$ 60,447,306	\$ 60,447,306	\$ 61,948,866	\$ 1,501,560
Intergovernmental	9,279,811	9,279,811	9,327,557	47,746
Charges for services, use of money and property, and other	1,546,021	1,546,021	1,946,150	400,129
Totals	71,273,138	71,273,138	73,222,573	1,949,435
Expenditures and Other Financing Uses				
Expenditures	69,559,497	69,559,497	69,427,799	131,698
Transfers out	1,713,641	1,713,641	1,713,641	-
Totals	71,273,138	71,273,138	71,141,440	131,698
Change in Fund Balance	\$ -	\$ -	\$ 2,081,133	\$ 2,081,133

The most significant budget transfers were as follows:

- The parks and recreation (general government) budget was increased \$242,283 due an after school program that was previously run through the Board of Education budget was taken over by the parks and recreation department.
- The budget for utilities, charges and services (general government) was decreased \$157,518 for additional expenditures in other departments as fuel costs were lower than anticipated due to the mild winter.

Capital Assets and Debt Administration

The Town of Bethel's investment in capital assets in both governmental and business-type activities amounted to \$153,810,195, net of depreciation. This includes land, intangible assets, buildings, equipment and infrastructure (roads and bridges). Capital assets for governmental activities increased by 2.5% and business-type capital assets increased by 5.1%.

The most significant capital asset additions were as follows:

Governmental activities:

- Construction in progress increased \$4,953,704 during the year. This was offset by a \$5,092,153 transfer of completed projects to depreciable capital assets. Additions included \$1,531,925 for Whittlesey/Plumtrees Bridge, \$1,336,355 for Police Station, and \$1,585,747 for the energy saving lighting project.

Capital Assets and Debt Administration (continued)

- Infrastructure increased during the year due to \$2,315,295 in additions for Whittlesey/Plumtrees Bridge and \$2,966,386 in roads. These additions primarily came from construction in progress.
- Building improvements increased primarily due to the \$272,818 high school auditorium project.
- \$626,244 of equipment was purchased, primarily for computers and other technology equipment.
- \$221,864 in vehicles were purchased, including several police cars.

Business-type Activities:

- Construction in progress increased \$2,465,496 due to a number of projects during the year including the Eureka water tank project of \$1,096,772, the Maple Avenues Wells project of \$515,542, and Hoyts Hill Pump Station Project of \$480,074. This was offset by a \$4,915,448 transfer of completed projects to distribution and collection system.

Capital Assets - Net June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 6,957,720	\$ 6,957,720	\$ 157,072	\$ 157,072	\$ 7,114,792	\$ 7,114,792
Construction in progress	5,888,221	6,026,670	1,493,413	3,943,365	7,381,634	9,970,035
Land improvements	1,765,766	1,825,383	-	-	1,765,766	1,825,383
Intangible assets	82,407	88,999	6,577,480	6,740,439	6,659,887	6,829,438
Buildings	66,094,661	67,282,885	523,309	585,872	66,617,970	67,868,757
Building improvements	8,034,956	8,211,072	23,570	25,168	8,058,526	8,236,240
Distribution and collection system	-	-	27,648,125	23,116,200	27,648,125	23,116,200
Machinery and equipment	3,738,699	4,106,597	657,944	694,796	4,396,643	4,801,393
Vehicles	4,010,923	4,180,317	27,628	31,777	4,038,551	4,212,094
Infrastructure	20,128,301	15,188,806	-	-	20,128,301	15,188,806
Total	<u>\$ 116,701,654</u>	<u>\$ 113,868,449</u>	<u>\$ 37,108,541</u>	<u>\$ 35,294,689</u>	<u>\$ 153,810,195</u>	<u>\$ 149,163,138</u>

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

Long-term Debt

During the year, the Town's long-term debt decreased by \$714,621 due to scheduled debt service payments of \$2,570,000 and drinking water loan additions of \$1,855,379. At the end of the current fiscal year, the Town had total bonded and loan debt outstanding of \$37,545,379, which is backed by the full faith and credit of the Town of Bethel, CT.

Long-term Debt (continued)

Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General purpose bonds	\$ 3,575,000	\$ 4,048,500	\$13,425,000	\$14,210,000	\$17,000,000	\$18,258,500
School bonds	18,690,000	20,001,500	-	-	18,690,000	20,001,500
Drinking Water loan	-	-	1,855,379	-	1,855,379	-
Total	\$22,265,000	\$24,050,000	\$15,280,379	\$14,210,000	\$37,545,379	\$38,260,000

The Town maintains an "AA2" rating from Moody's and an "AAA" 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 \$433,148,240, 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 3.0%, which is unchanged from fiscal year 2016. This is lower than both the state's average unemployment rate of 4.6% and the national average of 4.1%.
- 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 2018 and thereafter.

Town officials considered many factors when setting the fiscal year 2018 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 2018 general fund budget is \$72,966,495, an increase of 2.4% 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, 2017

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash	\$ 5,446,508	\$ 594,214	\$ 6,040,722
Investments	23,415,157	401,900	23,817,057
Receivables:			
Property taxes	682,979	-	682,979
Assessments	-	1,671,248	1,671,248
Intergovernmental	1,424,388	1,327,596	2,751,984
Other	43,253	467,641	510,894
Internal balances	(337,979)	337,979	-
Other	25,743	-	25,743
Total current assets	30,700,049	4,800,578	35,500,627
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash	284,903	-	284,903
Receivables (net):			
Property taxes	61,150	-	61,150
Assessments	-	12,399,889	12,399,889
Loan	393,337	-	393,337
Total receivables (net)	454,487	12,399,889	12,854,376
Capital assets (net of accumulated depreciation):			
Land	6,957,720	157,072	7,114,792
Construction in progress	5,888,221	1,493,413	7,381,634
Land improvements	1,765,766	-	1,765,766
Intangible assets	82,407	6,577,480	6,659,887
Buildings	66,094,661	523,309	66,617,970
Building improvements	8,034,956	23,570	8,058,526
Distribution and collection system	-	27,648,125	27,648,125
Machinery and equipment	3,738,699	657,944	4,396,643
Vehicles	4,010,923	27,628	4,038,551
Infrastructure	20,128,301	-	20,128,301
Total capital assets (net of accumulated depreciation)	116,701,654	37,108,541	153,810,195
Total noncurrent assets	117,441,044	49,508,430	166,949,474
Total assets	148,141,093	54,309,008	202,450,101
<u>Deferred Outflows of Resources</u>			
Pension related	1,404,732	76,839	1,481,571

(Continued)

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

Town of Bethel, Connecticut

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 1,868,836	\$ 337,680	\$ 2,206,516
Retainage payable	-	69,873	69,873
Accrued payroll and related liabilities	238,153	16,086	254,239
Accrued interest payable	241,072	99,274	340,346
Unearned revenue	55,156	-	55,156
Bond anticipation notes	10,405,000	50,000	10,455,000
Interim funding obligation	-	1,036,861	1,036,861
Performance bonds	284,903	-	284,903
Bonds and notes payable	1,692,219	914,581	2,606,800
Capital lease payable	382,946	-	382,946
Compensated absences	972,712	-	972,712
Other liabilities	308,145	-	308,145
Total current liabilities	16,449,142	2,524,355	18,973,497
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	21,150,545	14,484,220	35,634,765
Capital lease payable	3,719,231	-	3,719,231
Compensated absences	3,086,660	22,204	3,108,864
Net pension liability	10,702,032	410,269	11,112,301
Net OPEB obligation	7,196,641	320,737	7,517,378
Total noncurrent liabilities	45,855,109	15,237,430	61,092,539
Total liabilities	62,304,251	17,761,785	80,066,036
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	1,037,149	-	1,037,149
Deferred charge on refunding	304,095	249,510	553,605
Pension related	392,658	589	393,247
Total deferred inflows of resources	1,733,902	250,099	1,984,001
<u>Net Position</u>			
Net investment in capital assets	79,047,618	20,373,369	99,420,987
Restricted for:			
General government	358,846	-	358,846
Education	95,968	-	95,968
Other	167,214	-	167,214
Unrestricted	5,838,026	16,000,594	21,838,620
Total net position	\$ 85,507,672	\$ 36,373,963	\$ 121,881,635

(Concluded)

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

Town of Bethel, Connecticut

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,620,667	\$ 1,961,767	\$ 4,003	\$ 121,154	\$ (5,533,743)	\$ -	\$ (5,533,743)
Public safety	9,299,858	268,497	40,000	46,730	(8,944,631)	-	(8,944,631)
Health and welfare	539,269	50,565	291,872	-	(196,832)	-	(196,832)
Public works	5,573,885	156,326	320,239	1,529,968	(3,567,352)	-	(3,567,352)
Library	1,477,351	8,817	13,798	-	(1,454,736)	-	(1,454,736)
Education	59,806,837	1,277,529	18,834,688	-	(39,694,620)	-	(39,694,620)
Interest expense	943,858	-	-	-	(943,858)	-	(943,858)
Total governmental activities	85,261,725	3,723,501	19,504,600	1,697,852	(60,335,772)	-	(60,335,772)
Business-type activities:							
Water department	1,977,289	2,101,777	-	320,775	-	445,263	445,263
Sewer department	2,729,165	3,314,730	-	-	-	585,565	585,565
Total business-type activities	4,706,454	5,416,507	-	320,775	-	1,030,828	1,030,828
Total	\$ 89,968,179	\$ 9,140,008	\$ 19,504,600	\$ 2,018,627	\$ (60,335,772)	\$ 1,030,828	\$ (59,304,944)
General revenues:							
Property taxes					\$ 61,698,354	\$ -	\$ 61,698,354
Grants and contributions not restricted to specific programs					861,179	-	861,179
Investment income					198,622	2,311	200,933
Miscellaneous					29,269	-	29,269
Total general revenues					62,787,424	2,311	62,789,735
Change in net position					2,451,652	1,033,139	3,484,791
Net position - July 1, 2016					83,056,020	35,340,824	118,396,844
Net position - June 30, 2017					\$ 85,507,672	\$ 36,373,963	\$ 121,881,635

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

Town of Bethel, Connecticut

Balance Sheet
Governmental Funds
June 30, 2017

	General	Bonded Projects	Capital Nonrecurring	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 3,277,695	\$ 524,018	\$ 329,360	\$ 542,492	\$ 4,673,565
Restricted cash	284,903	-	-	-	284,903
Investments	21,432,470	-	764,765	-	22,197,235
Receivables:					
Property taxes	793,654	-	-	-	793,654
Intergovernmental	365,918	-	958,160	100,310	1,424,388
Loan	-	-	-	393,337	393,337
Other	43,149	-	-	104	43,253
Due from other funds	3,273,276	1,752,105	241,567	2,248,328	7,515,276
Advance to other funds	30,185	-	-	-	30,185
Other	11,697	-	-	14,046	25,743
Total assets	<u>\$ 29,512,947</u>	<u>\$ 2,276,123</u>	<u>\$ 2,293,852</u>	<u>\$ 3,298,617</u>	<u>\$ 37,381,539</u>
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ 1,167,740	\$ 522,010	\$ 71,520	\$ 57,566	\$ 1,818,836
Accrued payroll	238,153	-	-	-	238,153
Due to other funds	6,921,289	73,374	891,376	59,898	7,945,937
Unearned revenue	29,087	-	-	26,069	55,156
Bond anticipation notes	-	10,405,000	-	-	10,405,000
Performance bonds	284,903	-	-	-	284,903
Other liabilities	308,145	-	-	-	308,145
Advance from other funds	-	-	-	30,185	30,185
Total liabilities	<u>8,949,317</u>	<u>11,000,384</u>	<u>962,896</u>	<u>173,718</u>	<u>21,086,315</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
Property taxes	793,654	-	-	-	793,654
Advance property tax collections	1,037,149	-	-	-	1,037,149
Loan	-	-	-	393,337	393,337
Total deferred inflows of resources	<u>1,830,803</u>	<u>-</u>	<u>-</u>	<u>393,337</u>	<u>2,224,140</u>
<u>Fund Balances</u>					
Nonspendable	30,185	-	-	-	30,185
Restricted	-	-	-	622,028	622,028
Committed	576,092	-	1,330,956	1,069,437	2,976,485
Assigned	-	-	-	1,071,182	1,071,182
Unassigned	18,126,550	(8,724,261)	-	(31,085)	9,371,204
Total fund balances	<u>18,732,827</u>	<u>(8,724,261)</u>	<u>1,330,956</u>	<u>2,731,562</u>	<u>14,071,084</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,512,947</u>	<u>\$ 2,276,123</u>	<u>\$ 2,293,852</u>	<u>\$ 3,298,617</u>	<u>\$ 37,381,539</u>

(Continued)

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

Town of Bethel, Connecticut
Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2017

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, Page 1 of 2)	\$ 14,071,084
---	---------------

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

Beginning capital assets	113,868,449
Capital assets additions (net of construction in progress)	6,325,351
Depreciation expense	(3,388,273)
Disposal of capital assets	(103,873)

Other long-term assets are not available resources and, therefore, are not reported in the funds:

Property tax interest and lien accrual	175,475
Allowance for doubtful accounts	(225,000)

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

Property tax receivable - accrual basis change	793,654
Loan receivable - accrual basis change	393,337
Deferred outflows related to pensions	1,404,732

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	2,033,547
---	-----------

Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(22,265,000)
Bond premium	(577,764)
Deferred charge on refunding	(304,095)
Capital lease payable	(4,102,177)
Compensated absences	(4,059,372)
Net pension liability	(10,702,032)
Net OPEB obligation	(7,196,641)
Accrued interest payable	(241,072)
Deferred inflows related to pensions	(392,658)

Net position of governmental activities	\$ 85,507,672
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(Concluded)

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

Town of Bethel, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended June 30, 2017

	<u>General</u>	<u>Bonded Projects</u>	<u>Capital Nonrecurring</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 61,948,866	\$ -	\$ -	\$ -	\$ 61,948,866
Intergovernmental	17,841,944	121,154	1,529,968	2,591,647	22,084,713
Charges for services	1,885,995	-	7,651	1,364,275	3,257,921
Use of money and property	195,769	-	2,498	355	198,622
Contributions	-	-	-	51,161	51,161
Other	5,177	-	24,092	-	29,269
	<u>81,877,751</u>	<u>121,154</u>	<u>1,564,209</u>	<u>4,007,438</u>	<u>87,570,552</u>
Total revenues					
Expenditures:					
Current:					
General government	13,178,184	-	-	308,293	13,486,477
Public safety	5,422,193	-	-	85,746	5,507,939
Health and welfare	327,690	-	-	25,043	352,733
Public works	3,389,038	-	-	-	3,389,038
Library	847,143	-	-	13,696	860,839
Education	52,383,015	-	-	3,315,677	55,698,692
Debt service	2,887,040	-	-	-	2,887,040
Capital outlay	-	4,062,330	1,842,711	-	5,905,041
	<u>78,434,303</u>	<u>4,062,330</u>	<u>1,842,711</u>	<u>3,748,455</u>	<u>88,087,799</u>
Total expenditures					
Excess (deficiency) of revenues over expenditures	<u>3,443,448</u>	<u>(3,941,176)</u>	<u>(278,502)</u>	<u>258,983</u>	<u>(517,247)</u>
Other financing sources (uses):					
BAN premium	-	16,874	-	-	16,874
Sale of capital assets	-	-	26,080	-	26,080
Transfers in	-	975,000	225,000	-	1,200,000
Transfers out	(1,200,000)	-	-	-	(1,200,000)
	<u>(1,200,000)</u>	<u>991,874</u>	<u>251,080</u>	<u>-</u>	<u>42,954</u>
Net other financing sources (uses)					
Net change in fund balances	2,243,448	(2,949,302)	(27,422)	258,983	(474,293)
Fund balances - July 1, 2016	<u>16,489,379</u>	<u>(5,774,959)</u>	<u>1,358,378</u>	<u>2,472,579</u>	<u>14,545,377</u>
Fund Balances - June 30, 2017	<u>\$ 18,732,827</u>	<u>\$ (8,724,261)</u>	<u>\$ 1,330,956</u>	<u>\$ 2,731,562</u>	<u>\$ 14,071,084</u>

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

Town of Bethel, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2017**

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) \$ (474,293)

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	6,325,351
Depreciation expense	<u>(3,388,273)</u>
 Total	 <u>2,937,078</u>

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 (103,873)

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	(160,171)
Change in loan receivable - accrual basis change	393,337
Change in property tax interest and lien revenue	(115,341)
Change in property tax allowance for doubtful accounts	<u>25,000</u>

Total 142,825

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:

Principal repayments:

General obligation bonds	1,785,000
Capital lease	866,804
Bond premium	97,219
Deferred charges	<u>(19,034)</u>

Total 2,729,989

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	250,163
Pension expense	(2,182,812)
OPEB expense	(1,065,563)
Accrued interest payable	<u>63,123</u>

Total (2,935,089)

The net revenue of the activities of the internal service funds is reported with governmental activities 155,015

Change in net position of governmental activities (Exhibit B) \$ 2,451,652

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

Town of Bethel, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For The Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 60,447,306	\$ 60,447,306	\$ 61,948,866	\$ 1,501,560
Intergovernmental	9,279,811	9,279,811	9,327,557	47,746
Charges for services	1,461,021	1,461,021	1,745,204	284,183
Use of money and property	85,000	85,000	195,769	110,769
Other	-	-	5,177	5,177
Total revenues	<u>71,273,138</u>	<u>71,273,138</u>	<u>73,222,573</u>	<u>1,949,435</u>
Expenditures:				
Current:				
General government	13,175,337	13,233,157	13,178,184	54,973
Public safety	4,972,074	4,986,580	4,985,080	1,500
Health and welfare	370,421	327,690	327,690	-
Public works	3,435,946	3,382,460	3,377,390	5,070
Library	849,403	847,143	847,143	-
Education	43,859,880	43,895,427	43,825,272	70,155
Debt service	<u>2,896,436</u>	<u>2,887,040</u>	<u>2,887,040</u>	<u>-</u>
Total expenditures	<u>69,559,497</u>	<u>69,559,497</u>	<u>69,427,799</u>	<u>131,698</u>
Excess (deficiency) of revenues over expenditures	1,713,641	1,713,641	3,794,774	2,081,133
Other financing sources (uses):				
Transfers out	<u>(1,713,641)</u>	<u>(1,713,641)</u>	<u>(1,713,641)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,081,133	<u>\$ 2,081,133</u>
Fund balance, July 1, 2016			<u>17,324,029</u>	
Fund balance, June 30, 2017			<u>\$ 19,405,162</u>	

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

Town of Bethel, Connecticut

Statement of Fund Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities Enterprise Funds			
	Major Funds			Internal Service Funds
	Water Department	Sewer Department	Totals	
<u>Assets</u>				
Current assets:				
Cash	\$ 18,599	\$ 575,615	\$ 594,214	\$ 772,943
Investments	-	401,900	401,900	1,217,922
Receivables (net):				
Assessments	-	1,671,248	1,671,248	-
Intergovernmental	1,327,596	-	1,327,596	-
Other	181,312	286,329	467,641	-
Due from other funds	-	2,917,070	2,917,070	42,682
Total current assets	1,527,507	5,852,162	7,379,669	2,033,547
Noncurrent assets:				
Receivables:				
Assessments	-	12,399,889	12,399,889	-
Capital assets (net):				
Land	24,123	132,949	157,072	-
Construction in progress	1,396,732	96,681	1,493,413	-
Intangible assets	4,832	6,572,648	6,577,480	-
Buildings	204,541	318,768	523,309	-
Building improvements	18,939	4,631	23,570	-
Distribution and collection system	6,834,109	20,814,016	27,648,125	-
Machinery and equipment	39,661	618,283	657,944	-
Vehicles	27,628	-	27,628	-
Total capital assets (net)	8,550,565	28,557,976	37,108,541	-
Total noncurrent assets	8,550,565	40,957,865	49,508,430	-
Total assets	10,078,072	46,810,027	56,888,099	2,033,547
<u>Deferred Outflows of Resources</u>				
Pension related	43,908	32,931	76,839	-

(Continued)

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

Town of Bethel, Connecticut

Statement of Fund Net Position
Proprietary Funds
June 30, 2017

Business-type Activities
Enterprise Funds

<u>Liabilities</u>	<u>Major Funds</u>			Internal Service Funds
	<u>Water Department</u>	<u>Sewer Department</u>	<u>Totals</u>	
Current liabilities:				
Accounts payable	\$ 193,921	\$ 143,759	\$ 337,680	\$ -
Retainage payable	69,873	-	69,873	-
Accrued payroll and benefits	10,122	5,964	16,086	-
Accrued interest payable	3,092	96,182	99,274	-
Due to other funds	2,579,091	-	2,579,091	-
Bond anticipation notes payable	-	50,000	50,000	-
Interim funding obligation	1,036,861	-	1,036,861	-
Bonds, notes and loans payable	137,520	777,061	914,581	-
Total current liabilities	4,030,480	1,072,966	5,103,446	-
Noncurrent liabilities:				
Bonds, notes and related liabilities	1,717,859	12,766,361	14,484,220	-
Compensated absences	14,220	7,984	22,204	-
Net pension liability	234,439	175,830	410,269	-
Net OPEB obligation	181,047	139,690	320,737	-
Total noncurrent liabilities	2,147,565	13,089,865	15,237,430	-
Total liabilities	6,178,045	14,162,831	20,340,876	-
<u>Deferred Inflows of Resources</u>				
Deferred charge on refunding	-	249,510	249,510	-
Pension related	336	253	589	-
Total deferred inflows of resources	336	249,763	250,099	-
<u>Net Position</u>				
Net investment in capital assets	5,658,325	14,715,044	20,373,369	-
Unrestricted	(1,714,726)	17,715,320	16,000,594	2,033,547
Total net position	\$ 3,943,599	\$ 32,430,364	\$ 36,373,963	\$ 2,033,547

(Concluded)

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

Town of Bethel, Connecticut

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For The Year Ended June 30, 2017

	Business-type Activities Enterprise Funds			
	Major Funds			Internal Service Funds
	Water Department	Sewer Department	Totals	
Operating revenues:				
Charges for services	\$ 2,101,777	\$ 2,756,531	\$ 4,858,308	\$ 668,147
Operating expenses:				
Personnel services	836,542	551,923	1,388,465	-
Repairs and maintenance	106,788	63,766	170,554	-
Contracted services	554,998	1,037,891	1,592,889	-
Materials and supplies	73,384	31,186	104,570	-
Utilities	16,446	38,811	55,257	-
Insurance	25,679	18,057	43,736	-
Claims incurred	-	-	-	526,234
Capital improvement	204,070	-	204,070	-
Depreciation and amortization	148,636	489,467	638,103	-
Total operating expenses	1,966,543	2,231,101	4,197,644	526,234
Operating income (loss)	135,234	525,430	660,664	141,913
Nonoperating revenues (expenses):				
Capital grant	320,775	-	320,775	-
Investment income	2	2,309	2,311	13,102
Assessment bond interest	-	558,199	558,199	-
Interest expense	(10,746)	(498,064)	(508,810)	-
Net nonoperating revenues (expenses)	310,031	62,444	372,475	13,102
Change in net position	445,265	587,874	1,033,139	155,015
Total net position - July 1, 2016	3,498,334	31,842,490	35,340,824	1,878,532
Total net position - June 30, 2017	\$ 3,943,599	\$ 32,430,364	\$ 36,373,963	\$ 2,033,547

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

Town of Bethel, Connecticut

Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2017

	Business-type Activities Enterprise Funds			
	Major Funds			Internal Service Funds
	Water Department	Sewer Department	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 2,127,351	\$ 2,845,626	\$ 4,972,977	\$ 668,147
Receipts (payments) on due to/from balances	(129,013)	(1,221,772)	(1,350,785)	(42,682)
Payments to suppliers	(1,256,552)	(1,108,415)	(2,364,967)	-
Payments to employees	(698,595)	(455,702)	(1,154,297)	-
Claims paid	-	-	-	(594,634)
Net cash provided by (used in) operating activities	<u>43,191</u>	<u>59,737</u>	<u>102,928</u>	<u>30,831</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(2,366,250)	(85,705)	(2,451,955)	-
Assessments	-	1,113,049	1,113,049	-
Assessment bond interest	-	558,199	558,199	-
Proceeds from grants and state drinking water loans	2,349,310	-	2,349,310	-
Principal payments (bonds and bond anticipation notes)	-	(1,135,000)	(1,135,000)	-
Interest payments, net	(7,654)	(510,280)	(517,934)	-
Net cash provided by (used in) capital and related financing activities	<u>(24,594)</u>	<u>(59,737)</u>	<u>(84,331)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income	<u>2</u>	<u>2,309</u>	<u>2,311</u>	<u>13,102</u>
Increase (decrease) in cash and cash equivalents	18,599	2,309	20,908	43,933
Cash and cash equivalents - July 1, 2016	<u>-</u>	<u>975,206</u>	<u>975,206</u>	<u>1,946,932</u>
Cash and cash equivalents - June 30, 2017	<u>\$ 18,599</u>	<u>\$ 977,515</u>	<u>\$ 996,114</u>	<u>\$ 1,990,865</u>
Reconciliation to Exhibit G - Cash:				
Cash and cash equivalents per above	\$ 18,599	\$ 977,515	\$ 996,114	\$ 1,990,865
Cash and cash equivalents reported as investments	<u>-</u>	<u>(401,900)</u>	<u>(401,900)</u>	<u>(1,217,922)</u>
Cash - Exhibit G	<u>\$ 18,599</u>	<u>\$ 575,615</u>	<u>\$ 594,214</u>	<u>\$ 772,943</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 135,234	\$ 525,430	\$ 660,664	\$ 141,913
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	148,636	489,467	638,103	-
(Increase) decrease in:				
Receivables	25,574	89,095	114,669	-
Due from other funds	-	(1,221,772)	(1,221,772)	(42,682)
Increase (decrease) in:				
Accounts and other payables	(137,240)	177,517	40,277	(68,400)
Due to other funds	(129,013)	-	(129,013)	-
Net cash provided by (used in) operating activities	<u>\$ 43,191</u>	<u>\$ 59,737</u>	<u>\$ 102,928</u>	<u>\$ 30,831</u>

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

Town of Bethel, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Pension Trust Funds	Private - Purpose Trust Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash	\$ -	\$ 37,777	\$ 144,079
Investments:			
Mutual funds:			
Equity	5,732,640	34,795	-
Bond	2,994,680	105,207	-
Certificates of deposit	1,128,803	-	632,462
Bank money market accounts	835,779	4,841	-
U.S. government obligations	6,156,581	-	-
U.S. government agency securities	-	162,990	-
Common stock	14,776,153	-	-
Corporate bonds	8,552,502	-	-
	<u> </u>	<u> </u>	<u> </u>
Total investments	40,177,138	307,833	632,462
	<u> </u>	<u> </u>	<u> </u>
Prepaid benefits and fees	524,702	-	-
Due from other funds	50,000	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	40,751,840	345,610	776,541
	<u> </u>	<u> </u>	<u> </u>
<u>Liability</u>			
Accounts payable	-	-	776,541
	<u> </u>	<u> </u>	<u> </u>
<u>Net Position</u>			
Restricted for pension benefits and other purposes	\$ 40,751,840	\$ 345,610	\$ -
	<u> </u>	<u> </u>	<u> </u>

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

Town of Bethel, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended June 30, 2017

	Pension Trust Funds	Private - Purpose Trust Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 2,221,720	\$ -
Plan members	580,567	-
Private contributions	<u>-</u>	<u>39,218</u>
Total contributions	<u>2,802,287</u>	<u>39,218</u>
Investment income (loss):		
Change in fair value of investments	2,229,267	(1,070)
Interest and dividends	<u>1,797,062</u>	<u>13,012</u>
Total investment income (loss)	4,026,329	11,942
Less investment expenses	<u>210,129</u>	<u>-</u>
Net investment income (loss)	<u>3,816,200</u>	<u>11,942</u>
Total additions	<u>6,618,487</u>	<u>51,160</u>
Deductions:		
Benefits	2,052,157	-
Administration	137,594	135
Scholarships awarded	<u>-</u>	<u>48,575</u>
Total deductions	<u>2,189,751</u>	<u>48,710</u>
Change in net position	4,428,736	2,450
Net position - July 1, 2016	<u>36,323,104</u>	<u>343,160</u>
Net position - June 30, 2017	<u><u>\$ 40,751,840</u></u>	<u><u>\$ 345,610</u></u>

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

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****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 of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Bethel, Connecticut

Notes to Financial Statements
For Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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 Scholarships 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
For the Year Ended June 30, 2017**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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, 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Town of Bethel pension plan and the Connecticut State Teachers' Retirement System (TRS) have been determined on the same basis as they are reported by the Town of Bethel pension plan and TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

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.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity (continued)

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.

The investment guidelines are as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	20%	60%	60%
Fixed income	40%	90%	40%
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.

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 34% of outstanding receivable balances and are calculated based 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.

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
For the Year Ended June 30, 2017**

**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)**

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 acquisition 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 \$10,746 and \$498,064, respectively. These amounts were not 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

Intangible assets for governmental activities are for computer software, which is amortized over the expected useful life of the software. Intangible assets for business-type activities are for computer software and for capacity at a sewer treatment plant owned and operated by another municipality. These are amortized over the useful life of the software and equipment.

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)****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 deferred outflows of resources related to pensions for differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments. The deferred outflow related to the differences between expected and actual experience will be amortized over the average remaining service life of all plan members. The deferred outflow for the net difference between projected and actual earnings of the pension plan investments will be amortized over a five year period.

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. The Town reports a deferred inflow related to pensions for the differences between expected and actual experience. These deferred inflows will be amortized over the remaining service life of all plan members. The Town also reports the deferred charge on refunding which 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.

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. 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 noncurrent 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.

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)****7. 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.

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.

8. 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.

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.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017**C. Assets, liabilities, deferred outflows/inflows of resources and net position or equity
(continued)**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.

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 of Finance 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.

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****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.
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 \$50,000 require Board of Selectmen and Board of Finance approval. Those in excess of \$50,000 require full legislative approval (Town Meeting). There were no additional appropriations during the year.
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.

Town of Bethel, Connecticut

Notes to Financial Statements

II. Stewardship, compliance and accountability (continued)

A. Budgets and budgetary accounting (continued)

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>Transfers Out</u>	<u>Fund Balance</u>
Balance, budgetary basis, Exhibit F	\$ 73,222,573	\$ 69,427,799	\$ (1,713,641)	\$ 19,405,162
Accrued Payroll	-	-	-	(141,389)
Board of Education Contingency	-	43,356	238,641	576,092
Paramedic Intercept	140,791	437,113	275,000	(464,614)
Transfer Station	-	11,648	-	(642,424)
State Teachers' Retirement on-behalf amount	8,514,387	8,514,387	-	-
Balance, GAAP basis, Exhibit D	<u>\$ 81,877,751</u>	<u>\$ 78,434,303</u>	<u>\$ (1,200,000)</u>	<u>\$ 18,732,827</u>

B. 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 \$37,928 for the Hennessy Scholarship fund, \$62,990 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.

The Town allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

C. Capital projects authorizations

The following is a summary of certain projects recorded in the Bonded Projects Fund:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Road Construction 2016	\$ 1,038,808	\$ 829,799	\$ 209,009
Road Construction 2017	500,000	-	-
Police Station	13,492,000	966,246	12,525,754
Energy Saving Project	<u>4,305,492</u>	<u>3,781,474</u>	<u>524,018</u>
Totals	<u>\$ 19,336,300</u>	<u>\$ 5,577,519</u>	<u>\$ 13,758,781</u>

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

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. At year end, \$18,174,149 of the Town's bank balance of \$19,826,722 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 15,209,398
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,964,751</u>
Total amount subject to custodial credit risk	<u>\$ 18,174,149</u>

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.

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	\$ 5,767,435	\$ 5,767,435	\$ -	\$ -	\$ -	\$ -
Bond	13,108,115	-	11,264,377	1,843,738	-	-
Certificates of deposit	7,376,593	-	7,376,593	-	-	-
Bank money market accounts	8,994,459	-	8,994,459	-	-	-
U.S. government obligations	6,156,581	-	471,191	5,685,390	-	-
U.S. government agency securities	202,652	-	-	39,662	-	162,990
Common stock	14,776,153	14,776,153	-	-	-	-
Corporate bonds	8,552,502	-	-	8,552,502	-	-
Total	<u>\$ 64,934,490</u>	<u>\$ 20,543,588</u>	<u>\$ 28,106,620</u>	<u>\$ 16,121,292</u>	<u>\$ -</u>	<u>\$ 162,990</u>

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and
- Level 3:* Unobservable inputs.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

A. Cash and Investments (continued)

The Town had the following recurring fair value measurements:

	Amount	Quoted Market Prices in Active Markets Level 1	Significant Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Investments by Fair Value Level				
<u>Mutual Funds:</u>				
Equity	\$ 5,767,435	\$ 5,767,435	\$ -	\$ -
Bond	13,108,115	13,108,115	-	-
Money market	-	-	-	-
Common stock	14,776,153	14,776,153	-	-
U.S. government obligations	6,156,581	-	6,156,581	-
U.S. government agency obligations	202,652	-	202,652	-
Corporate bonds	8,552,502	-	8,552,502	-
Total Investments by Fair Value Level	48,563,438	\$ 33,651,703	\$ 14,911,735	\$ -
<u>Other Investments</u>				
Certificates of deposit	7,376,593			
Bank money market accounts	8,994,459			
Total Other investments	16,371,052			
Total Investments	\$ 64,934,490			

Securities classified in Level 1 are valued using prices quoted in active markets for those securities. Securities classified in Level 2 are valued using quoted prices for identical securities in markets that are not active.

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	Bond Mutual Funds	U.S. Government Obligations	U.S. Government Agency Securities	Corporate Bonds
AAA	\$ 23,333	\$ 6,156,581	\$ 202,652	\$1,366,243
AA	11,159,171	-	-	2,706,579
A	-	-	-	2,070,405
B	1,925,711	-	-	-
BB	-	-	-	288,709
BBB	-	-	-	2,069,159
Unrated	-	-	-	51,408
Total	\$13,108,215	\$ 6,156,581	\$ 202,652	\$8,552,503

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

A. Cash and Investments (continued)

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.

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	\$ 6,156,581	\$ 1,000,000	\$ 5,156,581
U.S. government agency securities	202,652	162,990	39,662
Common stock	14,776,153	500,000	14,276,153
Corporate bonds	<u>8,552,502</u>	<u>-</u>	<u>8,552,502</u>
Total	<u>\$ 29,687,888</u>	<u>\$ 1,662,990</u>	<u>\$ 28,024,898</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 are presented below.

	<u>Property Taxes</u>		
	<u>Taxes</u>	<u>Interest & Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 595,241</u>	<u>\$ 87,738</u>	<u>\$ 682,979</u>
Long-term portion	\$ 198,413	\$ 87,737	\$ 286,150
Less allowance for uncollectibles	<u>(150,000)</u>	<u>(75,000)</u>	<u>(225,000)</u>
Net long-term portion	<u>\$ 48,413</u>	<u>\$ 12,737</u>	<u>\$ 61,150</u>

	<u>Use Charge Receivables</u>	
	<u>Water Department</u>	<u>Sewer Department</u>
Gross receivable	\$ 186,312	\$ 293,829
Less allowance for uncollectibles	<u>(5,000)</u>	<u>(7,500)</u>
Net receivable	<u>\$ 181,312</u>	<u>\$ 286,329</u>

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Capital assets

Capital asset activity for the fiscal year was as follows:

	Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 6,957,720	\$ -	\$ -	\$ 6,957,720
Construction in progress	6,026,670	4,953,704	5,092,153	5,888,221
Total capital assets, not being depreciated	<u>12,984,390</u>	<u>4,953,704</u>	<u>5,092,153</u>	<u>12,845,941</u>
Capital assets, being depreciated:				
Land improvements	2,616,076	47,868	-	2,663,944
Buildings	88,929,745	-	-	88,929,745
Building improvements	14,222,894	286,143	-	14,509,037
Machinery and equipment	8,793,901	626,244	106,042	9,314,103
Intangible assets	131,849	-	-	131,849
Vehicles	6,994,697	221,864	378,610	6,837,951
Infrastructure	19,007,931	5,281,681	-	24,289,612
Total capital assets, being depreciated	<u>140,697,093</u>	<u>6,463,800</u>	<u>484,652</u>	<u>146,676,241</u>
Total capital assets	<u>153,681,483</u>	<u>11,417,504</u>	<u>5,576,805</u>	<u>159,522,182</u>
Less accumulated depreciation for:				
Land improvements	790,693	107,485	-	898,178
Buildings	21,646,860	1,188,224	-	22,835,084
Building improvements	6,011,822	462,259	-	6,474,081
Machinery and equipment	4,687,304	988,729	100,629	5,575,404
Intangible assets	42,850	6,592	-	49,442
Vehicles	2,814,380	292,798	280,150	2,827,028
Infrastructure	3,819,125	342,186	-	4,161,311
Total accumulated depreciation	<u>39,813,034</u>	<u>3,388,273</u>	<u>380,779</u>	<u>42,820,528</u>
Total capital assets, being depreciated, net	<u>100,884,059</u>	<u>3,075,527</u>	<u>103,873</u>	<u>103,855,713</u>
Governmental activities capital assets, net	<u>\$ 113,868,449</u>	<u>\$ 8,029,231</u>	<u>\$ 5,196,026</u>	<u>\$ 116,701,654</u>

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Capital assets (continued)

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 157,072	\$ -	\$ -	\$ 157,072
Construction in progress	3,943,365	2,465,496	4,915,448	1,493,413
Total capital assets, not being depreciated	<u>4,100,437</u>	<u>2,465,496</u>	<u>4,915,448</u>	<u>1,650,485</u>
Capital assets, being depreciated:				
Intangible assets	12,144,523	-	-	12,144,523
Buildings	4,272,637	-	-	4,272,637
Building improvements	78,674	-	-	78,674
Distribution and collection system	29,403,399	4,901,908	-	34,305,307
Machinery and equipment	1,558,470	-	42,325	1,516,145
Vehicles	144,875	-	-	144,875
Total capital assets, being depreciated	<u>47,602,578</u>	<u>4,901,908</u>	<u>42,325</u>	<u>52,462,161</u>
Total capital assets	<u>51,703,015</u>	<u>7,367,404</u>	<u>4,957,773</u>	<u>54,112,646</u>
Less accumulated depreciation for:				
Intangible assets	5,404,085	162,958	-	5,567,043
Buildings	3,686,764	62,564	-	3,749,328
Building improvements	53,506	1,598	-	55,104
Distribution and collection system	6,287,200	369,982	-	6,657,182
Machinery and equipment	863,674	36,852	42,325	858,201
Vehicles	113,098	4,149	-	117,247
Total accumulated depreciation	<u>16,408,327</u>	<u>638,103</u>	<u>42,325</u>	<u>17,004,105</u>
Total capital assets, being depreciated, net	<u>31,194,251</u>	<u>4,263,805</u>	<u>-</u>	<u>35,458,056</u>
Business-type capital assets, net	<u>\$ 35,294,688</u>	<u>\$ 6,729,301</u>	<u>\$ 4,915,448</u>	<u>\$ 37,108,541</u>

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

Governmental activities:

General government	\$ 170,685
Public safety	357,833
Public works	491,030
Library	204,836
Health and welfare	43,946
Education	<u>2,119,943</u>

Total depreciation expense - governmental activities \$3,388,273

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Capital assets (continued)Business-type activities:

Water	\$ 148,636
Sewer	<u>489,467</u>

Total depreciation/amortization expense - business-type activities \$ 638,103

Construction commitments

The Town has the following commitments:

Police station project	\$2,515,109
Lighting project	524,018
Hoyts Hill Pump Station	735,055
Maple Avenue Wells	28,649

D. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances is as follows:

	Corresponding Fund	<u>Due From</u>	<u>Due To</u>
<u>Major funds:</u>			
General fund:			
Health department grants	N/A	\$ -	\$ 38,948
Public safety grants	N/A	-	40,290
Education grants	N/A	-	892,937
Railroad station	N/A	-	63,708
General government	N/A	-	22,916
Debt service fund	N/A	-	1,083,156
Small cities	N/A	-	62,999
Capital nonrecurring	N/A	891,376	-
Bonded projects	N/A	-	1,752,105
Water department	N/A	2,381,900	-
Sewer department	N/A	-	2,871,548
Internal service	N/A	-	42,682
Town pension fund	N/A	-	<u>50,000</u>
Total general fund		<u>3,273,276</u>	<u>6,921,289</u>
Bonded projects:			
General fund	N/A	1,752,105	-
Debt service fund	N/A	-	43,374
Capital nonrecurring	N/A	-	<u>30,000</u>
Total bonded projects		<u>1,752,105</u>	<u>73,374</u>

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Interfund accounts (continued)

	Corresponding <u>Fund</u>	<u>Due From</u>	<u>Due To</u>
<u>Capital nonrecurring:</u>			
General fund	N/A	\$ -	\$ 891,376
Bonded projects	N/A	30,000	-
Debt service	N/A	59,898	-
Water	N/A	151,669	-
Total capital nonrecurring		241,567	891,376
<u>Water department:</u>			
Capital nonrecurring	N/A	-	151,669
Sewer department	N/A	-	45,522
General fund	N/A	-	2,381,900
Total water department		-	2,579,091
<u>Sewer department:</u>			
Water department	N/A	45,522	-
General fund	N/A	2,871,548	-
Total sewer department		2,917,070	-
<u>Internal service funds:</u>			
BOE medical self-insurance	General fund	42,682	-
<u>Nonmajor governmental funds:</u>			
Health department grants	General fund	38,948	-
Small cities	General fund	62,999	-
Public safety grants	General fund	40,290	-
Education grants	General fund	892,937	-
Railroad station	General fund	63,708	-
General government	General fund	22,916	-
Debt service fund	General fund	1,083,156	-
Debt service fund	Bonded projects	43,374	-
Debt service fund	Capital nonrecurring	-	59,898
Total nonmajor governmental funds		2,248,328	59,898
<u>Fiduciary funds:</u>			
Town pension fund	General fund	50,000	-
Grand total		<u>\$ 10,525,028</u>	<u>\$ 10,525,028</u>

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

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

2. Advance payable and receivable

	Corresponding <u>Fund</u>	Advances <u>To</u>	Advances <u>From</u>
General fund:			
Bennett property	N/A	\$ 30,185	\$ -
Nonmajor governmental funds:			
Bennett property	General Fund	-	30,185
Grand total		<u>\$ 30,185</u>	<u>\$ 30,185</u>

Advances relate to working capital loans. Balances are not scheduled to be collected in the subsequent year.

2. Interfund transfers

A summary of interfund transfers for the fiscal year is as follows:

	Corresponding <u>Fund</u>	Transfers <u>In</u>	Transfers <u>Out</u>
General fund:			
Capital nonrecurring	N/A	\$ -	\$ 225,000
Bonded projects	N/A	-	975,000
Total general fund		-	1,200,000
Major – Bonded projects:			
General fund	N/A	975,000	-
Major – Capital nonrecurring:			
General fund	N/A	225,000	-
Grand total		<u>\$1,200,000</u>	<u>\$1,200,000</u>

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

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

E. Short-term obligations**1. 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 fiscal year was as follows:

Governmental activities:

Project	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
General purpose - capital	\$8,890,270	\$8,690,270	\$8,890,270	\$8,690,270
Road paving	1,660,000	1,285,000	1,660,000	1,285,000
Public works equipment	479,730	329,730	479,730	329,730
High school renovation	350,000	100,000	350,000	100,000
Total	<u>\$11,380,000</u>	<u>\$10,405,000</u>	<u>\$11,380,000</u>	<u>\$10,405,000</u>

Business-type activities:

The Town also issued BANS for certain enterprise fund projects.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Sewer department	<u>\$ 400,000</u>	<u>\$ 50,000</u>	<u>\$ 400,000</u>	<u>\$ 50,000</u>

The BANs carry an interest rate of 1.25% and mature in October 2017. In October 2017, the Town issued \$22,950,000 of BANs that mature in June 2018 and carry an interest rate of 2.00%.

2. Interim funding obligations

The Town has two interim loans from the Drinking Water State Revolving Fund in the Water Fund. The loans include interest at 2.00% per year. The final project loan obligation will include accrued interest.

Project	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Hoyts Hill Pump Station	\$ -	\$ 378,231	\$ -	\$ 378,231
Maple Ave Wells	-	658,630	-	658,630
Total interim funding obligations	<u>\$ -</u>	<u>\$1,036,861</u>	<u>\$ -</u>	<u>\$1,036,861</u>

Town of Bethel, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2017

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, 2016	Additions	Deductions	Balance June 30, 2017	Current Portion
General purpose:									
Refunding bonds	\$ 1,785,000	04/28/10	07/15/20	4.00-5.00%	\$ 1,270,000	\$ -	\$ 315,000	\$ 955,000	\$ 315,000
Refunding bonds	1,992,000	04/28/10	07/15/20	3.00-5.00%	1,148,500	-	158,500	990,000	165,000
Refunding bonds	1,630,000	05/14/14	08/01/31	2.00-3.00%	<u>1,630,000</u>	-	-	<u>1,630,000</u>	-
Total general purpose					<u>4,048,500</u>	-	<u>473,500</u>	<u>3,575,000</u>	<u>480,000</u>
School:									
Refunding bonds	4,648,000	04/28/10	07/15/20	3.00-5.00%	2,521,500	-	361,500	2,160,000	360,000
Refunding bonds	18,405,000	04/28/15	11/15/34	1.00-5.00%	<u>17,480,000</u>	-	<u>950,000</u>	<u>16,530,000</u>	<u>755,000</u>
Total school					<u>20,001,500</u>	-	<u>1,311,500</u>	<u>18,690,000</u>	<u>1,115,000</u>
Total bonds					24,050,000	-	1,785,000	22,265,000	1,595,000
Premium					<u>674,983</u>	-	<u>97,219</u>	<u>577,764</u>	<u>97,219</u>
Total bonds and notes and related liabilities					24,724,983	-	1,882,219	22,842,764	1,692,219
Capital lease payable					4,968,981	-	866,804	4,102,177	382,946
Compensated absences					4,309,535	346,115	596,278	4,059,372	972,712
Net pension liability					10,611,774	6,267,678	6,177,420	10,702,032	-
Net OPEB obligation					<u>6,131,078</u>	<u>1,603,488</u>	<u>537,925</u>	<u>7,196,641</u>	-
Total long-term obligations					<u>\$ 50,746,351</u>	<u>\$ 8,217,281</u>	<u>\$ 10,060,646</u>	<u>\$ 48,902,986</u>	<u>\$ 3,047,877</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
For the Year Ended June 30, 2017**

F. Changes in long-term obligations (continued)Enterprise funds (1):

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Current Portion
Bonds:									
Sewer:									
Refunding bonds	\$ 2,975,000	05/14/14	08/01/31	2.00-3.25%	\$ 2,770,000	\$ -	\$ 200,000	\$ 2,570,000	\$ 190,000
Refunding bonds	12,010,000	04/07/15	11/15/34	1.00-5.00%	11,440,000	-	585,000	10,855,000	580,000
Total bonds					14,210,000	-	785,000	13,425,000	770,000
Notes:									
Water:									
DWSRF 2016-7040	1,855,379	05/31/17	11/30/36	2.00%	-	1,855,379	-	1,855,379	137,520
Premium					158,257	-	39,835	118,422	7,061
Total bonds, notes and related liabilities					14,368,257	1,855,379	824,835	15,398,801	914,581
Compensated absences					17,598	5,234	628	22,204	-
Net pension liability					326,092	387,650	303,473	410,269	-
Net OPEB obligation					267,012	80,848	27,123	320,737	-
Total enterprise funds					\$ 14,978,959	\$ 2,329,111	\$ 1,156,059	\$ 16,152,011	\$ 914,581

- (1) The sewer improvement bonds are supported by means of an assessment program. 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	Notes	Notes Interest
2018	\$1,595,000	\$864,438	\$770,000	\$483,657	\$137,520	\$ 38,894
2019	1,740,000	788,613	775,000	456,532	77,940	33,645
2020	1,760,000	701,113	780,000	423,282	79,513	32,072
2021	1,790,000	615,713	790,000	388,657	81,118	30,467
2022	1,795,000	532,738	795,000	352,682	82,755	28,830
2023	1,800,000	451,038	800,000	317,307	84,425	27,160
2024	1,285,000	383,257	800,000	282,413	86,130	25,455
2025	1,275,000	337,458	800,000	253,350	87,868	23,717
2026	950,000	305,069	620,000	230,031	89,642	21,943
2027	940,000	276,719	615,000	206,481	91,451	20,134
2028	930,000	244,019	1,100,000	180,281	93,297	18,288
2029	930,000	206,819	605,000	151,281	95,180	16,405
2030	930,000	169,619	920,000	122,356	97,101	14,484
2031	925,000	137,144	600,000	96,413	99,061	12,564
2032	915,000	108,972	900,000	73,160	101,061	10,525
2033	910,000	78,750	590,000	51,100	103,100	8,485
2034	900,000	47,075	585,000	30,538	105,181	6,404
2035	895,000	15,658	580,000	10,145	107,304	4,281
2036	-	-	-	-	109,470	2,115
2037	-	-	-	-	46,262	232
TOTALS	\$ 22,265,000	\$ 6,264,212	\$ 13,425,000	\$ 4,109,666	\$ 1,855,379	\$ 376,100

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017**

F. Changes in long-term obligations (continued)**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	\$ 139,226,220	\$ 13,880,000	\$ 125,346,220
Schools	278,452,440	18,790,000	259,662,440
Sewers	232,043,700	-	232,043,700
Urban renewal	201,104,540	-	201,104,540
Pension deficit	185,634,960	-	185,634,960

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$433,148,240.

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

The Town is committed under capital leases for computers, equipment 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, equipment and vehicles totaling \$594,775, net of accumulated depreciation of \$540,906, are recorded under the capital lease. This year, \$139,064 was included in depreciation expense.

Capital assets for the energy lease totaled \$3,781,474 are included in construction in progress at year end.

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:

<u>Year Ending June 30,</u>	
2018	\$ 503,892
2019	495,479
2020	272,527
2021	281,164
2022	306,923
2023-2027	1,685,580
2028-2030	1,380,238
Less amount representing interest	<u>(823,626)</u>
Present value of minimum lease payments	<u>\$ 4,102,177</u>

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

F. Changes in long-term obligations (continued)**4. Authorized/unissued bonds**

The amounts of authorized, unissued bonds are as follows:

General purpose	\$ 14,145,325
Schools	<u>9,578,623</u>
Total	<u>\$ 23,723,948</u>

5. 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 annual installments through 2022.

The outstanding balance of the capital lease was \$86,612. 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 \$124,603.

H. Deficit fund balances

The Benentt Property funds had a deficit fund balance at year end of \$31,085

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

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

I. Fund balance classifications

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	\$ 30,185	\$ -	\$ -	\$ -	\$ 30,185
<u>Restricted:</u>					
Health and welfare:					
Small Cities grant	-	-	-	87,976	87,976
Health grants	-	-	-	38,948	38,948
Public safety:					
Police equipment	-	-	-	40,290	40,290
School lunch program	-	-	-	95,968	95,968
General government:					
Railroad station operations	-	-	-	330,211	330,211
Historic documents preservation	-	-	-	28,635	28,635
Total restricted	-	-	-	622,028	622,028
<u>Committed:</u>					
General government:					
Railroad station improvements	-	-	-	23,878	23,878
Planning and Zoning commission	-	-	-	74,847	74,847
Library operations	-	-	-	49,416	49,416
Education grant programs	-	-	-	921,296	921,296
Education (general)	576,092	-	-	-	576,092
Approved CNR projects	-	-	1,330,956	-	1,330,956
Total committed	576,092	-	1,330,956	1,069,437	2,976,485
<u>Assigned:</u>					
Future debt service payments	-	-	-	1,071,182	1,071,182
<u>Unassigned</u>					
	18,126,550	(8,724,261)	-	(31,085)	9,371,204
Total	\$ 18,732,827	\$ (8,724,261)	\$ 1,330,956	\$ 2,731,562	\$ 14,071,084

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

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 and future Board of Education retiree medical 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:

<u>Fiscal year</u>	<u>Claims Payable July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2015-2016	\$ 55,200	\$ 980,839	\$ 967,639	\$68,400
2016-2017	68,400	(44,094)	24,306	-

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
For the Year Ended June 30, 2017

C. Pension plans**1. Plan description****A. 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.

B. Plan membership

As of July 1, 2016, the plans' membership consists of the following:

	<u>Town</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	105	14
Terminated employees entitled to benefits but not yet receiving them	13	2
Active plan members	<u>122</u>	<u>36</u>
Totals	<u><u>240</u></u>	<u><u>52</u></u>

2. Benefit provisionsTown

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
For the Year Ended June 30, 2017****C. Pension plans (continued)**

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 determined 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 \$24,000. 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. ContributionsTown

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
For the Year Ended June 30, 2017

C. Pension plans (continued)

The Town's contributions are actuarially determined on an annual basis using the entry age normal method for the Town plan and the Police plan. The Town's contributions were 15.43% and 40.10% 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:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	60%
Fixed income	40%
Cash	<u>N/A</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

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.51% and 10.50% for the Town and Police plans. 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
For the Year Ended June 30, 2017

C. Pension plans (continued)**7. Net pension liability**

The components of the net pension liability were as follows:

	<u>Town</u>	<u>Police</u>
Total pension liability	\$ 35,826,779	\$ 16,037,362
Plan fiduciary net position	<u>(29,965,798)</u>	<u>(10,786,042)</u>
Net pension liability	<u>\$ 5,860,981</u>	<u>\$ 5,251,320</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.64%</u>	<u>67.26%</u>

8. Actuarial assumptions

The total pension liability was determined as of July 1, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

	<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, closed	Level percent, closed
Inflation	2.70%	2.70%
Salary increase	3.00%	4.00%, average
Investment rate of return	6.75%, net of pension plan investment expense, including inflation	6.75%, net of pension plan investment expense, including inflation
Mortality rates	Based on the RP-2000 Mortality Table for Employees, Healthy and Disabled Annuitants with generational projection per Scale BB	Based on the RP-2000 Mortality Table for Employees, Healthy and Disabled Annuitants with generational projection per Scale BB.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)**8. Actuarial assumptions (continued)**

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

<u>Asset Class</u>	Town and Police Plans' <u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	2.66%
Broad U.S. Equities	5.15%

The total weighted average expected rate of return is 6.75% (excludes inflation).

9. Discount rate

The discount rate used to measure the total pension liability was 6.75% for the Town and Police Plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)**10. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The changes in net pension liability for each plan for the fiscal year were as follows:

Town Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2016	\$ 31,810,462	\$ 27,152,011	\$ 4,658,451
Service cost	785,563	-	785,563
Interest	2,149,718	-	2,149,718
Change of benefit terms	2,396,107	-	2,396,107
Differences between expected and actual experience	206,471	-	206,471
Contributions - employer	-	1,200,000	(1,200,000)
Contributions - member	-	399,468	(399,468)
Net investment income	-	2,838,413	(2,838,413)
Benefit payments, including refunds of member contributions	(1,521,542)	(1,521,542)	-
Administration	-	(102,552)	102,552
Net change	4,016,317	2,813,787	1,202,530
Balance at June 30, 2017	\$ 35,826,779	\$ 29,965,798	\$ 5,860,981

Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2016	\$ 15,450,508	\$ 9,171,093	\$ 6,279,415
Service cost	484,820	-	484,820
Interest	1,058,018	-	1,058,018
Differences between expected and actual experience	(425,369)	-	(425,369)
Contributions - employer	-	1,021,720	(1,021,720)
Contributions - member	-	181,099	(181,099)
Net investment income	-	977,787	(977,787)
Benefit payments, including refunds of member contributions	(530,615)	(530,615)	-
Administration	-	(35,042)	35,042
Net change	586,854	1,614,949	(1,028,095)
Balance at June 30, 2017	\$ 16,037,362	\$ 10,786,042	\$ 5,251,320

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)

11. 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 6.75% for the Town and Police Plans 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:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
<u>Town</u>			
Net pension liability	\$ 10,074,099	\$ 5,860,981	\$ 2,505,561
<u>Police</u>			
Net pension liability	\$ 7,731,532	\$ 5,251,320	\$ 3,410,769

12. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the fiscal year the Town recognized pension expense of \$2,511,933 for the Town Plan and \$(153,284) for the Police Plan. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Town Plan</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Description of Outflows/Inflows		
Differences between expected and actual experience	\$ 160,589	\$ 8,389
Net difference between projected and actual earnings on pension plan investments	937,115	-
Total	<u>\$ 1,097,704</u>	<u>\$ 8,389</u>
Net amount of deferred inflows and outflows		<u>\$ 1,089,315</u>
<u>Police</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Description of Outflows/Inflows		
Differences between expected and actual experience	\$ 96,408	\$ 384,858
Net difference between projected and actual earnings on pension plan investments	287,459	-
Total	<u>\$ 383,867</u>	<u>\$ 384,858</u>
Net amount of deferred inflows and outflows		<u>\$ (991)</u>

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was 4.9 and 9.4 years for the Town and Police Plans, respectively.

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

Year Ending June 30,	Town	Police
2018	\$ 507,383	\$ 112,438
2019	507,384	112,436
2020	253,304	47,536
2021	(178,756)	(94,883)
2022	-	(27,483)
Thereafter	-	(151,035)
Total	<u>\$ 1,089,315</u>	<u>\$ (991)</u>

13. Defined contribution retirement savings plan

As of July 1, 2013, Town employees and certain Board of Education employees not covered by the Town's defined benefit plan are eligible to participate in the Town of Bethel Money Purchase Defined Contribution Plan administered by the Town. The Board of Selectmen has the authority to establish and amend the plan. At year end, there were 10 employees eligible to participate in the plan. The Town and employees are both required to contribute 5% of earnings. During the year, the Town recognized pension expense of \$37,964 and employee contributions totaled \$37,964.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become vested in Town contributions and earnings over a 5 year period at 20% per year. Notwithstanding the foregoing, a participant will be 100% vested in employer contributions upon attaining normal retirement age, termination of the plan, the complete discontinuance of employer contributions, death of the participant and total and permanent disability of the participant.

The Town had no liability to the plan at fiscal year end.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)**14. Plan Statements**

Combining Statement of Fiduciary Net Position
Pension Trust Funds

	Town Pension Fund	Police Pension Fund	Total
<u>Assets</u>			
Investments:			
Equity mutual funds	\$ 4,243,745	\$ 1,488,895	\$ 5,732,640
Bond mutual funds	1,911,743	1,082,937	2,994,680
Certificates of deposit	531,017	597,786	1,128,803
Bank money market accounts	835,779	-	835,779
U.S. government obligations	4,584,572	1,572,009	6,156,581
Common stock	11,031,616	3,744,537	14,776,153
Corporate bonds	6,364,959	2,187,543	8,552,502
Total investments	29,503,431	10,673,707	40,177,138
Prepaid benefits and fees	395,445	129,257	524,702
Due from other funds	50,000	-	50,000
Total assets	29,948,876	10,802,964	40,751,840
<u>Liability</u>			
Due to (from) other funds	(16,922)	16,922	-
<u>Net Position</u>			
Restricted for pension benefits	\$ 29,965,798	\$ 10,786,042	\$ 40,751,840

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

C. Pension plans (continued)

Combining Statement of Changes In Fiduciary Net Position
Pension Trust Funds

	Town Pension Fund	Police Pension Fund	Total
Additions:			
Contributions:			
Employer	\$ 1,200,000	\$ 1,021,720	\$ 2,221,720
Plan members	399,468	181,099	580,567
Total contributions	1,599,468	1,202,819	2,802,287
Investment income (loss):			
Change in fair value of investments	1,653,042	576,225	2,229,267
Interest and dividends	1,336,092	460,970	1,797,062
Total investment income (loss)	2,989,134	1,037,195	4,026,329
Less investment expenses	150,721	59,408	210,129
Net investment income (loss)	2,838,413	977,787	3,816,200
Total additions	4,437,881	2,180,606	6,618,487
Deductions:			
Benefits	1,521,542	530,615	2,052,157
Administration	102,552	35,042	137,594
Total deductions	1,624,094	565,657	2,189,751
Change in net position	2,813,787	1,614,949	4,428,736
Net position - July 1, 2016	27,152,011	9,171,093	36,323,104
Net position - June 30, 2017	\$ 29,965,798	\$ 10,786,042	\$ 40,751,840

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****D. Pension plans - Connecticut State Teachers' Retirement System****1. Plan description**

Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (TRS) - a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board (TRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

2. Benefit provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of average annual salary.

3. ContributionsState of Connecticut

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employer (School Districts)

School district employers are not required to make contributions to the plan.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Pension plans - Connecticut State Teachers' Retirement System (continued)Employees

Effective July 1, 1992, each teacher is required to contribute 6% of their salary for the pension benefit.

4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amounts recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>78,075,252</u>
Total	<u><u>\$ 78,075,252</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At fiscal year end the Town has no proportionate share of the net pension liability.

For the fiscal year, the Town recognized pension expense and revenue of \$8,514,387 for on-behalf amounts for the benefits provided by the State.

5. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

D. Pension plans - Connecticut State Teachers' Retirement System (continued)

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u>100.0%</u>	

Town of Bethel, Connecticut

**Notes to Financial Statements
For the Year Ended June 30, 2017****D. Pension plans - Connecticut State Teachers' Retirement System (continued)****6. Discount rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer 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.

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

The Town's proportionate share of the net pension liability is \$0 and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement System Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

E. Other post-employment benefit plans**1. Plan description****A. Plan administration**

The Town administers a single-employer, post-retirement healthcare plan for the Town, Police and Board of Education, the Town of Bethel Other Post-Employment Benefit Plan ("OPEB"). The Town and Police 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.

B. Benefit provisions

The Town and Police plans provide for medical, dental and life insurance benefits for all eligible Town and Police 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.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

1. Plan description (continued)**C. Contributions**

The Board of Finance has the authority to determine contributions to the plan. The Town is currently funding benefits on a pay as you go basis. Plan members are not required to contribute to the plan.

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 \$565,047.

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.

D. Employees Covered by Benefit Terms

As of July 1, 2015 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	16	9	17
Active plan members	74	33	266
Total	<u>90</u>	<u>42</u>	<u>283</u>

2. Actuarial methods and other inputs

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, 2015
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Remaining amortization period	22 years, closed

Actuarial assumptions:

Investment rate of return - all plans	4.00%
Healthcare inflation rate:	
Initial	5.40%
Ultimate	4.40%
Inflation rate	2.75%

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

2. Actuarial methods and other inputs (continued)

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.

Effective July 1, 2015, there were assumption changes for the healthcare inflation rate which was revised from an initial rate of 7.7% to 5.4%, grading down to an ultimate inflation rate of 4.4%.

3. Funded status and funding progress

The funded status of the plan as of July 1, 2015 was as follows:

Actuarial Valuation Date	(A) Actuarial Value of Assets	(B)	(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
		Actuarial Accrued Liability (AAL) Projected Unit Credit				
July 1, 2015	\$ -	\$17,236,557	\$(17,236,557)	0.0%	32,247,902	-53.5%

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.

Town of Bethel, Connecticut

Notes to Financial Statements
For the Year Ended June 30, 2017

4. Annual OPEB cost and net OPEB obligation (NOO)

The changes in the NOO were as follows:

Annual required contribution	\$ 1,717,717
Interest on net OPEB obligation	255,924
Adjustment to annual required contribution	<u>289,304</u>
Annual OPEB cost	1,684,335
Contributions made	<u>565,047</u>
Change in net OPEB obligation	1,119,288
Net OPEB obligation - July 1, 2016	<u>6,398,090</u>
Net OPEB obligation - June 30, 2017	<u><u>\$ 7,517,378</u></u>

5. Three year trend information

<u>Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$1,684,336	33.55%	\$7,517,378
2016	1,732,041	33.26%	6,398,090
2015	1,626,523	30.48%	5,242,171

E. Fund Reclassifications

The Paramedic Intercept and Transfer Station Funds have been reclassified from nonmajor special revenue funds into the General Fund. As a result the General Fund July 1, 2016 fund balance decreased by \$1,074,068 and the other governmental funds fund balance increased by \$1,074,068.

**Required
Supplementary
Information**

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Last Four Years

Schedule of Changes in Net Pension Liability

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 785,563	\$ 822,302	\$ 824,737	\$ 1,132,089
Interest	2,149,718	2,063,282	1,958,065	829,900
Change of benefit terms	2,396,107	33	-	-
Differences between expected and actual experience	206,471	(14,173)	-	-
Benefit payments, including refunds of member contributions	(1,521,542)	(1,368,871)	(1,295,920)	(1,200,025)
Net change in total pension liability	4,016,317	1,502,573	1,486,882	761,964
Total pension liability - July 1	31,810,462	30,307,889	28,821,007	28,059,043
Total pension liability - June 30 (a)	\$ 35,826,779	\$ 31,810,462	\$ 30,307,889	\$ 28,821,007
Plan fiduciary net position:				
Contributions - employer	\$ 1,200,000	\$ 2,751,446	\$ 3,083,429	\$ 2,559,953
Contributions - member	399,468	341,395	285,418	307,290
Net investment income	2,838,413	(265,630)	369,456	1,941,532
Benefit payments, including refunds of member contributions	(1,521,542)	(1,368,871)	(1,295,920)	(1,200,025)
Administration	(102,552)	(44,388)	-	(39,913)
Net change in plan fiduciary net position	2,813,787	1,413,952	2,442,383	3,568,837
Plan fiduciary net position - July 1	27,152,011	25,738,059	23,295,676	19,726,839
Plan fiduciary net position - June 30 (b)	\$ 29,965,798	\$ 27,152,011	\$ 25,738,059	\$ 23,295,676
Net pension liability (asset) - June 30 (a)-(b)	\$ 5,860,981	\$ 4,658,451	\$ 4,569,830	\$ 5,525,331

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Last Four Years

Schedule of Changes in Net Pension Liability

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 484,820	\$ 506,137	\$ 476,144	\$ 473,342
Interest	1,058,018	998,784	918,850	280,634
Differences between expected and actual experience	(425,369)	122,464	-	-
Benefit payments, including refunds of member contributions	<u>(530,615)</u>	<u>(474,173)</u>	<u>(460,787)</u>	<u>(334,882)</u>
Net change in total pension liability	586,854	1,153,212	934,207	419,094
Total pension liability - July 1	<u>15,450,508</u>	<u>14,297,296</u>	<u>13,363,089</u>	<u>12,943,995</u>
Total pension liability - June 30 (a)	<u>\$ 16,037,362</u>	<u>\$ 15,450,508</u>	<u>\$ 14,297,296</u>	<u>\$ 13,363,089</u>
Plan fiduciary net position:				
Contributions - employer	\$ 1,021,720	\$ 513,000	\$ 472,000	\$ 375,000
Contributions - member	181,099	198,552	252,142	228,856
Net investment income	977,787	(91,082)	259,775	724,429
Benefit payments, including refunds of member contributions	(530,615)	(474,173)	(460,787)	(334,882)
Administration	<u>(35,042)</u>	<u>(24,922)</u>	<u>-</u>	<u>(14,881)</u>
Net change in plan fiduciary net position	1,614,949	121,375	523,130	978,522
Plan fiduciary net position - July 1	<u>9,171,093</u>	<u>9,049,718</u>	<u>8,526,588</u>	<u>7,548,066</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 10,786,042</u>	<u>\$ 9,171,093</u>	<u>\$ 9,049,718</u>	<u>\$ 8,526,588</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 5,251,320</u>	<u>\$ 6,279,415</u>	<u>\$ 5,247,578</u>	<u>\$ 4,836,501</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Last Four Years

Schedule of Net Pension Liability

	2017	2016	2015	2014
Total pension liability	\$ 35,826,779	\$ 31,810,462	\$ 30,307,889	\$ 28,821,007
Plan fiduciary net position	(29,965,798)	(27,152,011)	(25,738,059)	(23,295,676)
Net pension liability	\$ 5,860,981	\$ 4,658,451	\$ 4,569,830	\$ 5,525,331
Plan fiduciary net position as a percentage of the total pension liability	83.64%	85.36%	84.92%	80.83%
Covered payroll	\$ 7,775,861	\$ 7,607,181	\$ 7,607,181	\$ 7,739,426
Net pension liability as a percentage of covered payroll	75.37%	61.24%	60.07%	71.39%

Schedule of Investment Returns

	2017	2016	2015	2014
Annual money weighted rate of return, net investment expense	10.51%	(1.11%)	2.40%	9.61%

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Last Four YearsSchedule of Net Pension Liability

	2017	2016	2015	2014
Total pension liability	\$ 16,037,362	\$ 15,450,508	\$ 14,297,296	\$ 13,363,089
Plan fiduciary net position	(10,786,042)	(9,171,093)	(9,049,718)	(8,526,588)
Net pension liability	\$ 5,251,320	\$ 6,279,415	\$ 5,247,578	\$ 4,836,501
Plan fiduciary net position as a percentage of the total pension liability	67.26%	59.36%	63.30%	63.81%
Covered payroll	\$ 2,547,952	\$ 2,407,527	\$ 2,407,527	\$ 2,337,955
Net pension liability as a percentage of covered payroll	206.10%	260.82%	217.97%	206.87%

Schedule of Investment Returns

	2017	2016	2015	2014
Annual money weighted rate of return, net investment expense	10.50%	(1.11%)	2.67%	9.40%

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Last Ten Years

Schedule of Contributions

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 867,137	\$ 1,200,000	\$ 332,863	\$ 7,775,861	15.43%
2016	2,013,334	2,751,446	738,112	7,607,181	36.17%
2015	2,013,334	3,083,429	1,070,095	7,607,181	40.53%
2014	1,986,076	2,559,953	573,877	7,739,426	33.08%
2013	2,086,345	1,859,681	(226,664)	7,678,530	24.22%
2012	1,918,557	1,736,824	(181,733)	7,711,696	22.52%
2011	2,029,673	1,356,000	(673,673)	7,503,503	18.07%
2010	2,173,082	1,300,000	(873,082)	7,219,991	18.01%
2009	1,901,896	1,300,000	(601,896)	6,925,811	18.77%
2008	1,747,968	1,318,052	(429,916)	6,633,769	19.87%

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Last Ten Years

Schedule of Contributions

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2017	\$ 753,358	\$ 1,021,720	\$ 268,362	\$ 2,547,952	40.10%
2016	612,450	513,000	(99,450)	2,407,527	21.31%
2015	612,450	472,000	(140,450)	2,407,527	19.61%
2014	593,686	375,000	(218,686)	2,337,955	16.04%
2013	579,931	340,319	(239,612)	2,337,478	14.56%
2012	566,342	385,084	(181,258)	2,357,269	16.34%
2011	621,153	369,028	(252,125)	2,180,272	16.93%
2010	600,090	255,777	(344,313)	2,242,755	11.40%
2009	415,392	235,628	(179,764)	2,116,480	11.13%
2008	395,519	200,659	(194,860)	1,983,690	10.12%

Town of Bethel, Connecticut

Town Plan

Notes to Required Supplementary Information
Last Four Years

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, 2015, two years 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	Entry Age Normal
Asset valuation method	Fair value
Amortization method	Level percent, closed
Remaining amortization period	20 years
Inflation	2.70%
Salary increases	3.00%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut

Police Plan

Notes to Required Supplementary Information
Last Four Years

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, 2015, two years 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	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	Fair value
Inflation	2.70%
Salary increases	Graded by age
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut
Connecticut State Teachers' Retirement System

Required Supplementary Information
Last Three Years

Schedule of Proportionate Share of the Net Pension Liability

	2017	2016	2015
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with Town	78,075,252	59,345,782	54,853,282
Total	\$ 78,075,252	\$ 59,345,782	\$ 54,853,282
Town's covered payroll	(2) N/A	N/A	N/A
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	54.80%	59.50%	61.51%

Schedule of Contributions

	2017	2016	2015
Contractually required contribution	(1) \$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	(2) N/A	N/A	N/A
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of net pension liability

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Bethel, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information
Last Three Years

Changes of benefit terms	None
Change of assumptions	2016:
	1. Reduce the inflation assumption from 3.00% to 2.75%.
	2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
	3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%.
	4. Slightly modify the merit portion of the salary scale.
	5. Reduce the payroll growth assumption from 3.75% to 3.25%.
	6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
	7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females.
	8. Increase rates of withdrawal.
	9. Decrease rates of disability for males.
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	21.4 years
Asset Valuation Method	4 year smoothed market
Inflation	2.75%
Salary Increases	3.25%-6.00%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut
Other Post-Employment Benefit Plan
Required Supplementary Information
Last Three Valuations
Schedule of Funding Progress

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1	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
2015	\$ -	\$ 17,236,557	\$ (17,236,557)	0.0%	\$ 32,247,902	-(53.5)%
2013	-	16,998,514	(16,998,514)	0.0%	27,283,637	-(62.3)%
2011	-	14,518,598	(14,518,598)	0.0%	N/A	N/A

N/A - Not available.

Town of Bethel, Connecticut

Other Post-Employment Benefit Plan

Required Supplementary Information

Last Nine Years

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2017	\$ 1,717,717	\$ 565,047	32.9%
2016	1,749,515	576,122	32.9%
2015	1,633,101	495,703	30.4%
2014	1,499,467	505,767	33.7%
2013	1,405,054	479,191	34.1%
2012	1,113,000	549,000	49.3%
2011	1,049,000	520,000	49.6%
2010	988,000	490,000	49.6%
2009	988,000	402,000	40.7%

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Bethel, Connecticut

Other Post-Employment Benefit Plan

Notes to Required Supplementary Information
Last Nine Years

Changes of benefit terms	2015: None
Changes of assumptions	2015: Healthcare inflation rate was revised from 7.7% to 5.4%, 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 percent
Remaining amortization period	22 years, closed
Asset Valuation Method	Fair Value
Investment Rate of Return	4.00%
Healthcare inflation rate - Initial	5.40%
Healthcare inflation rate - Ultimate	4.40%
Inflation rate	2.75%