



June 27, 2018

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: REGIONAL SCHOOL DISTRICT NO. 12, CONNECTICUT  
(MEMBER TOWNS OF BRIDGEWATER, ROXBURY AND WASHINGTON, CONNECTICUT)  
\$9,000,000 General Obligation Bond Anticipation Notes**

**Dated: July 24, 2018**

**Date of Sale: Tuesday, July 10, 2018**

**Due: April 10, 2019**

**Time of Sale: 11:30 A.M. (Eastern Time)**

***\*\*Telephone Number to Submit a Bid: (203) 283-1110\*\****

As per the Notice of Sale, proposals may be submitted by telephone on Tuesday, July 10, 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, July 10, 2018.**

*An Official Statement has not been prepared by or on behalf of the Issuer for this sale. The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Regional School District No. 12, and the District's member Towns of Bridgewater, Roxbury and Washington, Connecticut as of June 30, 2017. These excerpts are included in this package. Copies of the complete reports for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Barry Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 878-4945.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**

**Telephone Sale Term Sheet**  
**\$9,000,000 General Obligation Bond Anticipation Notes**  
**Regional School District No. 12, Connecticut**

**Date of Sale:** Tuesday, July 10, 2018 at 11:30 A.M. (Eastern Time).

**Location of Sale:** Phoenix Advisors, LLC, 53 River Street, Suite #1, Milford, Connecticut 06460.

**Issuer:** Regional School District No. 12, Connecticut (the “District”).

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

**Dated Date:** July 24, 2018

**Principal and Interest Due:** At maturity on April 10, 2019

**Purpose:** The Notes are being issued finance renovation and construction related to the Agriscience STEM Academy and Science Wing at the District’s Shepaug Valley Campus.

**Denominations:** \$100,000 or any integral multiple thereof.

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

**Security:** The Notes will be general obligations of the District and its member towns of Bridgewater, Roxbury and Washington and the District 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. Neither the District nor any of the member Towns have an outstanding bond rating.

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

**Form of Legal Opinion and Tax Exemption:** See attached Appendix - Opinion of Bond Counsel and Tax Exemption.

**Bank Qualification:** The Notes shall be designated by the Issuer 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:** Unless the successful bidder is designated as such as provided in the “Option for No Book Entry” in the Notice of Sale, U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 23rd Floor, 225 Asylum Street, 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.

**Municipal Advisor:** Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Barry Bernabe, Managing Director, telephone (203) 283-1110.

**Legal Opinion:** Day Pitney LLC of Hartford, 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 July 24, 2018. Delivery of the Notes will be made against payment in Federal Funds.

**Issuer Official:** Questions concerning the sale should be addressed to: Robert Giesen, Director of Finance and Operations, 11A School Street, PO Box 386, Washington Depot, Connecticut 06794. Phone (860) 868-6100.

NOTICE OF TELEPHONE SALE  
\$9,000,000  
Regional School District Number 12 of the State of Connecticut  
Bond Anticipation Notes  
(BOOK-ENTRY)

TELEPHONE PROPOSALS will be received by Regional School District Number 12 of the State of Connecticut until **11:30 A.M. Eastern Time on TUESDAY,**

**JULY 10, 2018**

for the purchase of \$9,000,000 Bond Anticipation Notes of Regional School District Number 12, dated July 24, 2018, maturing on April 10, 2019 (the "Notes").

The District will designate the Notes as "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

The Notes will be payable with interest at maturity. Interest shall be computed on the basis of a 30-day month and a 360-day year. The Notes are not subject to redemption prior to maturity.

The Notes will be general obligations of the District and its member towns of Bridgewater, Roxbury, and Washington, and payable from ad valorem taxes levied on all taxable property in each member town of the District without limitation as to rate or amount except 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.

**DTC Book-Entry.** The Notes will be issued by means of a book-entry system with no physical distribution of note 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 ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or any integral multiple 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 purchaser, 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 District or its agent to DTC or its nominee as registered owner of the Notes. Principal and interest payments by DTC 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 District will not be responsible or liable for payments by DTC to its Participants or by DTC Participants or Indirect 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 District fails to identify another qualified securities depository to replace DTC, or (b) the District determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the District will authenticate and deliver replacement Notes in the form of fully registered certificates. Any such replacement Notes, will provide that principal of and interest on the Notes will be payable to the registered owner upon presentation and surrender of the Notes at the principal office of the Paying Agent, or of its successors as paying agent for the Notes.

**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 District 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 District at the time of the submission of the bid. The District 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 District 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.

**Proposals.** Proposals may be made for all or any part of the Notes. No proposal for less than the minimum denomination or for less than par and accrued interest will be entertained. Each proposal must state one rate of interest in a multiple of one-hundredth (1/100) of one-percent (1%) per annum for each part of the Notes bid for in the proposal, and may, at the option of the bidder, include a premium.

**Telephone Proposals Bidding Procedure.** Telephone bids for the purchase of the Notes will be received on behalf of the District by telephone call to a representative of Phoenix Advisors, LLC, the District's Municipal Advisor, at (203) 283-1110.

**Basis of Award.** As between proposals which comply with this Notice, the Notes will be sold to the responsible bidder or bidders offering to purchase the Notes at the lowest net interest rate, which will be determined for each interest rate stated in the proposal based on the total interest to be payable at such rate and deducting therefrom any premium. If there is more than one responsible bidder making said offer at the same lowest net interest rate, the Notes will be sold to the responsible bidder with a proposal for the highest principal amount of Notes specified or, if the same principal amount of Notes is specified in such proposals, to the responsible bidder whose proposal is selected by the District by lot from among all such proposals. If a bidder is awarded only a part of the Notes, any premium offered in such proposal will be proportionately reduced so that the resulting net interest rate with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid at such rate, carried to four places.

The District reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. 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.

The District further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The District will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. If the sale is postponed, an alternative bid date will be published on Bloomberg at least 48 hours prior to such alternative bid date. Upon the establishment of an alternative bid date, any bidder may submit proposals for the purchase of the Notes in accordance with the provisions of this Notice of Sale.

**Certifying and Paying Agent.** Unless the successful bidder on the Notes is designated as the Certifying Agent, Registrar and Paying Agent for the Notes as provided in "Option For No Book Entry" above, the Notes will be authenticated by U.S. Bank National Association, Hartford, Connecticut, which will also act as Registrar and Paying Agent.

**Delivery.** At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with (a) the approving opinion of Day Pitney LLP of Hartford, Connecticut, Bond Counsel; (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Notes and receipt of payment therefor, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Notes or the power of the member towns of the District to levy and collect taxes to pay them; and (c) a receipt of payment for the Notes. U.S. Bank National Association will keep the original opinion and certificates and copies of the supporting documents, which may be examined at its principal office in Hartford, Connecticut, upon reasonable notice.

**Establishment of Issue Price.** The winning bidder shall assist the District in establishing the issue price of the Notes and shall execute and deliver to the District at Closing an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public or the sales price or prices of the Notes, together with the supporting pricing wires or equivalent communications, substantially in the applicable form set out in the Appendix hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder and Bond Counsel. All actions to be taken by the District under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the District by the District’s Municipal Advisor identified herein and any notice or report to be provided to the District may be provided to the District’s Municipal Advisor.

By submitting a bid for the Notes, a bidder, other than a bidder purchasing the Notes for its own account and not with a view to distribution or resale to the Public, represents that it has an established industry reputation for underwriting new issuances of municipal obligations.

If the winning bidder has purchased the Notes for its own account and not with a view to distribution or resale to the Public, then, whether or not the Competitive Sale Requirements, as herein defined, were met, the certificate will recite such facts and identify the price or prices at which the purchase of the Notes was made.

The District intends that the provisions of Treasury Regulation 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 Requirements”) because:

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

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

In the event that the Competitive Sale Requirements are not satisfied, the District shall so advise the winning bidder. The District shall treat the first price at which 10% of a maturity of the Notes (the “10% Test”) is sold to the Public as the issue price of that maturity, applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The winning bidder shall advise the District if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The District will not require bidders to comply with the “Hold-The-Offering-Price Rule”, as described in Treasury Regulations Section 1.148-1(f)(2)(ii), and therefore does not intend to use the initial offering price to the Public as of the Sale Date of any maturity of the Notes as the issue price of that maturity. **Bids will not be subject to cancellation in the event that the Competitive Sale Requirements are not satisfied.**

If the Competitive Sale Requirements are not satisfied, then until the 10% Test has been satisfied as to each maturity of the Notes, the winning bidder agrees to promptly report to the District the prices at which the unsold Notes of that maturity have been sold to the Public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the earlier to occur of the satisfaction of the 10% Test as to the Notes of that maturity or the sale of all Notes of that maturity.

By submitting a bid, each bidder confirms that: (i) any agreement among Underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the

Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among Underwriters relating to the initial sale of the Notes to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Notes to the Public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the Public the unsold Notes of each maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Notes of that maturity or all Notes of that maturity have been sold to the Public, if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Notes to any person that is a Related Party 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:

- (i) "Public" means any person other than an Underwriter or a Related Party,
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public),
- (iii) a purchaser of any of the Notes is a "Related Party" to an Underwriter if the Underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) "Sale Date" means the date that the Notes are awarded by the District to the winning bidder.

**Bond Counsel Opinion.** The opinion of Bond Counsel will cover the following matters: (1) that the Notes will be valid general obligations of the District and its member towns when duly certified; (2) that, assuming the accuracy of and compliance by the District with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, under existing statutes, interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, however, for tax years beginning prior to January 1, 2018, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the Federal alternative minimum tax for certain corporations; and the Notes are "qualified tax-exempt obligations"; and (3) 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 interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

**Municipal Advisor.** Regional School District Number 12 has retained Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460, to serve as its municipal advisor (the “Municipal Advisor”) in connection with the issuance of the Notes. The Municipal Advisor has not independently verified any of the information contained in the Notice of Sale and its appendices and makes no guarantee as to their completeness or accuracy.

**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 District will not provide an official statement nor enter into a Continuing Disclosure Agreement with respect to the Notes.

**CUSIP Numbers.** 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 Municipal Advisor to apply for CUSIP numbers for the Notes, and to provide CUSIP Global Services with the final details of the sale, including the identity of the purchaser. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by the District; provided, however, that the District assumes no responsibility for any CUSIP Global Services charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

**Delivery Date and Payment.** The Notes will be delivered against payment in immediately available Federal funds through the facilities of The Depository Trust Company, New York, New York on July 24, 2018.

**More Information.** For more information regarding this issue and the District reference is made to the District’s financial statements. Copies of the District’s financial statements may be obtained from Mr. Barry J. Bernabe, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, Connecticut 06460 (telephone: (203) 283-1110) or from Robert P. Giesen, Business Manager, Regional School District Number 12, 11A School Street, P.O. Box 386, Washington Depot, Connecticut 06794 (telephone: (860) 868-6100).

ANTHONY AMATO,  
*Chairman of the Board of Education*

MICHELLE GORRA,  
*Treasurer*

June 27, 2018

**APPENDIX TO NOTICE OF SALE  
FORM OF ISSUE PRICE CERTIFICATE**

*Competitive Sale Requirements Satisfied*

**REGIONAL SCHOOL DISTRICT NUMBER 12 OF THE STATE OF CONNECTICUT  
\$9,000,000 BOND ANTICIPATION NOTES, DATED JULY 24, 2018**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of Name of the Underwriter ("Underwriter Short Name"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Notes").

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by Underwriter Short Name are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Notes used by Underwriter Short Name in formulating its bid to purchase the Notes. Attached as Schedule B is a true and correct copy of the bid provided by Underwriter Short Name to purchase the Notes.

(b) Underwriter Short Name was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by Underwriter Short Name constituted a firm offer to purchase the Notes.

2. ***Defined Terms.***

(a) *Maturity* means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *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. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Notes. The Sale Date of the Notes is July 10, 2018.

(d) *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 paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

(e) *Issuer* means Regional School District Number 12 of the State of Connecticut.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Underwriter Short Name's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the



Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

*Name of the Underwriter*

By: \_\_\_\_\_

Name: \_\_\_\_\_

\_\_/\_\_/2018

**Attachments:**

**SCHEDULE A  
EXPECTED OFFERING PRICES**

**SCHEDULE B  
COPY OF UNDERWRITER'S BID**

*[Remainder of page intentionally left blank]*

*Competitive Sale Requirements Not Satisfied - 10% Test Applied*

**REGIONAL SCHOOL DISTRICT NUMBER 12 OF THE STATE OF CONNECTICUT  
\$9,000,000 BOND ANTICIPATION NOTES, DATED JULY 24, 2018**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of *Name of the Underwriter* ("*Underwriter Short Name*"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Notes").

1. **Sale of the Notes.** As of the date of this certificate, for each Maturity of the Notes, the first price at which at least 10% of such Maturity of the Notes was sold to the Public is the respective price listed in Schedule A.

2. **Defined Terms.**

(a) "*Issuer*" means Regional School District Number 12 of the State of Connecticut.

(b) "*Maturity*" means Notes with the same credit and payment terms. Notes with different maturity dates, or Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) "*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. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) "*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 paragraph to participate in the initial sale of the Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents *Underwriter Short Name*'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Agreement and with respect to compliance with the federal income tax rules affecting the Notes, and by Day Pitney LLP, as bond counsel, in connection with rendering its opinion that the interest on the Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Notes.

*Name of the Underwriter*

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: \_\_/\_\_/2018

**Attachment:**

**SCHEDULE A  
SALE PRICES**

*[Remainder of page intentionally left blank]*

**REGIONAL SCHOOL DISTRICT NUMBER 12  
OF THE STATE OF CONNECTICUT  
\$9,000,000 BOND ANTICIPATION NOTES  
DATED JULY 24, 2018; MATURING APRIL 10, 2019**

**APPENDIX - OPINION OF BOND COUNSEL AND TAX STATUS**

*The following information has been prepared by Bond Counsel in connection with this note issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in any information distributed in connection with the note issue (other than matters in this Appendix), and they make no representation that they have independently verified the same.*

**BOND COUNSEL OPINION**

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the successful bidder when the Notes are delivered, and a copy of the legal opinion will be included in the record of proceedings of the District authorizing the Notes. The opinion will be dated and given on and will speak only as of the date of original delivery of the Notes to the successful bidder.

The opinion of Day Pitney LLP with respect to the Notes will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Regional School District Number 12  
Washington Depot, Connecticut

We have represented Regional School District Number 12 of the State of Connecticut as Bond Counsel in connection with the issuance by the District of \$9,000,000 Bond Anticipation Notes, dated as of July 24, 2018.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that Regional School District Number 12 is authorized to issue the Notes; the District is duly and legally organized; all proper proceedings for the issuance and delivery of the Notes have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Notes; the Notes will be valid and binding general obligations of the District and its member towns of Bridgewater, Roxbury, and Washington, and when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and each member town of the District has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the District within such town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that 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 heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Notes is excluded from gross income for Federal income tax purposes. The District officials authorized to issue the Notes have executed written representations and agreements on behalf of the District relating to compliance with such provisions of the Code to ensure that the interest on the Notes will be excluded from gross income for Federal income tax purposes. The representations and agreements also provide that the Notes are designated or deemed designated as "qualified tax-exempt obligations" for purposes of the deduction

for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on such representations and agreements and on the record of proceedings authorizing the Notes, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; (2) the Notes are not "private activity bonds" and interest on the Notes is not treated as a preference item for purposes of calculating the Federal alternative minimum tax, however, for tax years beginning prior to January 1, 2018, interest on the Notes is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the Federal alternative minimum tax for certain corporations; and (3) the Notes are "qualified tax-exempt obligations" for purposes of the deduction for Federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Based on the record of proceedings authorizing the Notes, it is our opinion that, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

#### **FEDERAL INCOME TAX.**

***Interest Excluded From Gross Income.*** The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Notes is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Notes. Failure to comply with any of these requirements may cause the interest on the Notes to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The District officials authorized to issue the Notes will enter into a Tax Compliance Agreement in connection with the delivery of the Notes, which will contain certain representations and covenants on behalf of the District relating to compliance with such requirements of the Code to ensure that the interest on the Notes will be excluded from the gross income of the owners thereof for federal income tax purposes.

***Alternative Minimum Tax.*** The Code imposes an alternative minimum tax on individuals and, for tax years beginning prior to January 1, 2018, an alternative minimum tax on corporations. The alternative minimum tax on corporations has been repealed for tax years beginning after December 31, 2017. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The District's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes are not "private activity bonds" so that interest on the Notes will not be treated as a preference item for individuals or corporations in calculating alternative minimum taxable income.

For tax years beginning prior to January 1, 2018, the Code provides, however, that for certain corporations a portion of the excess of adjusted current earnings (which includes certain tax-exempt interest) over other alternative minimum taxable income will be included in alternative minimum taxable income for purposes of calculating the corporation's alternative minimum tax.

***Financial Institutions.*** The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations

acquired after August 7, 1986, other than "qualified tax-exempt obligations". The District's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Notes will be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

***Additional Federal Income Tax Matters.*** Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the payment at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes is (i) the stated interest payable at maturity ("qualified stated interest"), or (ii) the difference between the issue price of the short-term debt obligations and the aggregate amount to be paid at maturity ("original issue discount"). For this purpose, the issue price of the short-term debt obligations is the first price at which a substantial amount of the short-term debt obligations is sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). Until the IRS provides further guidance with respect to short-term debt obligations, taxpayers holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of the Notes and the treatment elected.

In addition to the matters addressed above, prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations, such as the Notes, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Notes may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

#### **STATE OF CONNECTICUT TAX ON INTEREST.**

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Notes, under existing statutes: (1) interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Notes is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Notes is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Notes should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Notes and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Notes held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

#### **ORIGINAL ISSUE PREMIUM.**

The initial public offering price of certain of the Notes may be greater than the amount payable on the Notes at maturity. The excess of the initial public offering price at which a substantial amount of such Notes are sold over the amount payable thereon at maturity constitutes original issue premium. No representation is made by the District regarding the prices at which a substantial amount of the Notes ultimately will be sold to the public. An owner who purchases a note with original issue premium must amortize such original issue premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the note for federal income tax purposes. Owners of Notes having original issue premium, and especially any owner who is not an original owner of a note who bought the note at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such notes.

**GENERAL.**

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Notes will not have an effect on the federal tax status or the market price of the Notes or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Notes, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Notes or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Notes are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Notes. Prospective owners of the Notes, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Notes, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

*[Remainder of page intentionally left blank]*

# **REGIONAL SCHOOL DISTRICT NO. 12, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
Regional School District No. 12, Connecticut  
Year Ended June 30, 2017



Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Shepaug Valley Regional School District #12  
Bridgewater, Roxbury and Washington, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Shepaug Valley Regional School District #12, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Shepaug Valley Regional School District #12's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Shepaug Valley Regional School District #12, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on page 42, and supplementary pension information on pages 43 through 46 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 Shepaug Valley Regional School District #12's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and 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 combining and individual nonmajor fund financial statements, and supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of Shepaug Valley Regional School District #12'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 Shepaug Valley Regional School District #12's internal control over financial reporting and compliance.



November 29, 2017

**Shepaug Valley Regional School District #12  
Management's Discussion and Analysis (MD&A)  
June 30, 2017**

**Introduction**

Our discussion and analysis of Shepaug Valley Regional School District #12 (District) financial performances provides the reader an overall narrative review of the District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the District performance as a whole. Readers should also review the notes to the financial statements to enhance their understanding of the District's performance. Information contained in this section is explained by the more detailed information contained elsewhere in the financial statements, notes to the financial statements and accompanying material.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, issued June 1999; the GASB Statement No. 37, Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus, an amendment to GASB Statement No. 21 and No. 34, issued in June 2001. Presentation of certain comparative information between the current and the prior year is required.

The District serves the towns of Bridgewater, Roxbury and Washington and operates three elementary schools: Burnham School located in Bridgewater, Booth Free School located in Roxbury and Washington Primary School located in Washington Depot. The Shepaug Valley School, for grades sixth through twelve, is located in Washington. The Early Childhood Education Center, a pre-school program, is located within the Washington Primary School. The student population served is stratified as follows: Elementary Schools (grades PK-5) 294 students, Middle School (grades 6-8) 157 students, High School (grades 9-12) 254 for a total of 705 students enrolled this year. The student population included 47 non-resident students: 24 from the Town of Sherman, 12 Staff Member children and 11 from area towns. The overall enrollment continues to decline with 23 fewer students over the previous year total of 728 students.

**Financial Highlights**

Total net position was \$2,166,691 at June 30, 2017. This was a decrease of \$364,458 (14.4%) over the prior year net position of \$2,531,149. Assets are being accounted for in conformance with GASB 34, with capitalization of depreciable assets at a \$5,000 threshold. In addition, the District continues to do a complete physical inventory annually for all the facilities and the results are incorporated in the accompanying financial statements.

- Overall net expenditures of \$21,380,962 exceeded gross revenue of \$21,016,504 by \$364,458.
- Long-term debt obligations as of June 30, 2017 are \$2,203,156, which compares to the June 30, 2016 debt obligations of \$3,013,709 a decrease of \$810,553. The net decrease in debt was a result of the District retiring debt totaling \$450,000, the decrease for net pension liability of \$465,962 along with increases in accumulated sick leave of \$13,345 and post retirement obligations of \$92,064.
- The District's compliance with GASB 45, Post Retirement Benefit Obligations, is \$843,162 at June 30<sup>th</sup>. Although no actual cash payments will be needed for meeting the actuarial computed value of the post retirement benefit, this calculation is based upon certified teachers who retire under the State Teacher Retirement system but are able to purchase medical insurance through the District's group medical plan. All premiums are paid by the retiree with no cost to the District.

**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

**Overview of Financial Statements**

This Annual Report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
  - o **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
  - o **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements.

**Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the assets and deferred outflows of resources over liabilities, are one of the ways to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non financial factors such as changes in enrollment, changes in the property tax base, any changes in program funding by the Federal and State governments, and the condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local revenue funding along with federal and state grants finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Education establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues.

**Shepaug Valley Regional School District #12  
Management's Discussion and Analysis (MD&A)  
June 30, 2017**

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the General Fund balance left at year-end that are available for distribution to the member towns to offset future property tax increases. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statement that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others; for the District, the student body activities fund is an agency fund. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

**Financial Analysis of the Entity as a Whole**

Net Position - Governmental Activities

The District's combined net position was \$2,166,691 at June 30, 2017.

	<u>Balance</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Assets</u>		
Cash and Investments	\$ 3,070,132	\$ 3,630,175
Accounts Receivable	453	3,590
Inventories	10,668	8,827
Due from State of Connecticut	18,968	10,349
Capital Assets, Net of Accumulated Depreciation	<u>1,802,679</u>	<u>1,995,614</u>
<u>Total Assets</u>	<u>\$ 4,902,900</u>	<u>\$ 5,648,555</u>
<u>Total Deferred Outflow of Resources</u>	<u>\$ 469,395</u>	<u>888,185</u>
<u>Liabilities</u>		
Accounts Payable	\$ 971,307	\$ 865,137
Early Retirement and Vacation Payable	----	91,207
Deferred Revenue	31,141	35,538
Long-Term Debt	<u>2,203,156</u>	<u>3,013,709</u>
<u>Total Liabilities</u>	<u>\$ 3,205,604</u>	<u>\$ 4,005,591</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	\$ 902,679	\$ 645,614 *
Restricted	1,409,082	1,527,631
Unrestricted	<u>( 145,070)</u>	<u>357,904 *</u>
<u>Total Net Position</u>	<u>\$ 2,166,691</u>	<u>\$ 2,531,149</u>

\* Prior year's liabilities related to capital assets of \$1,350,000 were reclassified from unrestricted net position to net position, invested in capital assets, net of related debt.

**Shepaug Valley Regional School District #12  
Management's Discussion and Analysis (MD&A)  
June 30, 2017**

**Changes in Net Position**

The District's total revenues were \$ 25,171,608. A summary of the changes in net position follows. Other General Fund Revenues were higher than expected by \$18,531 as follows: Investment income was \$1,283 higher than planned due to higher than planned investment interest rates. The District tuition income was lower by \$14,991. State Grants for student transportation were lower than budgeted by (\$38,614) as the state eliminated the Grant after the budget was approved. Adult Education Grant was slightly higher by \$2. Miscellaneous income was \$70,851 due to unexpended prior year accounts payable.

The total cost of all programs and services was \$25,536,066.

The District's expenses are predominately related to educating and caring for students and were \$18,966,887 or 74.3 % of the total. Debt service \$20,856, unallocated depreciation \$223,620 and employee benefits \$6,324,703 accounted for the remaining expenses.

The following is a summary of the changes in the net position of the District.

	<u>Changes in Net Position</u>	
	<u>For the Year Ended</u>	
	<u>Governmental Activities</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Revenues</u>		
Program Revenues:		
Charges for Services	\$ 488,148	\$ 459,803
Operating Grants & Contributions	3,666,956	2,374,476
General Revenues		
Participating Towns	20,835,113	21,204,396
Investment and Miscellaneous Income	<u>181,391</u>	<u>158,904</u>
<u>Total Revenues</u>	<u>\$ 25,171,608</u>	<u>\$ 24,197,579</u>
<u>Program Expenses</u>		
Instruction	\$ 11,959,705	\$ 11,819,161
Instruction – Supporting Services	5,375,950	5,494,796
Employee Benefits - unallocated	6,324,703	4,863,187
Transportation	1,413,717	1,523,982
School Lunch Services	217,515	235,109
Debt Service	20,856	36,744
Depreciation – unallocated	<u>223,620</u>	<u>434,881</u>
<u>Total Expenses</u>	<u>\$ 25,536,066</u>	<u>\$ 24,407,860</u>
Change in Net Position	\$ (364,458)	\$ (210,281)
Net Position – Beginning of Year	\$ 2,531,149	\$ 2,741,430
Net Position – End of Year	<u>\$ 2,166,691</u>	<u>\$ 2,531,149</u>

**Shepaug Valley Regional School District #12  
 Management’s Discussion and Analysis (MD&A)  
 June 30, 2017**

**Governmental Activities**

The net cost of all governmental activities this year was \$ 21,380,962.

The following is a summary of the net cost of governmental activities.

	<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>
Instruction	\$ 11,426,677	\$ 11,403,184
Instruction – supporting services	5,206,874	5,279,965
Employee Benefits	3,089,025	2,936,997
Transportation	1,413,717	1,481,647
School Lunch Services	193	163
Debt Service	20,856	36,744
Depreciation	<u>223,620</u>	<u>434,881</u>
<b>Total</b>	<b>\$ <u>21,380,962</u></b>	<b>\$ <u>21,573,581</u></b>

**Financial Analysis of the District’s Funds**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,105,070 which compares to last year's ending fund balance of \$2,672,064. This was a decrease in the fund balance of \$566,994. This is a result of a lower general fund balance, capital reserve fund, elementary capital repair fund and other government funds offset by a higher fund balances in the debt service fund.

**General Fund Budgetary Expenditure Highlights**

A schedule of the District’s original and final budget amounts compared with actual revenues and expenses are provided in the supplemental section of the audited financial report. General Fund expenditures for the fiscal year ended June 30, 2017 totaled \$21,337,757 or 99.9% of budget, and was \$23,691 less than budgeted. This was in line with estimates and compares favorably with last year. This includes the transfer to the Reserve for Capital and Non-Recurring Fund of \$213,614 as well as the payment to the Elementary School Repair Fund of \$100,000.

**Variance include the following key items**

Salaries and Benefits – Salaries for both certified and non certified staff along with corresponding benefits were \$164,551 under budget, due to lower than budgeted certified staff costs. Classified personnel costs were lower than budget with staff turnover as well as a trimming of staff to match the declining enrollment. Tutoring salaries were also lower than budgeted. All areas of the salary budgets are being closely monitored in response to the continuing decline in enrollment. In the benefits area, this is under budget after some modifications in plan design as well as a favorable renewal. This makes up the overall favorable budget to actual results.

**Shepaug Valley Regional School District #12  
 Management's Discussion and Analysis (MD&A)  
 June 30, 2017**

Instructional and Administrative Services – The year ended with these accounts being over budget by \$475,158. Higher legal fees, along with the costs associated for architect and engineering services related to approved school projects, Science labs and Agriscience were the major drivers in this area.

Tuition – The District placement for out of district special education children was less than anticipated by approximately \$232,536. This was a result of a change in placement for some students along with fewer outplaced days being incurred.

Plant Operation & Maintenance – The year ended with these accounts being under spent by \$55,799. Savings realized from consortium bids for electrical contracts as well as savings from heating fuel costs. The transitioning to green cleaning products has stabilized, as well as higher trash hauling costs from the previous year. In addition, the use of the Capital Reserve Accounts have taken some of the pressure from the General Operating Fund.

Pupil transportation – The year ended under budget by \$272,480. This was a result of the change in special education student placements and a further consolidation of regular transportation routes. In addition, there was a more favorable cost for fuel.

Transfers to Other Funds – The state legislature establish the ability to transfer to a capital reserve fund up to 1% of its approved appropriation. The Board of Education voted to transfer to this fund \$213,614 for future capital or non-recurring expenditures. This fund can be carried forward each year and is subject to Board of Education approval for expenditures made from it and the balance at the end of the year is \$914,928.

A summary of interfund transfers follows:

<u>Major Funds:</u>	<u>Transfers To Other Funds</u>	<u>Transfers From Other Funds</u>
General Fund	\$ ---	\$ 917,639
Debt Service Fund	604,025	---
Capital Reserve Fund	213,614	---
Capital Project-Elementary Repair Fund	<u>100,000</u>	<u>---</u>
	<u>\$ 917,639</u>	<u>\$ 917,639</u>

**Shepaug Valley Regional School District #12  
Management's Discussion and Analysis (MD&A)  
June 30, 2017**

**Additional Items Affecting Financial Results and Other Matters**

This year the district budget was approved at a (-.93%) decrease. The budget for personnel as well as employee benefits, along with tuition and transportation for special education outplacated students tracked below budget and was the major source for the funding of the transfer to the Capital Reserve Account. The District continues to realize savings from the co-operative bidding opportunities as well as savings being achieved in electrical procurement, heating oil and general supplies. As a result of these savings the District undertook funding of the architectural drawings and testing for the upcoming building projects. In addition the purchasing and upgrading of Chrome books for the primary schools was completed to meet the online testing initiative by the state. Finally the District was able to undertake a renovation of the Shepaug teacher workroom areas and the installation of resilient flooring in all hallways to complement the upgrade to the Shepaug entrance and mall area completed in the previous year. Again this year the District was able to fund the Capital Reserve Account for \$213,614 the full 1% as allowed. The overall expenditures were below budget by \$23,691.

As previously reported, the Board leases the three elementary schools from the towns with an annual \$100,000 payment into the Capital Project-Elementary Repair Fund. The purpose of this fund is to make mutually agreed repairs to the elementary schools based upon a recommendation by a committee made up of both town and Board of Education members. The list of recommended repairs is then presented to the Board of Education for approval up to the amount of the funds available for the elementary schools.

Also, during the year, the District was approved as the 20<sup>th</sup> Agriscience STEM Academy. The project was submitted by the Department of Administrative services to the legislature as part of the state building priority list along with the Shepaug Science lab renovation project to meet NEASC recommendations for accreditation which were discussed in last year's report.

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

At the time these financial statements were prepared and audited, the District contemplated the following factors that could affect its financial planning process in the future:

- The state legislature approved the application for the Agriscience STEM Academy and Science lab renovation. The bonding commission meet in late November and the state now has bonded their portion of the projects. The District will finance this work in the upcoming year utilizing Bond Anticipation Notes. The expected opening of Agriscience addition is September 2019.
- The State is continuing the study begun in 2016 for the funding formula of state aid to the cities and towns under the Educational Cost Sharing grants. At this time there is not an indication of what these possible changes may have on grants received by the towns and the region. As a note, during the 2016/2017 year the transportation grant is no longer funded by the state for any district. Other changes may be considered but nothing has been settled.
- The region concluded negotiations with the Nurse's Union staff on a new three year contract which has now moved all staff into a HDHP for medical insurance and a three year wage settlement. In addition, the District approved a one year extension with no increase in salary or benefits with the Shepaug Administrative Union.



**Shepaug Valley Regional School District #12**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2017**

- Health care costs continue to be a source of concern for the District and continuing ACA provisions are being closely monitored and reviewed for non-covered employees for any impact that the ACA will have on these employees' benefits. The taxes associated with the implementation of the affordable health care plan are being passed to the District in the renewals by the carriers which will add to the burden. In addition the District is experiencing a higher level of funding for unemployment expenses with the student population declines and staff is being eliminated. Energy costs are always a concern. The District, has again participated in consortiums of both the school districts and towns as a strategy to stabilize costs.
- Electrical energy contracts have been secured for through the end of 2020 at favorable rates that will control generation costs for budgeting. Heating oil and diesel fuel have been contracted through August 2018.
- The Board continues to study solutions to the declining enrollment along with various long range plans. Combining classes in Burnham School has been undertaken as a way to control costs and has proven to be successful. This model will be proposed in the upcoming budget year at Booth Free School given the success seen.

**Contacting the District's Financial Management**

This financial report is designated to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the business office of Shepaug Valley Regional School District #12.

Shepaug Valley Regional School District #12  
 Towns of Bridgewater, Roxbury and Washington  
 Statement of Net Position  
 June 30, 2017

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 3,070,132
Accounts receivable	453
Inventory	10,668
Due from State of Connecticut	18,968
Capital assets - net	1,802,679
<b>Total Assets</b>	<b>4,902,900</b>
<b>Deferred Outflows of Resources:</b>	
Differences between pension expected and actual experience	3,570
Changes of assumptions	377,065
Net difference between projected and actual earnings on pension plan investments	88,760
<b>Total Deferred Outflows of Resources</b>	<b>469,395</b>
<b>Liabilities:</b>	
Accounts payable	434,106
Accrued interest	7,297
Accrued payroll, payroll taxes, and benefits	529,904
Unearned revenue	31,141
Noncurrent liabilities:	
Due within one year	450,000
Due in more than one year	1,753,156
<b>Total Liabilities</b>	<b>3,205,604</b>
<b>Net Position:</b>	
Net investment in capital assets	902,679
Restricted	
Member towns	42,222
Technology - USF fund	55,988
Scholarships	305,236
Capital non-recurring expenditures	881,737
Elementary Repair Fund	65,804
Federal and State grants	4,920
Pre School	53,175
Unrestricted	(145,070)
<b>Total Net Position</b>	<b>\$ 2,166,691</b>

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

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Statement of Activities  
Year Ended June 30, 2017

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 11,959,705	\$ 304,004	\$ 229,024	\$ -	\$ (11,426,677)
Support services	5,375,950	-	169,076	-	(5,206,874)
Employee Benefits - Unallocated	6,324,703	-	3,235,678	-	(3,089,025)
Transportation	1,413,717	-	-	-	(1,413,717)
School lunch services	217,515	184,144	33,178	-	(193)
Interest on long-term liabilities	20,856	-	-	-	(20,856)
Depreciation - Unallocated	223,620	-	-	-	(223,620)
<b>Total school district</b>	<b>\$ 25,536,066</b>	<b>\$ 488,148</b>	<b>\$ 3,666,956</b>	<b>\$ -</b>	<b>(21,380,962)</b>
<b>General revenues:</b>					
Participating towns:					
					4,048,381
					6,668,800
					10,117,932
					3,816
					177,575
					<b>21,016,504</b>
					(364,458)
					<b>2,531,149</b>
					<b>\$ 2,166,691</b>

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

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Balance Sheet

Governmental Funds June 30, 2017	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund			
<b>Assets:</b>							
Cash and cash equivalents	\$ 1,266,395	\$ 332,772	\$ 908,654	\$ 98,617	\$ 463,694	\$ 3,070,132	
Accounts Receivable	453	---	---	---	---	453	
Inventory	---	---	---	---	10,668	10,668	
Due from other funds	27,291	---	6,274	12,380	29,830	75,775	
Due from State of Connecticut	---	---	---	---	18,968	18,968	
<b>Total Assets</b>	<b>\$ 1,294,139</b>	<b>\$ 332,772</b>	<b>\$ 914,928</b>	<b>\$ 110,997</b>	<b>\$ 523,160</b>	<b>\$ 3,175,996</b>	
<b>Liabilities:</b>							
Accrued payroll, payroll taxes, and benefits	\$ 525,431	\$ ---	\$ ---	\$ ---	\$ 4,473	\$ 529,904	
Accounts payable	349,786	---	33,191	45,193	5,936	434,106	
Due to other funds	48,484	---	---	---	27,291	75,775	
Unearned revenue	2,229	---	---	---	28,912	31,141	
<b>Total Liabilities</b>	<b>925,930</b>	<b>---</b>	<b>33,191</b>	<b>45,193</b>	<b>66,612</b>	<b>1,070,926</b>	
<b>Fund balances:</b>							
Nonspendable:							
Inventories	---	---	---	---	10,668	10,668	
Restricted for:							
Member Towns	42,222	---	---	---	---	42,222	
Technology - USF fund	---	---	---	---	55,988	55,988	
Scholarships	---	---	---	---	305,236	305,236	
Capital improvements	---	---	881,737	65,804	---	947,541	
Federal and State grants	---	---	---	---	4,920	4,920	
Pre School	---	---	---	---	53,175	53,175	
Committed for:							
Debt service	---	332,772	---	---	---	332,772	
School cafeteria	---	---	---	---	26,561	26,561	
Unassigned	325,987	---	---	---	---	325,987	
<b>Total Fund Balances</b>	<b>368,209</b>	<b>332,772</b>	<b>881,737</b>	<b>65,804</b>	<b>456,548</b>	<b>2,105,070</b>	
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,294,139</b>	<b>\$ 332,772</b>	<b>\$ 914,928</b>	<b>\$ 110,997</b>	<b>\$ 523,160</b>	<b>\$ 3,175,996</b>	

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2017**

<b>Total fund balances for governmental funds</b>	\$	<u>2,105,070</u>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets, net of \$15,801,078 accumulated depreciation.</p>		1,802,679
<p>Other long-term assets and deferred outflows of resources are not available to pay for current period expenditures, and therefore, are unavailable in the funds:</p>		
<p style="padding-left: 40px;">Deferred outflows related to pensions</p>		469,395
<p>Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:</p>		
<p style="padding-left: 40px;">Accrued interest</p>	\$	(7,297)
<p style="padding-left: 40px;">Bonds payable</p>		(900,000)
<p style="padding-left: 40px;">Other post retirement benefit obligation</p>		(843,162)
<p style="padding-left: 40px;">Early retirement payable and other compensated absences</p>		(141,333)
<p style="padding-left: 40px;">Net pension liability</p>		<u>(318,661)</u>
		(2,210,453)
 <b>Total net position of governmental activities</b>	 \$	 <u><u>2,166,691</u></u>

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The accompanying notes are in integral part of these financial statements.

Shepaug Valley Regional School District #12  
 Towns of Bridgewater, Roxbury and Washington

Statement of Revenue, Expenditures  
 and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

Major Funds

	General Fund	Debt Service Fund	Capital Reserve Fund	Capital Proj. Elementary Repair Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>						
Participating towns	\$ 20,835,113	\$ ---	\$ ---	\$ ---	\$ ---	\$ 20,835,113
Federal and state revenue	3,275,814	---	---	---	391,142	3,666,956
Investment income	1,983	1,659	---	174	---	3,816
Sales of lunches, milk, etc.	---	---	---	---	184,144	184,144
Tuition	304,004	---	---	---	---	304,004
Other revenue	70,851	---	6,275	---	100,449	177,575
<b>Total Revenue</b>	<b>24,487,765</b>	<b>1,659</b>	<b>6,275</b>	<b>174</b>	<b>675,735</b>	<b>25,171,608</b>
<b>Expenditures:</b>						
Certified salaries	9,150,757	---	---	---	---	9,150,757
Classified salaries	3,212,004	---	---	---	279,973	3,491,977
Employee benefits	6,247,074	---	---	---	28,653	6,275,727
Instructional programs	1,031,705	---	---	---	194,028	1,225,733
Tuition - other schools	369,176	---	---	---	---	369,176
Administrative	1,214,024	---	---	---	---	1,214,024
Pupil transportation	1,413,717	---	---	---	---	1,413,717
Plant operation & maintenance	1,095,663	---	---	124,004	---	1,219,667
Food service	---	---	---	---	85,381	85,381
Interest	---	24,564	---	---	---	24,564
Capital outlay	541,115	---	240,282	---	36,482	817,879
Principal payments on bonds	---	450,000	---	---	---	450,000
<b>Total Expenditures</b>	<b>24,275,235</b>	<b>474,564</b>	<b>240,282</b>	<b>124,004</b>	<b>624,517</b>	<b>25,738,602</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>212,530</b>	<b>(472,905)</b>	<b>(234,007)</b>	<b>(123,830)</b>	<b>51,218</b>	<b>(566,994)</b>
<b>Other Financing Sources (Uses):</b>						
Operating Transfers	(917,639)	604,025	213,614	100,000	---	---
<b>Total Other Financing Sources (Uses)</b>	<b>(917,639)</b>	<b>604,025</b>	<b>213,614</b>	<b>100,000</b>	<b>---</b>	<b>---</b>
<b>Net change in fund balances</b>	<b>(705,109)</b>	<b>131,120</b>	<b>(20,393)</b>	<b>(23,830)</b>	<b>51,218</b>	<b>(566,994)</b>
<b>Fund Balance - beginning of year</b>	<b>1,073,318</b>	<b>201,652</b>	<b>902,130</b>	<b>89,634</b>	<b>405,330</b>	<b>2,672,064</b>
<b>Fund Balance - end of year</b>	<b>\$ 368,209</b>	<b>\$ 332,772</b>	<b>\$ 881,737</b>	<b>\$ 65,804</b>	<b>\$ 456,548</b>	<b>\$ 2,105,070</b>

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

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2017**

<b>Net change in fund balances-total governmental funds</b>	\$	(566,994)
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful life and reported as depreciation expense. This is the difference between capital outlays and depreciation in the current period.

Capital outlays	\$	45,439	
Depreciation expense		<u>(238,374)</u>	(192,935)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities, however interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal		450,000	
Interest expense - general obligation bonds		<u>3,708</u>	453,708

Some (expenses) revenues reported in the statement of activities do not provide (use) current financial resources, and therefore, are not reported in the governmental funds:

Postretirement liability		(92,064)	
Compensated absences and termination benefits		(13,345)	
Change in deferred outflows related to pensions		(418,790)	
Change in net pension liability		<u>465,962</u>	<u>(58,237)</u>

<b>Change in net position of governmental activities</b>	\$	<u><u>(364,458)</u></u>
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The accompanying notes are in integral part of these financial statements.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	<b>Pension Trust Fund</b>	<b>Agency Fund Student Activities</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 184,519	\$ 123,247
Investments	<u>6,045,033</u>	<u>---</u>
<b>Total Assets</b>	<b>6,229,552</b>	<b>123,247</b>
<b>Liabilities and Net Position:</b>		
<b>Liabilities:</b>		
Due to student groups	<u>---</u>	<u>123,247</u>
<b>Total Liabilities</b>	<b>---</b>	<b>123,247</b>
<b>Net Position:</b>		
Held in trust for pension benefits	\$ <u><u>6,229,552</u></u>	\$ <u><u>---</u></u>

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



**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund - Pension Trust Fund**  
**Year ended June 30, 2017**

	<b>Fiduciary Fund Pension Trust Fund</b>
<b>Additions:</b>	
Employer contributions	\$ 416,934
Investment income:	
Net appreciation in fair value of investments	565,545
Interest and dividends	106,824
Gross investment income	<u>672,369</u>
Less : Investment expense	24,615
Net investment income	<u>647,754</u>
<b>Total Additions</b>	<u><b>1,064,688</b></u>
<b>Deductions:</b>	
Pension benefits	271,675
<b>Change in Net Position</b>	<u><b>793,013</b></u>
<b>Net position held in trust for pension benefits:</b>	
<b>Beginning of year</b>	<u><b>5,436,539</b></u>
<b>End of year</b>	<u><u><b>\$ 6,229,552</b></u></u>

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

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies:**

**A. Basis of Presentation:**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

*Management’s Discussion & Analysis* – provides introductory information on basic financial statements and an analytical overview of the district’s financial activities.

*Government-wide financial statements* – consist of a statement of net position and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets and long-term obligations (general obligation bonds, compensated absences, etc.) are included along with current assets and liabilities.

*Fund Financial statements* – provide information about the district’s governmental and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting. Governmental funds focus on sources, uses, and balances of current financial resources and often have budgetary orientation, and therefore use a modified accrual basis of accounting utilizing encumbrance accounting. Fiduciary funds focus on net position and changes in net position, and include assets held in a trustee (Pension Trust Fund) or agency (Student Activity Funds) and utilize the accrual basis of accounting.

*Required supplementary information* – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund, which is the only fund with a legally adopted budget. The original budget for revenues and expenditures and the final adjusted budget are presented in comparison with the actual final budgetary revenues and expenditures (including encumbrances). The Pension Trust Fund presents additional schedules as required by GASB 67, 68, and 73.

**B. Reporting Entity:**

The school system constitutes an on-going entity established by an act of the state legislature that designated the school board of education as the governing authority. Members of the school board of education are elected by the public and have responsibilities over all activities related to public elementary and secondary school education. The board of education receives local, state, and federal funding, and must therefore comply with various requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Standards, since the board of education members are elected by the public and have governing authority. Governing authority includes the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note “1” – Summary of Significant Accounting Policies (continued):**

**B. Reporting Entity (continued)**

For financial reporting purposes, the District's financial statements include all funds and accounts over which the District exercises oversight responsibility in accordance with the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14. Oversight responsibility was determined on the basis of financial independence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public services. Based on the aforementioned criteria Shepaug Valley Regional School District #12 has no component units.

**C. Government-wide and Fund Financial Statements**

*Government-wide Financial Statements* – The statement of net position and the statement of activities display information about the school district as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the district. Direct expenses are those that are specifically association with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues not classified as program revenues are presented as general revenues of the district.

*Fund Financial Statements*- Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type. A description of the various fund financial statements follows:

**Governmental-Funds:**

**General Fund:**

This fund is the general operating fund of the District and provides the accounting for budgeted revenue and expenditures applicable to the direct operation of the school system.

**Special Revenue Funds:**

These funds account for revenue that is restricted as to its use under specific provisions of law.

**Capital Projects Fund:**

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, which are not financed by Proprietary and Trust Funds.

**Debt Service Fund:**

The debt service fund is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note “1” – Summary of Significant Accounting Policies (continued):**

**C. Government-wide and Fund Financial Statements (continued):**

**Fiduciary Funds:**

**Trust and Agency Funds:**

Account for assets held for the District in a trustee or custodial capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Pension Trust Funds:**

Account for the activities of the District's single-employer public employee retirement system (PERS).

**D. Measurement Focus and Basis of Accounting:**

**Measurement Focus:**

*Government-wide Statements*

The government-wide statements are prepared using the economic resources measurement focus. Eliminations have been made to minimize the double counting of internal activities. This is the same approach used in the preparation of proprietary fund financial statements, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

*Fund Financial Statements*

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**Basis of Accounting:**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The Fund financial statements are prepared using either modified accrual for governmental funds or accrual basis for proprietary and fiduciary funds.

*Revenues, Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the District is sixty days after year end.

**Shepaug Valley Regional School District #12**  
**Towns of Bridgewater, Roxbury and Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

**D. Measurement Focus and Basis of Accounting (continued)**

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include contributions by member towns, grants, entitlements and donations. On an accrual basis, revenue from member towns is recognized in the fiscal year for which the amounts are due. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: contributions by member towns, investment earnings, tuition, grants and student fees.

*Expenditures/Expenses*

On the accrual basis of accounting, expenses are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on flow of current financial resources. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave, which are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

**E. Fund Equity and Net Position – Governmental Funds:**

Beginning with fiscal year 2011, the District implemented GASB Statement 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Board of Education.
- Assigned fund balance – amounts the government intends to use for a specific purpose, but are neither restricted nor committed, as authorized by the Board of Education.
- Unassigned fund balance – amounts that are available for any purpose.

**F. Deposits and Investments:**

The Deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualified public depository" as defined by statute, which has its main place of business in the State of Connecticut.

The District’s cash and cash equivalents are comprised of cash on hand, demand deposits, and all other highly liquid, short-term investments with original maturities of three months or less.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note “1” – Summary of Significant Accounting Policies (continued):**

**F. Deposits and Investments (continued):**

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Funds (STIF). The provisions of the statutes, regarding the investments of municipal pension funds, do not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

District investments are reported at fair value.

**G. Inventories:**

Inventories are valued at cost using the first-in/first-out (FIFO) method, except for USDA donated commodities, which are valued at market value. The cost of governmental fund type inventories, are recorded as expenditures when consumed rather than when purchased. Inventories are comprised of food products for the School Cafeteria Fund.

**H. Prepayments:**

Certain payments to vendors provide benefits in future accounting periods and therefore are recorded as prepayments on both government-wide and fund financial statements.

**I. Capital Assets and Depreciation**

General capital assets are reported in the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District follows the policy of not capitalizing assets with a cost of less than \$5,000 and a useful life of less than 1 year. The District does not possess any infrastructure.

All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Life</u>
Land	not depreciated
Land improvements	20
Buildings & Improvements	20 – 50
Furniture and Equipment	5 – 10

**Shepaug Valley Regional School District #12  
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**Note “1” - Summary of Significant Accounting Policies (continued):**

**J. Deferred Outflows and Deferred Inflows of Resources**

The statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The District reports deferred outflows of resources related to pension for the differences between expected and actual experiences, changes of assumptions, and the net difference between projected and actual earnings on plan investments.

Additionally, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period.

**K. Interfund Activity**

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

On fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the statement of net position.

**L. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee’s right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30 by those employees who are currently eligible to receive termination payments and those employees for whom it is probable they will become eligible to receive termination benefits in the future. The criteria for determining the vacation and sick leave liability is derived from Board policy, negotiated agreements, and state laws.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

**M. Accrued Liabilities and Long-term Debt**

All accrued liabilities and long-term debt are reported in the government-wide financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

**Shepaug Valley Regional School District #12**  
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**Note "1" - Summary of Significant Accounting Policies (continued):**

**N. Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restricted classifications – committed and then assigned fund balances before using unassigned balances.

**Note "2" - Stewardship, Compliance, and Accountability:**

On or before the last Friday in December of each year all cost centers submit requests for appropriations to the Regional School Board Central Office administration so that the general fund budget may be prepared.

Before March 1, the proposed budget is presented to the finance committee for review. By the end of April the proposed budget will be reviewed and adopted by the Regional Board of Education to be presented at the annual public budget meeting.

Not less than two weeks before the annual meeting held pursuant to C.G.S. Section 10-47, the board shall hold a public district meeting to present a proposed budget for the next fiscal year. Any person may recommend the inclusion or deletion of expenditures at such time. After the public hearing, the board prepares an annual budget for the next fiscal year. At the annual meeting on the first Monday in May, the board presents a budget which includes a statement of (1) estimated receipts and expenditures for the next fiscal year, (2) estimated receipts and expenditures for the current fiscal year, (3) estimated surplus or deficit in operating funds at the end of the current year, (4) bonded or other debt, (5) estimated per pupil expenditure for the current and for the next fiscal year and (6) such other information as is necessary in the opinion of the board. Persons present and eligible to vote under C.G.S. section 7-6 may accept or reject the proposed budget. The regional board of education may, in the call to the meeting, designate that the vote on the motion to adopt a budget shall be by paper ballots at the district meeting held on the budget or by a "yes" or "no" vote on the voting machines in each of the member towns on the day following the district meetings. After budget approval, the board shall estimate the net expenses to be paid by each member town.

The budget for the general fund has substantially been prepared on the modified accrual basis. Encumbrances, commitments related to unperformed contracts for goods or services, 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 reflected in the budgetary reports as expenditures in the current year. Actual expenditures in the budgetary statement include current encumbrances as described above. This method of accounting, for encumbrances, is different from that utilized in the balance sheet and statement of revenue and expenditures (GAAP basis). Encumbrances on a GAAP basis are not expenditures but are included in unassigned fund balance.



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**Note "2" - Stewardship, Compliance, and Accountability:**

A reconciliation of general fund expenditures and fund balance between the accounting treatment for encumbrances as required by GAAP and legal requirements follows:

	<u>General Fund</u>		
	<u>Revenue</u>	<u>Expenditures and Other Financing Uses</u>	<u>Fund Balance</u>
<u>Budgetary/GAAP Reporting Reconciliation:</u>			
Budgetary Statement - June 30, 2017	\$ 21,379,979	\$ 21,337,757	\$ 42,222
Encumbrances - June 30, 2016	-	905,359	-
Encumbrances - June 30, 2017	-	(325,987)	325,987
Fund balance returned to participating towns is a decrease of revenue for GAAP purposes	(167,959)	-	-
Payments made on the District's behalf as described in Note "12"	3,235,678	3,235,678	-
Revenue received, budgeted as a reduction of Expenditures - State of Connecticut Grants Balance (GAAP) Balance Sheet and Statement of Revenue and Expenditures - June 30, 2017	<u>40,067</u>	<u>40,067</u>	<u>-</u>
	<u>\$ 24,487,765</u>	<u>\$ 25,192,874</u>	<u>\$ 368,209</u>

**Note "3" - Budgetary Compliance - Special Revenue Fund:**

No formal budget is adopted.

**Note "4" - Cash, Deposits and Investments:**

**A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2017:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand accounts	\$ 2,744,298	\$ 307,766
Cash equivalents:		
State short-term investment fund (STIF)	<u>325,834</u>	<u>---</u>
Total Cash and Cash Equivalents	<u>\$ 3,070,132</u>	<u>\$ 307,766</u>

**Shepaug Valley Regional School District #12  
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**Note "4" – Cash, Deposits and Investments (continued):**

**B. Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2017 the carrying amount of the District's deposits was \$3,070,132 and the bank balance was \$3,557,872. Of the District's bank balance, \$3,057,872 was exposed to custodial credit risk; as follows:

Uninsured and uncollateralized	\$ 2,770,537
Uninsured and collateralized held by pledging Bank's trust department not in the District's name	<u>287,335</u>
Total amount subject to custodial credit risk	<u>\$ 3,057,872</u>

**C. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2017, the District's cash equivalents amounted to \$325,834. The following table provides a summary of the District's cash equivalents as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

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

**D. Investments**

At June 30, 2017, the District's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Fiduciary Funds</b>			
Mutual funds	\$ <u>6,045,033</u>	N/A	N/A

- Ratings by Standard & Poor's are provided where applicable to indicate the associated credit risk. N/A indicates not applicable.
- Interest rate risk - The District 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 District has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations or any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

**Shepaug Valley Regional School District #12  
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**Note "4" – Cash, Deposits and Investments (continued):**

**E. Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. Investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

As of June 30, 2017, the District's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The District does not hold any investments on June 30, 2017 whose fair value was determined using Level 2 or Level 3 inputs.

**Note "5" – Receivables and Due from State of Connecticut:**

Receivables and amounts due from State of Connecticut at June 30, 2017 consisted of various fees, interest and intergovernmental grants and entitlements. All receivables are considered collectible in full based on prior years' experience and the stable condition of State programs.

**Note "6" - Interfund Accounts:**

At June 30, 2017 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	State and Federal Grants Restricted Fund	\$ 19,081
General Fund	Universal Service Fund	8,210
Capital Reserve Fund	General Fund	6,274
Capital Project Elementary Repair Fund General Fund	General Fund	12,380
Pre School Restricted Fund	General Fund	<u>29,830</u>
<u>Total</u>		<u>\$ 75,775</u>

**Note "7" - Interfund Transfers:**

At June 30, 2017, interfund transfers consisted of the following. These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimburseable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

Transfers from the General Fund to:	
Debt Service Fund	\$ 604,025
Capital Reserve Fund	213,614
Capital Project - Elementary Repair Fund	<u>100,000</u>
Total General Fund	<u>\$ 917,639</u>

**Shepaug Valley Regional School District #12  
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Notes to Financial Statements**

**Note "8" - Operating Deficiencies and Fund Deficits:**

At June 30, 2017 the following individual funds had deficiencies of revenue over expenditures and/or fund deficits for the year then ended.

	<u>Operating Deficiency</u>	<u>Fund Deficits</u>
General Fund	\$ <u>705,109</u>	\$ <u>---</u>
Capital Reserve Fund	\$ <u>20,393</u>	\$ <u>---</u>
Capital Project Elementary Repair Fund	\$ <u>23,830</u>	\$ <u>---</u>
School Cafeteria Fund	\$ <u>193</u>	\$ <u>---</u>
Universal Service Fund	\$ <u>10,635</u>	\$ <u>---</u>

**Note "9" – Capital Assets:**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2017</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land and Land improvements	\$ 152,512	\$ ---	\$ ---	\$ 152,512
Capital assets, being depreciated:				
Buildings and improvements	12,200,592	---	---	12,200,592
Leasehold improvements	3,577,381	---	---	3,577,381
Furniture and equipment	<u>1,656,721</u>	<u>45,439</u>	<u>( 28,888)</u>	<u>1,673,272</u>
Total capital assets, being depreciated	17,434,694	45,439	( 28,888)	17,451,245
Accumulated depreciation for:				
Buildings and improvements	(10,390,402)	( 237,124)	---	(10,627,526)
Leasehold improvements	( 3,577,381)	---	---	( 3,577,381)
Furniture and equipment	<u>( 1,623,809)</u>	<u>( 1,250)</u>	<u>28,888</u>	<u>( 1,596,171)</u>
Total accumulated depreciation	<u>(15,591,592)</u>	<u>( 238,374)</u>	<u>28,888</u>	<u>(15,801,078)</u>
Total capital assets, being depreciated, net	<u>1,843,102</u>	<u>( 192,935)</u>	<u>---</u>	<u>1,650,167</u>
Governmental activities capital assets, net	<u>\$ 1,995,614</u>	<u>\$ ( 192,935)</u>	<u>\$ ---</u>	<u>\$ 1,802,679</u>

Depreciation expense was charged to functions of the District as follows:

**Governmental activities:**

Unallocated	\$ 223,620
Supporting services:	
District administration	8,846
Operation and maintenance of facilities	<u>5,908</u>
Total depreciation expense, governmental activities	<u>\$ 238,374</u>

**Shepaug Valley Regional School District #12**  
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**Note "10" - Long-Term Debt:**

The following is a summary of activity for the year ended June 30, 2017.

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>General Obligation Loan of 2012</u>					
Payable in annual installments of \$450,000 in 2018 and 2019. Loan bears interest @ 2.15%.	1,350,000	---	450,000	900,000	450,000
<u>Compensated Absences &amp; Other Leave Benefits</u>					
Vested or accumulated severance and sick leave.	127,988	21,640	8,295	141,333	---
<u>Other Post Retirement Benefit Obligation</u>	751,098	92,064	---	843,162	---
<u>Net Pension Liability</u>	<u>784,623</u>	<u>598,726</u>	<u>1,064,688</u>	<u>318,661</u>	<u>---</u>
<u>Totals</u>	<u>\$ 3,013,709</u>	<u>\$ 712,430</u>	<u>\$ 1,522,983</u>	<u>\$ 2,203,156</u>	<u>\$ 450,000</u>

The following is a summary of the District's aggregate debt service requirements:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 450,000	\$ 14,674	\$ 464,674
2019	450,000	4,864	454,864
	<u>\$ 900,000</u>	<u>\$ 19,538</u>	<u>\$ 919,538</u>

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan**

**A. General Information about the Pension Plan**

Shepaug Valley Regional School District #12 is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Board of Education for its non-certified employees. The PERS is considered to be part of the District's reporting entity and is included in the District's financial reports as a pension trust fund. The plan does not issue stand-alone financial statements. The membership of the plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>70</u>
Total	<u>117</u>

The District provides all Employee retirement benefits through a single employer, noncontributory, defined benefit plan. Under the plan, all regular full-time and regular part-time nonprofessional employees who have completed 2 years of service and have attained the age of 25 are covered. All covered employees vest after 10 years of service. The retirement benefit is 1.25% of final average compensation multiplied by the employee's years of credited service. Employee's may retire and receive their benefit after attaining the age of 65. The plan also provides reduced benefits for early retirement at age 55 and completion of 10 years of credited service. Covered employees do not and are not required to contribute anything to the PERS. There were no major plan changes for the July 1, 2017 actuarial valuation.

**B. Authority and Funding Policy:**

The Board of Education has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions through the budgetary process.

The District's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate the assets to pay benefits when due.

**C. Summary of Significant Accounting Policies**

**Basis of Accounting:** PERS financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

**Method Used to Value Investments:** All assets are valued at fair value. Fair value, provided by the custodian, is a market quotation as of year-end. Funds are invested in fixed income and equity securities through a trust agreement with the custodian, Wells Fargo. Investment income is recognized as earned.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued)**

**D. Investments:**

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Education Finance Committee by a majority vote of its members. It is the policy of the Board of Education to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The policy emphasizes long-term capital appreciation investments with some consideration for current income. Investments are primarily in equity securities and other asset classes, with growth as the primary objective. Fixed income securities are utilized for risk management. The following was the asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	60%
Fixed Income	37%
Cash	3%

The following investments represent 5 percent or more of plan net assets:

Vanguard 500 Index Fund Admiral Shares	\$ 789,520	12.68%
Federated Total Return Bond Fund Institutional Shares # 328	\$ 577,627	9.28%
Wells Fargo Advantage Core Bond Fund Class Inst #944	\$ 576,740	9.26%
Dodge & Cox Income Fd Com #147	\$ 576,626	9.26%
Metropolitan West Total Return Bond Fund Class I #512	\$ 576,300	9.26%
Northern Mid Cap Index Fund	\$ 526,657	8.46%

Rate of Return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**E. Net Pension Liability of the District**

The components of the net pension liability at June 30, 2017, were as follows:

Total pension liability	\$ 6,548,213
Plan fiduciary net position	<u>6,229,552</u>
Net pension liability	<u>\$ 318,661</u>

Plan fiduciary net position as a percentage of the total pension liability 95.13 %

**F. Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.20%
Salary Increases:	3.50%
Investment Rate of Return:	6.75%, net of pension plan investment expense

**Shepaug Valley Regional School District #12  
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Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued):**

**F. Actuarial Assumptions (continued):**

Mortality rates were based on the RP-2000 Table projected to valuation date using Scale AA.

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	5.70%
Fixed income	0.63%
Cash	0.00%

**G. Discount Rate:**

The discount rate used to measure the total pension liability was 6.75%. The projections of cash flows used to determine the discount rate assumed that the District contribution will be made at actuarially determined contribution rates. Based on this assumption, 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.

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

The following presents the net pension liability of the District, calculated using the discount rate of 6.75%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% Increase 7.75%</u>
Total Pension Liability	\$ 7,235,041	\$ 6,548,213	\$ 5,958,826
Plan Fiduciary Net Position	\$ 6,229,552	\$ 6,229,552	\$ 6,229,552
Net Pension Liability (Asset)	\$ 1,005,489	\$ 318,661	\$( 270,726)



**Shepaug Valley Regional School District #12  
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Notes to Financial Statements**

**Note "11" - Employees Retirement System, Non-certified Employee Plan (continued):**

**I. Changes in the Net Pension Liability**

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances as of June 30, 2016	\$ 6,221,162	\$ 5,436,539	\$ 784,623
Changes for the Year:			
Service cost	183,092	---	183,092
Interest on total pension liability	410,759	---	410,759
Differences between expected and actual experience	4,875	---	4,875
Employer contributions	---	416,934	( 416,934)
Net investment income	---	647,754	( 647,754)
Benefit payments	( 271,675)	( 271,675)	---
Net changes	<u>327,051</u>	<u>793,013</u>	<u>( 465,962)</u>
Balances as of June 30, 2017	\$ <u>6,548,213</u>	\$ <u>6,229,552</u>	\$ <u>318,661</u>

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

For the year ended June 30, 2017, the District recognized pension expense of \$369,762. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	\$ 3,570	\$ ---
Changes of assumptions	377,065	
Net difference between projected and actual earnings of plan investments	<u>88,760</u>	<u>---</u>
	<u>\$ 469,395</u>	<u>\$ ---</u>

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

Year Ending June 30,	
2018	\$ 146,960
2019	146,960
2020	103,357
2021	29,051
2022	43,067
Thereafter	<u>---</u>
	<u>\$ 469,395</u>

**Shepaug Valley Regional School District #12  
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Notes to Financial Statements**

**Note "12" - State of Connecticut Teachers' Retirement System**

**A. General Information about the Pension Plan**

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

**B. Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers Retirement System have been determined on the same basis as they are reported by the Connecticut Teachers Retirement System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**C. Benefit Provision**

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). In addition, amounts derived from the accumulation of 1% contributions made prior to July 1, 1989 and voluntary contributions are payable.

*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 with reduced benefit amounts.

*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.

**D. Contributions**

*State 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 that year, with any additional amounts to finance unfunded accrued liability.

**Shepaug Valley Regional School District #12  
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**Note "12" - State of Connecticut Teachers' Retirement System (continued):**

**D. Contributions (continued):**

*Employer (School District):* School district employers are not required to make contributions to the plan.

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

**E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, the District reports no amounts for its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources, due to the statutory requirement that the State of Connecticut pay 100 percent of the required contribution.

The amount recognized by the District 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 District were as follows:

District's proportionate share of the net pension liability	\$ ---
State's proportionate share of the net pension liability associated with the District	<u>29,670,533</u>
Total	<u>\$ 29,670,533</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 date of June 30, 2016. At June 30, 2017, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2017, the District recognized pension expense and revenue of \$3,235,678 for on-behalf amounts for the benefits provided by the State.

**F. Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note "12" - State of Connecticut Teachers' Retirement System (continued):**

**F. Actuarial Assumptions (continued)**

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 provide 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of June 30, 2016 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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>	

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note "12" - State of Connecticut Teachers' Retirement System (continued):**

**G. 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.

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

The District'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.

**I. Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at [www.ct.gov](http://www.ct.gov).

**J. Other Information**

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the District has no obligation to contribute to the plan.

**Note "13" - Risk Management and Unpaid Claims Liabilities:**

The District is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage for all risks of loss, including workers' compensation insurance. Additionally, employee health coverage is purchased from a commercial carrier.

**Note "14" - Commitments and Contingencies:**

**Litigation:** It is the opinion of the school district officials that there are no material or substantial claims against the district, which will be finally determined so as to result in a judgment or judgments against the district, which would materially affect its financial position.

**Grant Programs:** The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Shepaug Valley Regional School District #12  
 Towns of Bridgewater, Roxbury and Washington  
 Notes to Financial Statements**

**Note "15" – Post Retirement Benefits**

**A. Plan Description**

The District provides post-retirement benefits for certain employees for current and future health and life insurance benefit expenses through a single-employer defined benefit plan. A bi-annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. Annual updates are prepared for the intervening years. The latest actuarial valuation was June 30, 2017. The post-retirement plan does not issue stand-alone financial reports.

The contribution requirements of plan members and the district are established and may be amended by the District. The District determines the required contribution using the Entry Age Normal Method.

Membership in the plan consisted of the following at June 30, 2017:

Retirees and beneficiaries receiving benefits	17
Active plan members	<u>100</u>
Total	<u>117</u>

**B. Basis of Accounting**

From an accrual accounting perspective, the cost of postemployment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 the District recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demand on the District’s future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

**C. Funding Policy**

The District has not established a trust fund to irrevocably segregate assets to fund the liability associated with post-employment benefits in accordance with GASB guidelines. Although a trust fund may not be established in the future to exclusively control the funding and reporting of post-employment benefits, the District anticipates a commitment to fund normal costs as well as long-term approach for the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the annual OPEB cost of benefits and segregating the needed resources.

**D. Annual OPEB Cost and OPEB Obligation**

The District’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or past service cost) over a period not to exceed thirty years.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note "15" – Post Retirement Benefits (continued)**

**D. Annual OPEB Cost and OPEB Obligation (continued)**

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation:

Normal cost (current service cost)	\$ 10,000
Amortization of UAAL (for past service)	<u>82,064</u>
Annual required contribution	\$ 92,064
Increase in net OPEB liability	\$ 92,064
Net OPEB obligation, beginning of year	<u>751,098</u>
Net OPEB obligation, end of year	<u>\$ 843,162</u>

The actuarial accrued liability as of June 30, 2017 is estimated to be \$1,419,052. The District's contributions represent payments made for premiums for insured individuals.

The required schedule of funding progress 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.

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u>		<u>Under</u> <u>Funded</u> <u>AAL</u>	<u>Funded</u> <u>AAL</u> <u>Ratio</u>	<u>Funded AAL as</u>	
	<u>Value of</u> <u>Assets</u>	<u>Accrued</u> <u>Liability</u> <u>AAL</u>			<u>Covered</u> <u>Payroll</u>	<u>a Percentage</u> <u>of Covered</u> <u>Payroll</u>
6/30/17	\$ ---	\$ 1,419,052	\$ 1,419,052	0.0%	\$ N/A	N/A
7/1/15	\$ ---	\$ 1,102,581	\$ 1,102,581	0.0%	\$ N/A	N/A
7/1/14	\$ ---	\$ 1,016,132	\$ 1,016,132	0.0%	\$ N/A	N/A

The District's three year trend information on its annual OPEB cost, employer contribution, the percentage of annual OPEB cost contributed to the plan, and net OPEB obligation was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB</u> <u>Cost (AOC)</u>	<u>Employer</u> <u>Contributions</u>	<u>Percentage of</u> <u>AOC Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/17	\$ 92,064	\$ ---	N/A	\$ 843,162
6/30/16	\$ 109,566	\$ ---	N/A	\$ 751,098
6/30/15	\$ 102,805	\$ ---	N/A	\$ 641,532

Actuarial valuations of an ongoing plan involve estimates of the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Notes to Financial Statements**

**Note "15" – Post Retirement Benefits (continued)**

E. Actuarial Assumptions:

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	June 30, 2017
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	N/A, not funded
Amortization Method:	Level Dollar (closed period)
Remaining Amortization Period	30 Years
Actuarial Assumptions:	
Discount rate	4.00%
Mortality	1994 GAR
Medical Inflation rate	8.00% in 2017, decreasing by 0.50% per Year with an ultimate rate of 4.00%

**Note "16" – Subsequent Events:**

In connection with the preparation of the financial statements of Shepaug Valley Regional School District #12, subsequent events were evaluated through November 29, 2017, which is the date the financial statements were available to be issued.

**Note "17" - Implementation of Future GASB Pronouncements**

The GASB has issued a pronouncement that has an effective date that may impact the June 30, 2018 financial statements. Management has not currently determined what, if any, impact implementation of the following pronouncement may have on the financial statements:

*Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*



Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Statement Of Revenue, Expenditures And Changes In Fund Balances  
Budget and Actual (NON-GAAP BUDGETARY BASIS)  
General Fund  
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Over (Under)
<b>Revenue:</b>			
Participating towns :			
Town of Bridgewater	\$ 4,082,997	\$ 4,082,997	\$ ---
Town of Roxbury	6,725,184	6,725,184	---
Town of Washington	10,194,891	10,194,891	---
State of Connecticut:			
Transportation grant	38,614	---	(38,614)
Adult education grant	67	69	2
Investment income	700	1,983	1,283
Tuition income	318,995	304,004	(14,991)
Miscellaneous income	---	70,851	70,851
<b>Total Revenue</b>	<b>21,361,448</b>	<b>21,379,979</b>	<b>18,531</b>
<b>Expenditures:</b>			
Current			
Certified salaries	9,212,532	9,141,494	71,038
Classified salaries	3,258,371	3,212,004	46,367
Employee benefits	2,827,876	2,780,730	47,146
Instructional programs	969,662	1,032,575	(62,913)
Tuition - other schools	601,100	368,564	232,536
Administrative services	724,105	1,136,350	(412,245)
Pupil transportation	1,686,197	1,413,717	272,480
Plant operation & maintenance	1,105,825	1,050,026	55,799
Capital outlay	270,754	284,658	(13,904)
<b>Total Expenditures</b>	<b>20,656,422</b>	<b>20,420,118</b>	<b>236,304</b>
<b>Expenditures Transferred from Budget:</b>			
Debt Service Fund	605,026	604,025	1,001
Reserve Fund for Capital and Non-recurring expenditures	---	213,614	(213,614)
Elementary School Repair Fund	100,000	100,000	---
<b>Total Expenditures and Transfers</b>	<b>21,361,448</b>	<b>21,337,757</b>	<b>23,691</b>
<b>Excess of Revenue over Expenditures and Transfers</b>	<b>---</b>	<b>42,222</b>	<b>42,222</b>
<b>Fund Balance - beginning of year</b>	<b>---</b>	<b>167,959</b>	<b>167,959</b>
<b>Returned to participating towns</b>	<b>---</b>	<b>(167,959)</b>	<b>(167,959)</b>
<b>Fund Balance - end of year</b>	<b>\$ ---</b>	<b>\$ 42,222</b>	<b>\$ 42,222</b>

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

**Shepaug Valley Regional School District #12**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**State of Connecticut Teachers' Retirement System**  
**Last Three Fiscal Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	29,670,533	24,039,750	22,219,931
Total	<u>\$ 29,670,533</u>	<u>\$ 24,039,750</u>	<u>\$ 22,219,931</u>
District's covered-employee payroll	\$ N/A	\$ N/A	\$ N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

**Notes to Schedule**

Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization method	20.4 years
Asset valuation method	4-year smoothed market
Changes in benefit terms	None
Changes of assumptions	During 2016, the inflation, salary increase, and investment rate of return rates were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the 5-year period ended June 30, 2015.

District's covered-employee payroll Not applicable since 0% proportionate share of the net pension liability

Shepaug Valley Regional School District #12  
 Employees Retirement System, Non-certified Employee Plan  
 Schedule of Changes in Net Pension Liability and Related Ratios  
 Last Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:				
Service Cost	\$ 183,092	\$ 147,816	\$ 149,359	\$ 148,277
Interest	410,759	373,380	350,865	335,174
Differences between expected and actual experience	4,875	(51,555)	61,047	(33,666)
Changes of assumptions	-	542,809	-	-
Benefit payments, including refunds of member contributions	<u>(271,675)</u>	<u>(250,580)</u>	<u>(228,662)</u>	<u>(222,592)</u>
Net change in total pension liability	327,051	761,870	332,609	227,193
Total pension liability - beginning	<u>6,221,162</u>	<u>5,459,292</u>	<u>5,126,683</u>	<u>4,899,490</u>
Total pension liability - ending	<u>6,548,213</u>	<u>6,221,162</u>	<u>5,459,292</u>	<u>5,126,683</u>
Plan fiduciary net position:				
Contributions - employer	416,934	176,819	225,505	205,888
Net investment income	647,754	5,070	149,125	701,161
Benefit payments, including refunds of member contributions	<u>(271,675)</u>	<u>(250,580)</u>	<u>(228,662)</u>	<u>(222,592)</u>
Net change in plan fiduciary net position	793,013	(68,691)	145,968	684,457
Plan fiduciary net position - beginning	<u>5,436,539</u>	<u>5,505,230</u>	<u>5,359,262</u>	<u>4,674,805</u>
Plan fiduciary net position - ending	<u>6,229,552</u>	<u>5,436,539</u>	<u>5,505,230</u>	<u>5,359,262</u>
Net Pension Liability (Asset) - Ending	<u>\$ 318,661</u>	<u>\$ 784,623</u>	<u>\$ (45,938)</u>	<u>\$ (232,579)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>95.13%</u>	<u>87.39%</u>	<u>100.84%</u>	<u>104.54%</u>
Covered employee payroll	<u>\$ 2,542,496</u>	<u>\$ 2,490,937</u>	<u>\$ 2,534,741</u>	<u>\$ 2,472,885</u>
Net pension liability as a percentage of covered employee payroll	<u>12.53%</u>	<u>31.50%</u>	<u>(1.81%)</u>	<u>(9.41%)</u>

**Shepaug Valley Regional School District #12**  
**Employees Retirement System, Non-certified Employee Plan**  
**Schedule of Employer Contributions**  
**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 177,349	\$ 176,819	\$ 183,176	\$ 239,659	\$ 211,015	\$ 237,502	\$ 232,610	\$ 162,651	\$ 119,913	\$ 151,617
Contributions in relation to the actuarially determined contribution	416,934	176,819	225,505	205,888	375,541	258,583	384,415	181,564	158,235	287,480
Contribution (Deficiency) Excess	\$ 239,585	\$ -	\$ 42,329	\$ (33,771)	\$ 164,526	\$ 21,081	\$ 151,805	\$ 18,913	\$ 38,322	\$ 135,863
Covered employee payroll	\$ 2,542,496	\$ 2,490,937	\$ 2,534,741	\$ 2,472,885	\$ 2,320,238	\$ 2,379,607	\$ 2,364,314	\$ 2,213,838	\$ 2,207,360	\$ 2,092,740
Contributions as a percentage of covered employee payroll	16.40%	7.10%	8.90%	8.33%	16.19%	10.87%	16.26%	8.20%	7.17%	13.74%

**Notes to Schedule**

Valuation date: July 1, 2017

Measurement date: June 30, 2017

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years from 7/1/1997
Asset valuation method	Fair market value
Inflation	2.20%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	65 years
Mortality	RP-2000 projected to valuation date using Scale AA

**Other:**

Change of benefit terms: None

Changes of assumptions: During 2016, the discount rate, investment rate of return, salary increases, inflation rate, amortization period, and mortality table were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the District for the ten-year period ended June 30, 2016.

**Shepaug Valley Regional School District #12  
Employees Retirement System, Non-certified Employee Plan  
Schedule of Investment Returns  
Last Four Fiscal Years**

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	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	11.67%	0.09%	2.78%	15.34%

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2017

	Special Revenue Funds						Total Nonmajor Governmental Funds
	School Cafeteria	State and Federal Grants	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund		
<b>Assets:</b>							
Cash	\$ 29,746	\$ 20,925	\$ 305,236	\$ 69,967	\$ 37,820	\$	463,694
Due from State of Connecticut	5,040	13,928	---	---	---		18,968
Due from other funds	---	---	---	---	29,830		29,830
Inventory	10,668	---	---	---	---		10,668
<b>Total Assets</b>	<b>\$ 45,454</b>	<b>\$ 34,853</b>	<b>\$ 305,236</b>	<b>\$ 69,967</b>	<b>\$ 67,650</b>	<b>\$</b>	<b>523,160</b>
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Accrued payroll, payroll taxes, and benefits	\$ 4,473	\$ ---	\$ ---	\$ ---	\$ ---	\$	4,473
Accounts payable	167	---	---	5,769	---		5,936
Due to other funds	---	19,081	---	8,210	---		27,291
Unearned revenue	3,585	10,852	---	---	14,475		28,912
<b>Total Liabilities</b>	<b>8,225</b>	<b>29,933</b>	<b>---</b>	<b>13,979</b>	<b>14,475</b>		<b>66,612</b>
<b>Fund balances:</b>							
Nonspendable:							
Inventories	10,668	---	---	---	---		10,668
Committed for:							
School cafeteria	26,561	---	---	---	---		26,561
Restricted for:							
Technology - USF fund	---	---	---	55,988	---		55,988
Scholarships	---	---	305,236	---	---		305,236
Federal and State grants	---	4,920	---	---	---		4,920
Pre-School	---	---	---	---	53,175		53,175
<b>Total Fund Balance</b>	<b>37,229</b>	<b>4,920</b>	<b>305,236</b>	<b>55,988</b>	<b>53,175</b>		<b>456,548</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 45,454</b>	<b>\$ 34,853</b>	<b>\$ 305,236</b>	<b>\$ 69,967</b>	<b>\$ 67,650</b>	<b>\$</b>	<b>523,160</b>

Shepaug Valley Regional School District #12  
Towns of Bridgewater, Roxbury and Washington  
Combining Statement of Revenue, Expenditures And Changes In Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2017

	Special Revenue Funds					Total Nonmajor Governmental Funds
	School Cafeteria	State and Federal Grants	Scholarship Fund	Universal Service Fund	Pre-School Restricted Fund	
<b>Revenue:</b>						
Sales of lunches, milk, and other	\$ 184,144	\$ ---	\$ ---	\$ ---	\$ ---	\$ 184,144
Federal & state grants	33,178	357,964	---	---	---	391,142
Other	---	---	25,830	25,847	48,772	100,449
<b>Total Revenue</b>	<b>217,322</b>	<b>357,964</b>	<b>25,830</b>	<b>25,847</b>	<b>48,772</b>	<b>675,735</b>
<b>Expenditures:</b>						
Cost of food consumed	85,381	---	---	---	---	85,381
Salaries and wages	114,042	165,931	---	---	---	279,973
Supplies and miscellaneous	8,831	15,288	---	---	---	24,119
Payroll taxes	9,261	---	---	---	---	9,261
Employee benefits	---	19,392	---	---	---	19,392
Repairs and equipment purchases	---	---	---	36,482	---	36,482
Student Services	---	157,353	---	---	2,456	159,809
Scholarships	---	---	10,100	---	---	10,100
<b>Total Expenditures</b>	<b>217,515</b>	<b>357,964</b>	<b>10,100</b>	<b>36,482</b>	<b>2,456</b>	<b>624,517</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(193)</b>	<b>---</b>	<b>15,730</b>	<b>(10,635)</b>	<b>46,316</b>	<b>51,218</b>
<b>Fund Balance - beginning of year</b>	<b>37,422</b>	<b>4,920</b>	<b>289,506</b>	<b>66,623</b>	<b>6,859</b>	<b>405,330</b>
<b>Fund Balance - end of year</b>	<b>\$ 37,229</b>	<b>\$ 4,920</b>	<b>\$ 305,236</b>	<b>\$ 55,988</b>	<b>\$ 53,175</b>	<b>\$ 456,548</b>

Shepaug Valley Regional School District #12  
 Towns of Bridgewater, Roxbury and Washington  
 Statement of Changes in Assets and Liabilities  
 All Agency Funds - Student Activities Fund  
 June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Assets:</b>				
Cash	\$ 110,560	\$ 167,414	\$ 154,727	\$ 123,247
<b>Total Assets</b>	<b>\$ 110,560</b>	<b>\$ 167,414</b>	<b>\$ 154,727</b>	<b>\$ 123,247</b>
<b>Liabilities:</b>				
Due to Student Groups				
High School Activity Fund	\$ 88,121	\$ 106,979	\$ 106,056	\$ 89,044
Middle School	6,438	15,989	13,708	8,719
Burnham School	3,081	3,004	1,940	4,145
Booth Free School	7,836	8,198	9,211	6,823
Washington Primary	5,084	33,244	23,812	14,516
<b>Total Liabilities</b>	<b>\$ 110,560</b>	<b>\$ 167,414</b>	<b>\$ 154,727</b>	<b>\$ 123,247</b>



# **TOWN OF BRIDGEWATER, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of Bridgewater, Connecticut  
Year Ended June 30, 2017



**Charles Heaven & Co.**  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Bridgewater, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Bridgewater, Connecticut's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bridgewater, Connecticut, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3 through 12 and 36 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The combining and individual nonmajor fund financial statements, and 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 combining and individual nonmajor fund financial statements, and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2017, on our consideration of the Town of Bridgewater, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bridgewater, Connecticut's internal control over financial reporting and compliance.



November 21, 2017

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**INTRODUCTION**

The June 30, 2017 Town of Bridgewater Basic Financial statements are presented using the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that the Management of the Town of Bridgewater focus on the most important or “major” funds, which always includes the General Fund.

The goal is to provide the reader with an objective and readable analysis of the financial performance of the Town for the year. Taken together, the following statements should present whether the Town of Bridgewater’s financial position has improved or deteriorated as a result of the year’s operations. Fund statements measure and report the operating results of many funds by measuring cash on hand and other assets that can easily be converted to cash. The Basic Financial Statements includes government-wide financial statements prepared on the accrual basis for all of the Town government’s activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter). Showing budgetary compliance has always been an important part of governmental accountability and therefore the financial statements include the original budget as well as the amended final budget.

Readers of the Town's financial statements are offered this narrative overview and analysis of financial activities for the year ended June 30, 2017.

**OVERVIEW OF FINANCIAL STATEMENTS**

The MD&A is intended to serve as an introduction to the Town’s basic financial statements and an analytical overview of the government’s financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions.

The Basic Financial Statements are comprised of three main components:

- Government Wide Financial Statements
- Fund Financial statements
- Notes to the Financial Statements

Required Supplementary Information (RSI)

- Consists of MD&A
- Budgetary comparison schedules for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget.

**Government Wide Financial Statements**

The government wide financial statements are designed to provide information with a broad overview of the Town’s finances in a manner similar to a private sector business.

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

They include a *statement of net position* which presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the difference between assets plus deferred outflows less liabilities and deferred inflows 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 government'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).

The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, deferred inflows/outflows, revenues, expenses, and gains and losses of the government. The government-wide financial statements present functions of the Town of Bridgewater that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Town include general government, commissions and boards, highways and public works, public safety, health and welfare, education, and other.

Capital assets with the exception of infrastructure are reported along with depreciation expense in the statement of activities. The Town has elected not to report the historical cost of its infrastructure. Net position is reported as capital assets net of related debt, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position is shown as either expendable or nonexpendable.

Expenses presented are reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

The government wide financial statements may be found on pages 13 and 14.

**Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control and accountability of resources segregated for specific activities and objectives. In order to comply with financial related legal requirements, the Town employs fund accounting. All of the Town's funds are divided into two categories: governmental funds and fiduciary funds.

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**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, government 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 used in evaluating the Town's near term financing decisions. Both governmental balance sheet and governmental statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains ten individual governmental funds. The four major funds – General Fund, Harris Fund, Town Aid Road Fund, and Capital Nonrecurring Fund are each presented separately in the governmental fund balance sheet and in the governmental fund statement revenues, expenditures and changes in fund balances. Major fund are funds whose revenues, expenditures, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Other funds that are particularly important are also reported as a major fund. Data from the six other governmental funds are combined into a single, aggregated presentation under the caption of other governmental funds. Individual data for these non-major governmental funds is presented in the form of combining statements in this report.

At the Town's Annual Meeting, the Town adopts an annual budget for the General Fund. In order to demonstrate compliance with the approved budget, a budgetary comparison statement for the General Fund is provided.

The basic fund financial statements are found on pages 15 and 17 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of entities outside the Town. These funds are not reported in the government-wide financial statements because these resources are not available to support the Town's own programs. Bridgewater has two pension trusts and three private purpose trusts. Fiduciary funds use the economic resources measurement focus and the accrual basis of accounting.

The basic fiduciary fund financial statements are found on pages 19 and 20 of this report, while the combining financial statements are presented on pages 42 to 43.

**NOTES TO THE FINANCIAL STATEMENTS**

Notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. The notes to the basic financial statements are found on pages 21 - 35 of this report.

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information comparing the Town’s budget to actual. This required supplementary information is found on pages 36 - 39 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the budgetary comparison. Combining and individual fund statements and schedules are found on pages 40 - 41 of this report.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town of Bridgewater exceed its liabilities as of June 30, 2017 by \$9,297,284 (net position). Of this amount, \$3,563,280 may be used to meet the Town’s ongoing obligations to its residents and creditors. Restricted net position totaled \$812,653, Permanent Endowment \$575,586 and the remainder \$4,345,765 is invested in capital assets.
- Total net position increased by \$125,579 mainly due to a decrease in education expense.
- As of June 30, 2017, governmental funds reported combined ending fund balances of \$4,959,353; an increase of \$76,874 from the previous fiscal year’s ending fund balances of \$4,882,479. The fund balances were held for the following purposes:

○ Nonspendable:		
	Principal of Permanent Funds	\$ 413,631
○ Restricted for:		
	Building and Recreational Improvements	\$ 405,382
	Town Road Improvements	\$ 330,688
	Burnham Library	\$ 211,955
	Social Services	\$ 11,852
	Records Preservation	\$ 14,731
○ Committed to:		
	Open Space and Land Acquisition	\$ 72,440
	Capital and Non Recurring Projects	\$ 599,339
	Subsequent Year Budget Deficit	\$ 204,728
○ Assigned for:		
	Capital and Non Recurring Projects	\$ 1,196,925
○ Unassigned:		<u>\$ 1,497,682</u>
	Total Fund Balance	<u>\$ 4,959,353</u>

- At the end of the current Fiscal Year, fund balance for the general fund was \$2,899,335, or 39.6% of the total general fund expenditures of \$6,792,090 and operating transfers out of \$534,000.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve as a useful indicator of a government’s financial position. As indicated on the next page, as of June 30, 2017, the Town’s assets exceed liabilities by \$9,297,284.

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)**

Below is the summary Statement of Net Position comparing the Town's position with the previous year.

**Town of Bridgewater Net Position**

	<u>2016</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets	\$ 5,165,481	\$ 5,042,072
Capital Assets	<u>4,291,393</u>	<u>4,345,765</u>
Total Assets	9,456,874	9,387,837
 <b>LIABILITIES</b>		
Current Liabilities	258,139	62,383
Non Current Liabilities	<u>27,030</u>	<u>28,170</u>
Total Liabilities	285,169	90,553
 <b>NET POSITION</b>		
Invested in Capital assets, net of related debt	4,291,393	4,345,765
Restricted	726,917	812,653
Permanent Endowments	561,952	575,586
Unrestricted	<u>3,591,443</u>	<u>3,563,280</u>
Total Net Position	<u>\$ 9,171,705</u>	<u>\$ 9,297,284</u>

The largest portion of the Town's net position reflects its investment in capital assets such as land, infrastructure, buildings, and machinery and equipment. The Town uses these capital assets to provide services to its residents; consequently these assets are not available for future spending. Of the Town's remaining net position as of June 30, 2017, \$3,563,280 or 38.3% is unrestricted and may be used to meet its ongoing financial obligations.



**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)**

**Town of Bridgewater Change in Net Position: Governmental Activities**

	<u>2016</u>		<u>2017</u>	
	<u>\$</u>	<u>% to Total</u>	<u>\$</u>	<u>% to Total</u>
<b>Revenues:</b>				
Program:				
Charges for services	\$ 282,758	3.78%	\$ 330,190	4.62%
Operating grants and contributions	140,604	1.88%	27,014	0.38%
Capital grants and contributions	232,778	3.11%	228,701	3.20%
General:				
Property taxes, including interest & liens	6,756,030	90.22%	6,436,971	90.01%
Grants and contributions, not restricted to specific programs	30,502	0.41%	41,470	0.58%
Investments Earnings	45,548	0.61%	86,669	1.21%
<b>Total Revenues</b>	<b>7,488,220</b>	<b>100.00%</b>	<b>7,151,015</b>	<b>100.00%</b>
<b>Expenses:</b>				
General government	1,247,053	17.59%	1,210,308	17.23%
Boards and commissions	239,508	3.38%	257,010	3.66%
Public safety	437,458	6.17%	398,498	5.67%
Public works	717,604 *	10.13%	1,025,895	14.60%
Health and welfare	35,550 *	0.50%	42,778	0.61%
Education	4,368,358	61.63%	4,048,381	57.62%
Other	42,193	0.60%	42,566	0.61%
<b>Total Expenses</b>	<b>7,087,724</b>	<b>100.00%</b>	<b>7,025,436</b>	<b>100.00%</b>
Change in Net Position	400,496		125,579	
Net Position, Beginning of Year	8,771,209		9,171,705	
Net Position, End of Year	<u>\$9,171,705</u>		<u>\$9,297,284</u>	

\* Prior year's trash disposal and recycling expenses of \$27,994 were re-classed to Public Works from Health and Welfare to permit a relevant comparison.

The following is an analysis of significant changes in activity from the prior year:

- The increase in charges of services is mostly represented by the increase in building permits.
- The decrease in the operating grants and contributions is due to the State of CT ECS grant reduction.
- The increase in investment earnings is attributable to the increase in the fair market value of investments.

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)**

- The decrease in property tax revenue, including interest and liens, is mainly due to a decrease in the mill rate. The majority of the Town of Bridgewater's operating revenues are derived from taxes assessed on commercial and private real estate, personal property and motor vehicles. The Town has never been dependent on state and federal grant funding to keep overall costs down. While grant funding is helpful in reducing overall expenses, it does not significantly contribute to total revenues.
- The decrease in general government expenditures is mainly due to the decrease in the prior year's spike of insurance and also due to the decrease in environmental expenses that are included in the town owned buildings budget line.
- The increase in boards and commissions is due to increased legal defense fees.
- The increase in public works is mainly due to capitalized infrastructure costs vs. maintenance on Town roads, in the prior year.
- The decrease in expenses include \$319,997 in education expenses, as assessed by Regional School District #12 (determined by a separate approved taxpayer budget).
- The decrease in public safety is due to a prior year one time expenditure of a federal grant for speed signs.

**Governmental Funds** – The focus of the Town of Bridgewater's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. This information is useful in assessing our 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.

As of the end of the current fiscal year, our governmental funds reported combined ending fund balances of \$4,959,353, an increase of \$76,874. Of this amount \$1,497,682 constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The Town of Bridgewater, Connecticut uses governmental fund accounting to emphasize the accountability as a government entity by ensuring and demonstrating compliance with finance-related legal requirements and therefore has established the following funds:

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**GOVERNMENT WIDE FINANCIAL ANALYSIS (continued)**

**Major Funds**

**General Fund:**

**The General Fund** is the Town's primary operating fund. It accounts for all the financial resources of the Town with the exception of those that are required to be accounted for separately. As of June 30, 2017, this fund reports an unassigned fund balance of \$1,497,682, an assigned fund balance of \$1,196,925 for capital and nonrecurring projects, and \$204,728 committed to balance the 2017-2018 budget.

**Special Revenue Fund:**

**The Harris Fund** accounts for monies willed to the Town by Mr. Richard Harris and are restricted in their use for the improvements to Town buildings and recreational grounds. As of June 30, 2017, this fund reported restricted fund balances of \$405,382 for Town building and recreational improvements and \$50,000 restricted for improvements to the Burnham Library.

**The Town Aid Road Fund** accounts for the State of Connecticut Department of Transportation Road Grant, which can be used for construction, reconstruction, improvement, or maintenance on improved or unimproved roads and other transportation related services as set forth in the Connecticut General Statutes. As of June 30, 2017, this fund reported a restricted fund balance of \$330,688, for road maintenance and improvements.

**Capital Projects Fund:**

**The Capital Projects Fund** is used for financing all or part of planning, construction, reconstruction or acquisition of Capital facilities, improvements or equipment. As of June 30, 2017, the fund reported a committed fund balance of \$599,339 for capital and nonrecurring projects.

**Other Governmental Funds, Nonmajor**

**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for a particular use. These funds report all positive nonspendable, restricted and committed fund balances as seen in the combining statements.

**Town of Bridgewater, Connecticut  
 Management Discussion and Analysis  
 For the Fiscal Year Ending June 30, 2017**

**Other Governmental Funds, Nonmajor (continued)**

**Burnham Fund** - is used to assist those Bridgewater residents in financial need.

**Bridgewater Library Fund** – is used to assist in the day to day operations of the Burnham Library.

**Land Acquisition Fund** – As provided for by CGS for the acquisition of open space preservation and passive recreational use.

**Bridgewater Gift Fund**- is used to account for donations restricted in their purpose.

**Recreation Gift Fund** – is used to account for donations restricted for recreational use.

**Records Preservation Funds** – Per CGS these funds are a portion of the recording fees collected by Town Clerk which are restricted for records preservation and historic document preservation.

**Fiduciary Fund Types:**

The Pension Trusts Funds are used to account for the accumulation of various resources to be used for retirement benefits.

The Private Purpose Funds are used to account for the will bequests and donations which comprise the Bridgewater Scholarship Funds. These funds are restricted in their use for scholarships given annually to recipients who further their education beyond high school by attending institutions of higher learning.

**General Fund Budgetary Highlights:**

The original expenditure budget of \$6,798,040 increased to \$7,332,040 by a transfer to the capital project fund of \$534,000, as approved at Town Meeting.

**Capital Assets:**

The Town of Bridgewater’s investment in capital assets for its governmental use includes land, buildings and improvements, machinery and equipment, and vehicles. The Town has elected to prospectively capitalize infrastructure assets beginning July 1, 2003. Additional information on capital assets can be found in Note 6 of the financial statements.

The breakdown of capital assets, net of accumulated depreciation is as follows:

	<u>2016</u>	<u>2017</u>
Land	\$ 1,508,421	\$ 1,508,421
Land Improvement	131,979	132,623
Buildings & Improvement	1,497,601	1,573,907
Machinery & Equipment	538,098	526,399
Infrastructure	591,841	560,920
Construction in Progress	<u>23,453</u>	<u>43,495</u>
	<u>\$ 4,291,393</u>	<u>\$ 4,345,765</u>

**Town of Bridgewater, Connecticut  
Management Discussion and Analysis  
For the Fiscal Year Ending June 30, 2017**

**Capital Assets (continued)**

During the fiscal year, the Town's investment in capital assets increased by \$54,372. This increase results from current year additions over current year depreciation as follows:

Additions:

Public works - truck, sander and plow, net with trade in	\$ 88,206
Construction in progress - Grange and fuel tanks	44,694
Land and building capital improvements	120,095
Current year depreciation	( 198,623)
Net Increase	<u>\$ 54,372</u>

**Long Term Liabilities**

The Town has no direct debt as of June 30, 2017. The Town has recorded a liability for accrued compensated employee sick leave of \$28,170. As a member of Regional School District #12 the Town's share of the Region's debt is \$174,960. This potential obligation exists only if the school district is unable to meet its debt requirements; this situation is not anticipated. The maximum overall statutory debt limit for the Town is seven times the annual receipts from taxation. Additional information on long term liabilities can be found in Note 7 of the financial statements.

**Economic Factors and Next Years Budget**

The Town of Bridgewater's Expenditure Budget for Fiscal Year 2017-2018 totals \$6,720,467, a decrease of \$77,573 or 1.14% over last year's original budget. The net decrease in budgeted expenditure is primarily due to a \$101,380 decrease in the Town of Bridgewater portion of Regional School District #12 budget. This decrease is primarily offset by a budgeted cost of living adjustment in various departments. The Mill Rate for the Fiscal Year 2017-2018 has increased to 17.20, from 16.454 mills.

**Requests for Information**

Questions concerning any of the information provided in this report, or request for additional information, should be addressed to the Office of the First Selectman, Bridgewater Town Hall, P.O. Box 216, Bridgewater, CT 06752.

**Town of Bridgewater**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 3,900,595
Investments	1,109,748
Property Taxes Receivable - net	25,609
Police Private Duty Receivable	5,980
Other Receivable	140
<b>Total current assets</b>	<u>5,042,072</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Assets not being depreciated	1,551,916
Assets being depreciated, net of depreciation of \$2,753,500	2,793,849
<b>Total Assets</b>	<u><b>9,387,837</b></u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	25,324
Accrued payroll and related taxes	17,209
Performance bonds held	19,850
<b>Total current liabilities</b>	<u>62,383</u>
<b>Noncurrent Liabilities</b>	
Compensated absences, due in more than one year	28,170
<b>Total Liabilities</b>	<u><b>90,553</b></u>
<b>Net Position</b>	
Net investment in capital assets	4,345,765
Restricted for:	
Road maintenance	330,688
Social services	11,852
Record preservation	14,731
Recreational and building improvements	405,382
Burnham library	50,000
Permanent endowments:	
Expendable	161,955
Nonexpendable	413,631
Unrestricted	3,563,280
<b>Total Net Position</b>	<u><u><b>\$ 9,297,284</b></u></u>

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

**Town of Bridgewater  
Statement of Activities  
Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$ 1,210,308	\$ 212,410	\$ 4,000	\$ ---	\$ (993,898)
Boards and commissions	257,010	14,679	---	---	(242,331)
Public safety	398,498	103,101	---	---	(295,397)
Public works	1,025,895	---	---	228,701	(797,194)
Health and welfare	42,778	---	---	---	(42,778)
Education	4,048,381	---	23,014	---	(4,025,367)
Other	42,566	---	---	---	(42,566)
<b>Total governmental activities</b>	<b>\$ 7,025,436</b>	<b>\$ 330,190</b>	<b>\$ 27,014</b>	<b>\$ 228,701</b>	<b>(6,439,531)</b>

General revenues:

Property taxes, interest and lien fees	6,436,971
Grants and contributions not restricted to specific programs	41,470
Investment earnings	86,669
<b>Total general revenues</b>	<b>6,565,110</b>
Change in net position	125,579
Net Position - July 1, 2016	9,171,705
Net Position - June 30, 2017	\$ <u>9,297,284</u>

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

Town of Bridgewater  
Balance Sheet  
Governmental Funds  
June 30, 2017

	Major Funds					
	General Fund	Special Revenue Funds		Capital Project Fund	Other Governmental Funds	Total Governmental Funds
		Harris Fund	Town Aid Road Fund	Capital Nonrecurring		
<b>Assets:</b>						
Cash and cash equivalents	\$ 2,861,764	\$ -	\$ 330,688	\$ 681,700	\$ 26,443	\$ 3,900,595
Investments - at fair value	-	455,382	-	-	654,366	1,109,748
Property tax and interest receivable, net	32,609	-	-	-	-	32,609
Accounts receivable	-	-	-	-	140	140
Police private duty receivable	5,980	-	-	-	-	5,980
Due from other funds	82,361	-	-	-	-	82,361
<b>Total Assets</b>	<b>\$ 2,982,714</b>	<b>\$ 455,382</b>	<b>\$ 330,688</b>	<b>\$ 681,700</b>	<b>\$ 680,949</b>	<b>\$ 5,131,433</b>
<b>Liabilities:</b>						
Accounts payable	\$ 18,984	\$ -	\$ -	\$ -	\$ 6,340	\$ 25,324
Accrued payroll and related taxes	17,209	-	-	-	-	17,209
Performance bonds payable	19,850	-	-	-	-	19,850
Due to other funds	-	-	-	82,361	-	82,361
<b>Total Liabilities</b>	<b>56,043</b>	<b>-</b>	<b>-</b>	<b>82,361</b>	<b>6,340</b>	<b>144,744</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue - property tax	27,336	-	-	-	-	27,336
<b>Fund Balances:</b>						
<b>Nonspendable</b>						
Principal of Permanent funds	-	-	-	-	413,631	413,631
<b>Restricted for:</b>						
Road improvements	-	-	330,688	-	-	330,688
Social services	-	-	-	-	11,852	11,852
Records preservation	-	-	-	-	14,731	14,731
Recreational and building improvements	-	405,382	-	-	-	405,382
Burnham Library	-	50,000	-	-	161,955	211,955
<b>Committed to:</b>						
Subsequent year budget deficit	204,728	-	-	-	-	204,728
Open space and land acquisition	-	-	-	-	72,440	72,440
Capital nonrecurring projects	-	-	-	599,339	-	599,339
<b>Assigned for:</b>						
Capital and nonrecurring projects	1,196,925	-	-	-	-	1,196,925
<b>Unassigned</b>	<b>1,497,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,497,682</b>
<b>Total Fund Balances</b>	<b>2,899,335</b>	<b>455,382</b>	<b>330,688</b>	<b>599,339</b>	<b>674,609</b>	<b>4,959,353</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 2,982,714</b>	<b>\$ 455,382</b>	<b>\$ 330,688</b>	<b>\$ 681,700</b>	<b>\$ 680,949</b>	<b>\$ 5,131,433</b>

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



**Town of Bridgewater**

**Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds**

**June 30, 2017**

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Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following differences:

**Total Fund Balances for Governmental Funds** **\$ 4,959,353**

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

Governmental capital assets	\$ 7,099,265	
Less accumulated depreciation	<u>(2,753,500)</u>	
Net capital assets		4,345,765

Taxes, interest and liens receivable not available to pay current period expenditures are therefore deferred in the funds. 27,336

Property tax and interest receivable are recorded net of an allowance for uncollectible on the Statement of Net Position. (7,000)

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

Compensated absences	(28,170)
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**Total Net Position of Governmental Activities** **\$ 9,297,284**

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

**Town of Bridgewater**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2017**

	Major Funds					
	General Fund	Special Revenue Funds		Capital Project Fund	Other Governmental Funds	Total Governmental Funds
		Harris Fund	Town Aid Road Fund	Capital Nonrecurring		
<b>Revenues:</b>						
Property taxes	\$ 6,428,244	\$ -	\$ -	\$ -	\$ -	\$ 6,428,244
Interest and lien fees on property taxes	13,254	-	-	-	-	13,254
Intergovernmental	114,484	-	178,701	-	4,000	297,185
Investment income:						
Interest and dividends	20,657	14,140	258	-	19,699	54,754
Realized and unrealized gains	-	17,891	-	-	14,024	31,915
Licenses and permits	187,876	-	-	-	-	187,876
Charges for services and program fees	129,753	-	-	-	9,053	138,806
Other	3,508	-	-	-	-	3,508
<b>Total Revenues</b>	<b>6,897,776</b>	<b>32,031</b>	<b>178,959</b>	<b>-</b>	<b>46,776</b>	<b>7,155,542</b>
<b>Expenditures:</b>						
Current:						
General government	1,155,032	3,147	-	-	7,080	1,165,259
Boards and Commissions	219,481	1,310	-	-	8,882	229,673
Public safety	394,359	-	-	-	-	394,359
Public works	898,803	-	4,057	1,200	-	904,060
Health and welfare	33,468	-	-	-	9,310	42,778
Education	4,048,381	-	-	-	-	4,048,381
Other	42,566	-	-	-	-	42,566
Capital outlay	-	-	-	251,592	-	251,592
<b>Total Expenditures</b>	<b>6,792,090</b>	<b>4,457</b>	<b>4,057</b>	<b>252,792</b>	<b>25,272</b>	<b>7,078,668</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>105,686</b>	<b>27,574</b>	<b>174,902</b>	<b>(252,792)</b>	<b>21,504</b>	<b>76,874</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers in	-	-	-	654,000	-	654,000
Operating transfers (out)	(534,000)	(120,000)	-	-	-	(654,000)
<b>Total Financing Sources (Uses)</b>	<b>(534,000)</b>	<b>(120,000)</b>	<b>-</b>	<b>654,000</b>	<b>-</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues And Other Financing Sources Over Expenditures and other Financing Uses</b>	<b>(428,314)</b>	<b>(92,426)</b>	<b>174,902</b>	<b>401,208</b>	<b>21,504</b>	<b>76,874</b>
<b>Fund Balance - beginning of year</b>	<b>3,327,649</b>	<b>547,808</b>	<b>155,786</b>	<b>198,131</b>	<b>653,105</b>	<b>4,882,479</b>
<b>Fund Balance - end of year</b>	<b>\$ 2,899,335</b>	<b>\$ 455,382</b>	<b>\$ 330,688</b>	<b>\$ 599,339</b>	<b>\$ 674,609</b>	<b>\$ 4,959,353</b>

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

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

Amounts reported for governmental activities in the statement of activities are different due to the following:

**Net Change in Fund Balances-Total Governmental Funds** **\$ 76,874**

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life lives and reported as depreciation expense as follows:

Total capital outlay	\$ 252,995	
Less current year depreciation	<u>(198,623)</u>	
Net reduction		54,372

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. Deferred property tax, accrual basis change (4,527)

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

Change in compensated absences liability		(1,140)
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**Change in Net Position of Governmental Activities** **\$ 125,579**

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

**Town of Bridgewater  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2017**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>Assets:</b>		
Investments - at fair value	\$ 1,220,009	\$ 1,332,373
Contribution receivable	14,613	-
<b>Total Assets</b>	<u>1,234,622</u>	<u>1,332,373</u>
 <b>Net Position:</b>		
Reserved for pension benefits	1,234,622	-
Reserved for scholarships	-	1,332,373
	<u>\$ 1,234,622</u>	<u>\$ 1,332,373</u>

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

**Town of Bridgewater**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2017**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>Additions:</b>		
Contribution		
Employees	\$ 78,799	\$ -
Town	43,200	-
Other	16,848	5,150
Investment income:		
Interest and dividends	482	42,888
Realized and unrealized gains	108,981	18,076
Gross investment income	<u>109,463</u>	<u>60,964</u>
Less: investment expense	-	6,327
Net investment income	<u>109,463</u>	<u>54,637</u>
<b>Total additions</b>	248,310	59,787
<b>Deductions:</b>		
Scholarship awards	-	44,925
Pension benefits	74,123	-
<b>Total deductions</b>	<u>74,123</u>	<u>44,925</u>
<b>Net Increase</b>	174,187	14,862
<b>Net Position Held In Trust For Pension Benefits and Scholarships</b>		
Beginning of year	<u>1,060,435</u>	<u>1,317,511</u>
End of year	<u>\$ 1,234,622</u>	<u>\$ 1,332,373</u>

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

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies:**

The accompanying basic financial statements of the Town of Bridgewater, Connecticut (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

**A. Reporting Entity:**

The Town of Bridgewater, Connecticut was incorporated in 1856 under the provisions of the Connecticut General Statutes, and has a population of approximately 1,800 living within an area of 17.3 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Bridgewater, Roxbury, and Washington are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Bridgewater residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual property tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification have been considered and as a result, the potential component units discussed below are not included in the Town’s reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The School District provides educational services and facilities for the Towns of Washington, Roxbury and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Bridgewater Volunteer Fire Department, Inc. and Bridgewater Library Association – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control the daily operations.

**B. Jointly Governed Organizations:**

**Regional Animal Control Authority**

The Regional Animal Control Authority (the “Authority”) was created by the Towns of Bridgewater, Brookfield, New Fairfield, New Milford, Bridgewater, and Sherman to enforce laws relating to animals within the six-town region. The Authority is supported by assessments to the participating towns based upon population census. The Town appropriated \$10,012 and expended \$9,453 for operation of the Authority for the year ended June 30, 2017. The Bridgewater First Selectman is the current chairman for the Authority.

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

**B. Jointly Governed Organizations (continued)**

Lake Lillinonah Authority

The Lake Lillinonah Authority (the “Lake Authority”) was created by the Towns of Bridgewater, Brookfield, New Milford, Newtown, Bridgewater, and Southbury by local ordinances. The Lake Authority is comprised of three delegates from each member town. The Town appropriated and expended \$25,836 for the operation of the Lake Authority for the year ended June 30, 2017.

Housatonic Resource Recovery Authority

The Town and ten other local municipalities each appoint the governing board of the Housatonic Resource Recovery Authority, with which the Town contracts for waste management services. Each Town is awarded voting units based upon population.

Western Connecticut Council of Governments (WestCOG)

The Town and eighteen other local municipalities each appoint the governing board of WestCOG to provide a regional forum for information exchange and regional planning. The WestCOG is supported by Federal and State grants and assessments to the member Towns based upon population census. The Town appropriated and expended \$3,180 for the operation of the WestCOG for the year ended June 30, 2017.

**C. Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* included 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*.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid-management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materially.

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

C. Government-Wide and Fund Financial Statements (continued):

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns, and the six nonmajor funds are aggregated into one column in the financial statements under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements

D. Measurement Focus and Basis of Accounting:

*Government-Wide Statements*

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

General Fund:

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



**Town of Bridgewater**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

D. Measurement Focus and Basis of Accounting (continued):

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

The Harris Fund was created to account and finance, the improvement of the Town’s recreational facilities and town buildings.

Capital Projects Funds:

The Capital Non-Recurring Fund as authorized by General Statutes of Connecticut, is used for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

The Town also reports the following six Nonmajor Governmental Funds:

Special Revenue Funds, are used to account for specific revenues that are legally restricted to expenditures for a particular purpose:

Records Preservation Fund – is used to account for recording fees and state grants restricted for document preservation along with the related expenditures.

Bridgewater Gift Fund – is used to account for donations and assistance to those in need.

Recreational Gift Fund – is used to account for the financial support of recreational leisure programs.

Capital Project Fund, is used to account for major capital facilities and the acquisition of equipment:

Open Space and Land Acquisition Fund – is used to account for the purchase of land for open space.

Permanent Funds, are used to report resources that are legally restricted. Only the earnings, not principal, may be used for purposes that support the Town’s programs.

Burnham Fund – is used to account for assistance to those in need.

Bridgewater Library – is used to account for financial support of the public library.

Additionally, the Town reports the following fund types:

Fiduciary Funds, are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds are as follows:

Pension Trust Funds – is used for the accumulation of resources to be used for retirement benefits.

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

D. Measurement Focus and Basis of Accounting (continued):

Private Purpose Trust Funds – is used to account for resources legally held in trust for the benefit of individuals, private organizations or other governments.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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 property taxes including interest and lien fees.

*Use of Restricted Resources*

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

E. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer’s Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds does not specify permitted investments. Therefore investments of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

Receivables:

In the government-wide financial statements, property taxes are shown net of an allowance for uncollectibles of \$7,000. The allowance is calculated based upon prior years’ collections.

In the fund financial statements, all property taxes receivable at June 30, 2017, which have not been collected within 60 days of June 30, have been recorded as deferred inflows, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 days period have been recorded as revenue.

**Town of Bridgewater  
Notes to Financial Statements**

**Note "1" - Summary of Significant Accounting Policies (continued):**

**E. Assets, Liabilities, and Net Assets or Equity (continued):**

Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installment, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the Motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

**Capital Assets**

Capital assets, which includes property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$5,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair 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.

As permitted under GASB Statement 34, the Town has elected to prospectively capitalize infrastructure assets in the statement of net position beginning July 1, 2003.

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>
Land improvements	25
Buildings	40-50
Building improvements	5-30
Machinery, Equipment and Vehicle	3-20
Infrastructure	20

**Interfund Activity**

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. On fund financial statements, short-term interfund loans are classified as interfund "due from/to other funds". These amounts are eliminated in the statement of net position.

**Compensated Absences**

Town employees accumulate, by prescribed formula, sick leave for subsequent use or for payment upon termination or retirement. Accumulated vacation and personal days must be used by the year end and are not cumulative. Sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these accounts is reported in governmental funds only for amounts expected to be paid with available resources, for example, as a result of employee resignations and retirements. The General Fund is the primary source to liquidate compensated absences.

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

E. Assets, Liabilities, and Net Assets or Equity (continued):

Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Equity and Net Assets – Governmental Funds

Beginning with the fiscal year 2011, the Town implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the governmental intends to use for a specific purpose as authorized by the Town’s Board of Selectman and Finance.
- Unassigned fund balance – amounts that 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.

The Town does not have a minimum fund balance policy.

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 purpose is excluded.

Restricted Net Position

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

Unrestricted Net Position

This category represents the net position of the Town, which are not restricted.

**Town of Bridgewater  
Notes to Financial Statements**

**Note "1" - Summary of Significant Accounting Policies (continued):**

E. Assets, Liabilities, and Net Assets or Equity (continued):

Pension Accounting:

Pension Trust Funds

Employee contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Governmental Funds

Expenditures are recognized when they are paid or are expected to be paid with current available resources.

The Town makes contributions based on the provisions of the defined contribution plan.

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note "2" - Budgetary Compliance:**

Budgetary Compliance – The General Fund

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected. After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

Additional General Fund transfers of \$534,000 to the Capital Projects Fund were authorized by Town Meeting during the year.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

**Town of Bridgewater  
Notes to Financial Statements**

**Note "2" - Budgetary Compliance (continued):**

Budgetary Compliance - Other Governmental Funds:

Although the Town prepares internal budgets for its special revenue funds and capital projects funds, it does not consider these to be legally adopted since they are not voted at Town Meeting. Considering a cost-benefit analysis, it is not practical for the Town to formally budget and report budgeting information for special revenue funds and capital project funds.

Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

**Note "3" - Cash and Cash Equivalents, Deposits and Investments:**

**A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2017:

	<u>Governmental Funds</u>
Deposits:	
Demand Accounts	\$ 1,777,842
Petty Cash and Cash on Hand	200
Cash Equivalents:	
Secured municipal account	6,860
Repurchase agreements	<u>2,115,693</u>
Total Cash and Cash Equivalents	<u>\$ 3,900,595</u>

**B. Deposits - Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, the carrying amount of the Town's deposits was \$1,777,842 and the bank balance was \$1,998,142. Of the Town's bank balance \$ 1,498,142 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,348,328
Uninsured and collateralized held by pledging Bank's trust department not in the town's name	<u>149,814</u>
Total amount subject to custodial credit risk	<u>\$ 1,498,142</u>

**C. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2017, the Town's cash equivalents amounted to \$2,122,553 comprised of repurchase agreements and secured municipal account. Amounts held in the repurchase agreement accounts and secured municipal accounts were collateralized with collateral held by the banks' trust departments or agents, but not in the Town's name.

**Town of Bridgewater  
Notes to Financial Statements**

**Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued):**

**D. Investments**

At June 30, 2017, the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Governmental Funds</b>			
Harris Fund:			
Money market accounts	\$ 4,858	not rated	N/A
U.S. governmental agencies	481	N/A	N/A
Mutual funds	<u>450,043</u>	**	N/A
<b>Total Harris Fund</b>	<u>455,382</u>		
Nonmajor Funds:			
Money market accounts	10,029	not rated	N/A
U.S. governmental agencies	8,661	N/A	N/A
Mutual funds	<u>635,676</u>	**	N/A
<b>Total Nonmajor Funds</b>	<u>654,366</u>		
<b>Total</b>	<u>\$ 1,109,748</u>		
<b><u>Fiduciary Funds</u></b>	<b><u>Fair Value</u></b>	<b><u>Average Credit Rating</u></b>	<b><u>Investment Maturity</u></b>
<b>Pension Trust Funds</b>			
Money market accounts	\$ 19,045	not rated	N/A
Mutual funds	<u>1,200,964</u>	**	N/A
<b>Total Pension Trust Funds</b>	<u>1,220,009</u>		
<b>Private Purpose Trust Funds</b>			
Money market accounts	95,571	not rated	N/A
U.S. Government agencies	59,450	N/A	N/A
Mutual funds	<u>1,177,352</u>	**	N/A
<b>Total Private Purpose Trust Funds</b>	<u>1,332,373</u>		
<b>Total Fiduciary Funds</b>	<u>\$ 2,552,382</u>		

- N/A indicates rating is not applicable.

\*\* These investments are uninsured and unregistered with securities held by the counterparties, but not in the Town's name.

- 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 or any State or political subdivision or in obligations of the State of Connecticut or political subdivision. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

**Town of Bridgewater  
Notes to Financial Statements**

**Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued):**

**E. Fair Value Measurements**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2017 whose fair value was determined using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2017.

Investments by Fair Value Level	<u>6/30/2017</u>		
	<u>Fair Value Measurements Using</u>		
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total</u>
Money Market Funds	\$ 129,503	\$ -	\$ 129,503
U.S. Government Agencies	-	68,592	68,592
Mutual Funds	3,464,035	-	3,464,035
<b>Total Investment &amp; Cash Equivalent by Fair Value Level</b>	<b>\$ 3,593,538</b>	<b>\$ 68,592</b>	<b>\$ 3,662,130</b>

The Town's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. The Town's investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

**Note "4" – Property Taxes Receivable:**

Property taxes receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes	\$ 26,294
Accrued interest and lien fees on taxes	<u>6,315</u>
Gross receivables	32,609
Less: allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 25,609</u>



**Town of Bridgewater  
Notes to Financial Statements**

**Note "5" - Interfund Transfers:**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Major Funds</u>		
		<u>Non-Recurring Capital Expenditure Fund</u>	
<u>Net Transfers (From) To</u>	<u>Harris Fund</u>	<u>General Fund</u>	<u>Expenditure Fund</u>
	\$( 120,000)	\$( 534,591)	\$ 654,000

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

**Note "6" - Capital Assets:**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases &amp; Reclasses</u>	<u>Ending Balance</u>
<b>Capital Assets - Not Depreciated:</b>				
Land	\$1,508,421	\$ ---	\$ ---	\$1,508,421
Construction in Progress - Grange	12,145	6,375	---	18,520
Construction in Progress - Senior Center	11,308	13,344	(24,652)	---
Construction in Progress - Fuel Tank	---	24,975	---	24,975
Total Capital Assets - Not Depreciated	<u>1,531,874</u>	<u>44,694</u>	<u>(24,652)</u>	<u>1,551,916</u>
<b>Capital Assets - Depreciated:</b>				
Land Improvements	175,000	9,845	---	184,845
Building & Improvements	2,957,791	110,250	24,652	3,092,693
Machinery & Equipment	1,563,185	88,206	---	1,651,391
Infrastructure	618,420	---	---	618,420
Total Capital Assets - Depreciated	<u>5,314,396</u>	<u>208,301</u>	<u>24,652</u>	<u>5,547,349</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	43,021	9,201	---	52,222
Building & Improvements	1,460,190	58,596	---	1,518,786
Machinery & Equipment	1,025,087	99,905	---	1,124,992
Infrastructure	26,579	30,921	---	57,500
Total Accumulated Depreciation	<u>2,554,877</u>	<u>198,623</u>	<u>---</u>	<u>2,753,500</u>
Total Capital Assets Being Depreciated - Net	<u>2,759,519</u>	<u>9,678</u>	<u>---</u>	<u>2,793,849</u>
Capital Assets, Net	<u>\$ 4,291,393</u>	<u>\$ 54,372</u>	<u>\$ ---</u>	<u>\$ 4,345,765</u>

**Depreciation is charged to the following Governmental Activities:**

General Government	\$ 45,854
Public Works	121,293
Public Safety	4,139
Recreation	<u>27,337</u>
Total depreciation expense, Governmental Activities	<u>\$ 198,623</u>

**Town of Bridgewater  
Notes to Financial Statements**

**Note "7" - Long-Term Debt:**

The following is a summary of activity for the year ended June 30, 2017. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
<b><u>Compensated Absences</u></b>					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	\$ <u>27,030</u>	\$ <u>5,353</u>	\$( <u>4,213</u> )	\$ <u>28,170</u>	\$ <u>---</u>

**Note "8" - Interfund Balances:**

At June 30, 2017, the amounts due from and due to other funds is as follows: These balance resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

	<u>Due From</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
Major Funds		
General Fund	\$ ---	\$ 82,361
Capital Non-Recurring Expenditure Fund	\$ 82,361	\$ ---

**Note "9" - Operating Deficiencies and/or Fund Deficits:**

At June 30, 2017, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating</u> <u>Deficiency</u>	<u>Fund</u> <u>Deficit</u>
Major Funds		
General Fund	\$ 428,314	\$ ---
Harris Fund	\$ 92,426	\$ ---

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note "10" – Pension Plans:**

**A. Defined Contribution Plan**

The Town administers a multiple employer defined contribution plan (Money Purchase Plan) which covers substantially all employees and elected officials of the Town, employees of the Regional Animal Control Authority, and one employee of the Newtown Health District. The plan is included in the Town's financial statements as a Pension Trust Fund. At June 30, 2017, the net position, all vested, available for benefits were \$764,855.

At June 30, 2017, there were 21 participants including four employees of the Regional Animal Control Authority and one of the Newtown Health District covered under the plan. To be eligible, employees must be twenty-one and have completed one year of service working at least 500 hours. Town and Regional Animal Control Authority contributions to the plan are six percent of compensation for participants with less than ten years of service and seven percent for participants with more than nine years of service. At age sixty-five, plan participants are entitled to a lump sum payment or a retirement benefit. Participants who have completed five years of service are entitled to a lump sum payment upon termination of employment.

The Town and Regional Animal Control Authority contributions totaled \$43,200 and \$11,793, respectively, for the year ended June 30, 2017. In addition, the Newtown Health District contributed \$5,055 for an employee participating in the Town of Bridgewater pension plan.

**B. Deferred Compensation Plan**

The Town has established a deferred compensation plan in accordance with Internal Revenue Service Code Section 457. The plan, available to substantially all employees and elected officials of the Town and employees of the Regional Animal Control Authority, permits them to defer a portion of their salary while employed by either agency until future years. The amount deferred is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is reported as a Pension Trust fund. At June 30, 2017, the plan had a net position of \$469,767 that was not available to the Town's general creditors.

**Note "11" – Risk Management:**

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors, and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks and any claim(s) have not exceeded commercial coverage. There have been no significant reductions in coverage from the prior year.

**Note "12" – Contingent Liabilities:**

The Town is contingently liable for Regional School District No. 12 serial bonds and bond anticipation notes payable through August 15, 2018. The amount (19.44%) attributed to the Town of Bridgewater is \$174,960.

The Town has received State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material to the financial statements.

In addition, the Town is a defendant in various lawsuits involving land use. The outcomes of these lawsuits are not presently determinable. In the opinion of Town management, in consultation with Town attorneys, the liability, if any, resulting there from, will not have a material effect on the Town's financial position.

**Town of Bridgewater**  
**Notes to Financial Statements**

**Note "13" – Joint Program:**

The Town of Bridgewater participates, in accordance with a cooperation agreement, with the Town of Roxbury in the Small Cities Community Development Block Grant Program. The Town of Roxbury, as the lead Town, accounts for all the assets, liabilities and activity of the grant. The program known as Roxbury/Bridgewater Housing Rehabilitation Program provides assistance in the form of interest free loans to eligible owner(s)/occupant(s) for rehabilitation of their homes. The cooperation agreement expires at the end of the grant period at which point the Town of Roxbury will be the sole participant in the program.

**Note "14" - Implementation of Future GASB Pronouncements**

The GASB has issued pronouncements that have an effective date that may impact the June 30, 2018 financial statements. Management has not currently determined what, if any, impact implementation of the following pronouncements may have on the financial statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, 68 and 73*

Statement No. 83, *Certain Asset Retirement Obligations*

Statement No. 84, *Fiduciary Activities*

Statement No. 87, *Leases*

**Town of Bridgewater**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues:</b>			
Property taxes	\$ 6,471,428	\$ 6,419,477	\$ (51,951)
Interest and lien fees on property taxes	-	13,254	13,254
State of Connecticut - Grants:			
Mashantuck Pequot/Mohegan fund	8,251	8,251	-
Educational cost sharing grant	40,734	23,014	(17,720)
Property tax relief	13,000	13,352	352
Veterans/Disabled grant	2,265	2,447	182
St CT DOT van grant	10,205	-	(10,205)
LOCIP	23,606	1,710	(21,896)
Mfg transition/Municipal revenue sharing grant	16,257	16,257	-
Pilot State Property	51	51	-
Police enforcement fees	2,000	1,109	(891)
Other grants	-	3	3
Investment income	3,000	20,657	17,657
Licenses and permits			
Permits	50,000	134,315	84,315
Building Department budgeted revenue net of expenditure excess		(75,596)	(75,596)
Conveyance taxes	53,500	51,549	(1,951)
Land use	3,000	1,128	(1,872)
Dog licenses	-	884	884
Charges for services			
Recording fees	13,500	8,126	(5,374)
Recreation fees	13,000	8,645	(4,355)
Other charges for services	5,000	9,881	4,881
Constables - police duty	25,000	103,101	78,101
Constable police duty - budgeted net expenditure therefore revenue offsets expenditure		(53,405)	(53,405)
Other revenues			
Telecommunications tax	4,500	8,767	4,267
Regional School District No. 12 reimbursement	40,000	34,616	(5,384)
Insurance lap wc reimbursement	-	11,456	11,456
<b>Total Revenues</b>	<b>\$ 6,798,297</b>	<b>\$ 6,763,049</b>	<b>\$ (35,248)</b>

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

**Town of Bridgewater**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

	Original Budget	Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Expenditures:</b>					
General Government					
Selectmen's Office	\$ 137,086	\$ -	\$ 137,086	\$ 125,245	\$ (11,841)
Probate Court	852	-	852	852	-
Elections	24,250	-	24,250	25,077	827
Town Clerk	56,921	-	56,921	56,573	(348)
Tax Collector	48,574	-	48,574	47,688	(886)
Assessor	59,786	-	59,786	56,813	(2,973)
Treasurer	49,987	-	49,987	49,987	-
Town Newsletter	9,500	-	9,500	7,561	(1,939)
Town Hall - Operating	45,500	-	45,500	46,093	593
Building Department	55,564	-	55,564	131,160	75,596
Building Department budgeted revenue net of expenditure excess	-	-	-	(75,596)	(75,596)
Town Owned Buildings	155,150	-	155,150	141,254	(13,896)
Senior Services	71,040	-	71,040	68,515	(2,525)
Town Van	19,394	-	19,394	13,904	(5,490)
Employee Insurance	252,225	-	252,225	249,899	(2,326)
Employee Pension	43,125	-	43,125	43,200	75
Payroll Taxes	70,000	-	70,000	69,711	(289)
Auditor	22,000	-	22,000	21,500	(500)
Total General Government	1,120,954	-	1,120,954	1,079,436	(41,518)
Boards and Commissions					
Legal Defense Fees	32,000	-	32,000	26,635	(5,365)
Board of Finance	800	-	800	-	(800)
Board of Trustees	600	-	600	-	(600)
Board of Assessment Appeals	650	-	650	580	(70)
Planning & Zoning	11,923	-	11,923	10,021	(1,902)
Zoning Board of Appeals	350	-	350	766	416
Conservation/Inland Wetlands	9,225	-	9,225	8,127	(1,098)
Land Use	8,740	-	8,740	8,513	(227)
Recreation Commission	61,000	-	61,000	51,005	(9,995)
Lake Lillinonoah Authority	25,836	-	25,836	25,836	-
Library	87,998	-	87,998	87,998	-
Total Boards and Commissions	239,122	-	239,122	219,481	(19,641)
Protection					
Police Protection	111,650	-	111,650	98,511	(13,139)
Town Police/Private Duty	500	-	500	53,905	53,405
Constable police duty - budgeted net of revenue	-	-	-	(53,405)	(53,405)
State Police/Res Trooper Prog	85,000	-	85,000	91,966	6,966
Civil Preparedness	1,700	-	1,700	1,508	(192)
Fire Prevention Services	34,875	-	34,875	34,499	(376)
Insurance and Bonds	104,310	-	104,310	106,797	2,487
Regional Animal Control	10,012	-	10,012	9,453	(559)
Street Lighting	6,000	-	6,000	5,668	(332)
Total Protection	354,047	-	354,047	348,902	(5,145)

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

**Town of Bridgewater**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

<b>Expenditures (continued):</b>	<b>Original Budget</b>	<b>Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Highway and Public Works</b>					
Town Garage	\$ 3,750	\$ -	\$ 3,750	\$ 1,300	\$ (2,450)
Town Roads	780,426	-	780,426	744,870	(35,556)
Equipment Maintenance	50,000	-	50,000	48,307	(1,693)
Town Parks	30,000	-	30,000	25,369	(4,631)
Trash Disposal/Recycling	45,000	-	45,000	30,667	(14,333)
<b>Total Highway &amp; Public Works</b>	<b>909,176</b>	<b>-</b>	<b>909,176</b>	<b>850,513</b>	<b>(58,663)</b>
<b>Health &amp; Welfare</b>					
Welfare	5,200	-	5,200	4,524	(676)
Visiting Nurse	10,330	-	10,330	1,597	(8,733)
Sanitarian	27,814	-	27,814	27,347	(467)
OSHA	500	-	500	-	(500)
<b>Total Health and Welfare</b>	<b>43,844</b>	<b>-</b>	<b>43,844</b>	<b>33,468</b>	<b>(10,376)</b>
<b>Miscellaneous</b>					
Tax Refunds	2,000	-	2,000	388	(1,612)
Cemeteries	200	-	200	-	(200)
Unemployment	700	-	700	2,153	1,453
Celebrations	5,000	-	5,000	4,967	(33)
Contingency	40,000	-	40,000	35,058	(4,942)
<b>Total Miscellaneous</b>	<b>47,900</b>	<b>-</b>	<b>47,900</b>	<b>42,566</b>	<b>(5,334)</b>
Education	4,082,997	-	4,082,997	4,082,997	-
<b>Other Financing Uses:</b>					
Operating transfers out					
Capital projects fund	-	534,000	534,000	534,000	-
<b>Total Expenditures</b>	<b>6,798,040</b>	<b>534,000</b>	<b>7,332,040</b>	<b>7,191,363</b>	<b>(140,677)</b>
<b>Excess (deficiency) of revenues over Expenditures and Other Financing Sources</b>	<b>257</b>	<b>(534,000)</b>	<b>(533,743)</b>	<b>(428,314)</b>	<b>105,429</b>
<b>Fund Balance at beginning of year</b>	<b>(257)</b>	<b>534,000</b>	<b>533,743</b>	<b>3,327,649</b>	<b>2,793,906</b>
<b>Fund Balance at end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,899,335</b>	<b>\$ 2,899,335</b>

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

**Town of Bridgewater**  
**Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Reconciliation Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

LOCIP grant expenditures, constable private duty, and building department expenditures were budgeted net of revenues. Therefore, for GAAP purposes, revenue and expenditures are grossed up to reflect actual gross activity.

For budget purposes, the Town recognizes educational refunds of prior year fund balances and other credits from Regional School District #12 a revenue. Generally accepted accounting principles (GAAP) require that refunds for prior year and other credits be offset against educational expenditures.

Additionally, for budget purposes, the Town recognizes workers compensation insurance policy refunds as revenue. GAAP requires that these refunds be offset against the insurance expenditures.

The reconciliation from the budgetary basis to GAAP follows:

	<u>General Fund</u>		
	<u>Total Revenue and Transfers In</u>	<u>Total Expenditures and Transfers Out</u>	<u>Fund Balance</u>
Non-GAAP Budgetary Basis Statement - June 30, 2017 - Actual	\$ 6,763,049	\$ 7,191,363	\$ 2,899,335
Prior year refund from RSD #12 offsets expenditure	(34,616)	(34,616)	-
To Gross up Revenues and Expenditures			
Building department	75,596	75,596	-
Police private duty	53,405	53,405	-
LOCIP Grant Expenditures	48,290	48,290	
Insurance refund	(7,948)	(7,948)	
Actual GAAP - June 30, 2017	<u>\$ 6,897,776</u>	<u>\$ 7,326,090</u>	<u>\$ 2,899,335</u>



Town of Bridgewater  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Funds			Capital Project		Permanent		Total
	Records Preservation	Bridgewater Gift	Recreation Gift	Open Space & Land Acquisition	Burnham Fund	Bridgewater Library		
<b>Assets:</b>								
Cash and cash equivalents	\$ 14,591	9,043	2,809	-	-	-	\$ 26,443	
Investment - at fair value	-	-	-	72,440	335,920	246,006	654,366	
Accounts receivable	140	-	-	-	-	-	140	
<b>Total Assets</b>	<u>\$ 14,731</u>	<u>\$ 9,043</u>	<u>\$ 2,809</u>	<u>\$ 72,440</u>	<u>\$ 335,920</u>	<u>\$ 246,006</u>	<u>\$ 680,949</u>	
<b>Liabilities:</b>								
Accounts payable	\$ -	-	-	-	-	6,340	\$ 6,340	
<b>Fund balances:</b>								
<b>Nonspendable:</b>								
Principal of Permanent Funds	-	-	-	-	335,920	77,711	413,631	
<b>Restricted for:</b>								
Burnham Library	-	-	-	-	-	161,955	161,955	
Social services	-	9,043	2,809	-	-	-	11,852	
Public record preservation	14,731	-	-	-	-	-	14,731	
<b>Committed for:</b>								
Land acquisition for open space	-	-	-	72,440	-	-	72,440	
<b>Total Fund Balances</b>	<u>14,731</u>	<u>9,043</u>	<u>2,809</u>	<u>72,440</u>	<u>335,920</u>	<u>239,666</u>	<u>674,609</u>	
<b>Total Liabilities and Fund Balances</b>	<u>\$ 14,731</u>	<u>\$ 9,043</u>	<u>\$ 2,809</u>	<u>\$ 72,440</u>	<u>\$ 335,920</u>	<u>\$ 246,006</u>	<u>\$ 680,949</u>	

**Town of Bridgewater  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Year Ended June 30, 2017**

	Special Revenue Funds				Capital Project		Permanent		
	Records Preservation	Bridgewater Gift	Recreation Gift	Open Space & Land Acquisition	Burnham Fund	Bridgewater Library	Totals		
<b>Revenues:</b>									
Investment income:									
Interest and dividends	\$ -	\$ 9	\$ 5	\$ 1,681	\$ 10,489	\$ 7,515	\$ 19,699		
Realized and unrealized gains	-	-	-	3,234	5,477	5,313	14,024		
Intergovernmental	4,000	-	-	-	-	-	4,000		
Charges for services and other	3,019	34	6,000	-	-	-	9,053		
<b>Total Revenues</b>	<b>7,019</b>	<b>43</b>	<b>6,005</b>	<b>4,915</b>	<b>15,966</b>	<b>12,828</b>	<b>46,776</b>		
<b>Expenditures:</b>									
General government	4,038	-	-	305	1,562	1,175	7,080		
Health and welfare	-	-	-	-	9,310	-	9,310		
Boards and Commissions	-	-	5,769	-	-	3,113	8,882		
<b>Total Expenditures</b>	<b>4,038</b>	<b>-</b>	<b>5,769</b>	<b>305</b>	<b>10,872</b>	<b>4,288</b>	<b>25,272</b>		
<b>Excess (Deficiency) of revenues over expenditures</b>	<b>2,981</b>	<b>43</b>	<b>236</b>	<b>4,610</b>	<b>5,094</b>	<b>8,540</b>	<b>21,504</b>		
<b>Fund Balance - beginning of year</b>	<b>11,750</b>	<b>9,000</b>	<b>2,573</b>	<b>67,830</b>	<b>330,826</b>	<b>231,126</b>	<b>653,105</b>		
<b>Fund Balance - end of year</b>	<b>\$ 14,731</b>	<b>\$ 9,043</b>	<b>\$ 2,809</b>	<b>\$ 72,440</b>	<b>\$ 335,920</b>	<b>\$ 239,666</b>	<b>\$ 674,609</b>		

**Town of Bridgewater  
Combining Statement of Fiduciary Net Position  
Year Ended June 30, 2017**

	Pension Trust Funds		Private Purpose Trust Funds					
	Defined Contribution Plan	Deferred Compensation Plan	Total	W. Sills Gould Scholarship	Jespersen Scholarship	Bridgewater Scholarship	Margaret Ford Scholarship	Total
<b>Assets</b>								
Investments	\$ 750,242	\$ 469,767	\$ 1,220,009	\$ 174,394	\$ 534,010	\$ 582,865	\$ 41,104	\$ 1,332,373
Contribution receivable	14,613	-	14,613	-	-	-	-	-
<b>Total Assets</b>	<u>764,855</u>	<u>469,767</u>	<u>1,234,622</u>	<u>174,394</u>	<u>534,010</u>	<u>582,865</u>	<u>41,104</u>	<u>1,332,373</u>
<b>Net Position</b>								
Reserved for Scholarships	-	-	-	174,394	534,010	582,865	41,104	1,332,373
Reserved for Pension Benefits	764,855	469,767	1,234,622	-	-	-	-	-
<b>Total Net Position</b>	<u>\$ 764,855</u>	<u>\$ 469,767</u>	<u>\$ 1,234,622</u>	<u>\$ 174,394</u>	<u>\$ 534,010</u>	<u>\$ 582,865</u>	<u>\$ 41,104</u>	<u>\$ 1,332,373</u>

**Town of Bridgewater  
Combining Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2017**

	Pension Trust Funds			Private Purpose Trust Funds				
	Defined Contribution Plan	Deferred Compensation Plan	Total	W. Sills Gould Scholarship	Jespersen Scholarship	Bridgewater Scholarship	Margaret Ford Scholarship	Total
<b>Additions</b>								
Contributions								
Employees	\$ -	\$ 78,799	\$ 78,799	\$ -	\$ -	\$ -	\$ -	\$ -
Town	43,200	-	43,200	-	-	-	-	-
Others	16,848	-	16,848	-	-	5,150	-	5,150
Total Contributions	60,048	78,799	138,847	-	-	5,150	-	5,150
Investment Income								
Interest and dividends	350	132	482	4,595	16,810	19,788	1,695	42,888
Realized and unrealized gains (losses)	62,308	46,673	108,981	(6,863)	13,520	11,060	359	18,076
<b>Total Additions</b>	122,706	125,604	248,310	(2,268)	30,330	35,998	2,054	66,114
<b>Deductions</b>								
Scholarship awards	-	-	-	4,469	19,366	19,421	1,669	44,925
Investment Fees	-	-	-	856	2,552	2,739	180	6,327
Pension benefits	59,497	14,626	74,123	-	-	-	-	-
<b>Total Deductions</b>	59,497	14,626	74,123	5,325	21,918	22,160	1,849	51,252
<b>Change in Net Position</b>	63,209	110,978	174,187	(7,593)	8,412	13,838	205	14,862
<b>Net Position, Beginning of Year</b>	701,646	358,789	1,060,435	181,987	525,598	569,027	40,899	1,317,511
<b>Net Position, End of Year</b>	\$ 764,855	\$ 469,767	\$ 1,234,622	\$ 174,394	\$ 534,010	\$ 582,865	\$ 41,104	\$ 1,332,373

**Town of Bridgewater  
Combining Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2017**

	Pension Trust Funds			Private Purpose Trust Funds				
	Defined Contribution Plan	Deferred Compensation Plan	Total	W. Sills Gould Scholarship	Jespersen Scholarship	Bridgewater Scholarship	Margaret Ford Scholarship	Total
<b>Additions</b>								
Contributions								
Employees	\$ -	\$ 78,799	\$ 78,799	\$ -	\$ -	\$ -	\$ -	\$ -
Town	43,200	-	43,200	-	-	-	-	-
Others	16,848	-	16,848	-	-	5,150	-	5,150
Total Contributions	60,048	78,799	138,847	-	-	5,150	-	5,150
Investment Income								
Interest and dividends	350	132	482	4,595	16,810	19,788	1,695	42,888
Realized and unrealized gains (losses)	62,308	46,673	108,981	(6,863)	13,520	11,060	359	18,076
<b>Total Additions</b>	122,706	125,604	248,310	(2,268)	30,330	35,998	2,054	66,114
<b>Deductions</b>								
Scholarship awards	-	-	-	4,469	19,366	19,421	1,669	44,925
Investment Fees	-	-	-	856	2,552	2,739	180	6,327
Pension benefits	59,497	14,626	74,123	-	-	-	-	-
<b>Total Deductions</b>	59,497	14,626	74,123	5,325	21,918	22,160	1,849	51,252
<b>Change in Net Position</b>	63,209	110,978	174,187	(7,593)	8,412	13,838	205	14,862
<b>Net Position, Beginning of Year</b>	701,646	358,789	1,060,435	181,987	525,598	569,027	40,899	1,317,511
<b>Net Position, End of Year</b>	\$ 764,855	\$ 469,767	\$ 1,234,622	\$ 174,394	\$ 534,010	\$ 582,865	\$ 41,104	\$ 1,332,373

Town of Bridgewater  
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)  
Year Ended June 30, 2017

	Taxes Receivable July 1, 2016	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS			Taxes Receivable June 30, 2017	
		Lawful Additions	Corrections Reductions			Taxes and other costs	Refunds and Adjustments	Total Net Collections		
<b>Grand List : October 1,</b>										
2015 \$	6,434,045 \$	5,101 \$	(11,594) \$	(2,637) \$	6,424,915 \$	6,411,812 \$	12,409 \$	332 \$	6,424,553 \$	13,435
2014	19,040	2	(1,086)	(198)	17,758	10,573	1,594	(176)	11,991	7,009
2013	8,675	-	-	(1,195)	7,480	1,630	111	-	1,741	5,850
2012	877	-	-	(819)	58	58	38	-	96	-
2011	727	-	-	(564)	163	163	137	-	300	-
2010	236	-	-	(236)	-	-	-	-	-	-
2009	373	-	-	(373)	-	-	-	-	-	-
2008	1,344	-	-	(1,344)	-	-	-	-	-	-
2007	910	-	-	(910)	-	-	-	-	-	-
2006	434	-	-	(434)	-	-	-	-	-	-
2005	314	-	-	(314)	-	-	-	-	-	-
2000	152	-	-	-	152	-	-	(152)	(152)	-
<b>Totals</b>	<b>\$ 6,467,127 \$</b>	<b>5,103 \$</b>	<b>(12,680) \$</b>	<b>(9,024) \$</b>	<b>6,450,526 \$</b>	<b>6,424,236 \$</b>	<b>14,289 \$</b>	<b>4 \$</b>	<b>6,438,529 \$</b>	<b>26,294</b>

**Town of Bridgewater  
Statement of Debt Limitation  
Connecticut General Statutes, Section 7-374(b)  
Year Ended June 30, 2017**

<b>Total tax collections (including interest and lien fees) for the year ended June 30, 2017</b>	\$ 6,438,529
<b>Reimbursement for revenue loss on :</b>	
Tax relief for elderly - (CGS 12-129d)	<u>13,248</u>
<b>Total Receipts From Taxation For The Year Ended June 30, 2017 (Base)</b>	<u><u>\$ 6,451,777</u></u>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
<b>Debt Limitation:</b>					
2 1/4 times Base	\$ 14,516,498	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	29,032,997	-	-	-
3 3/4 times Base	-	-	24,194,164	-	-
3 1/4 times Base	-	-	-	20,968,275	-
3 times Base	-	-	-	-	19,355,331
<b>Total Debt Limitation</b>	<u>14,516,498</u>	<u>29,032,997</u>	<u>24,194,164</u>	<u>20,968,275</u>	<u>19,355,331</u>
<b>Indebtedness:</b>					
Shepaug Regional School District #12 Bonds payable ( Town's share is 19.44%)					
Bank term loan due August 15, 2018 -\$900,000	-	174,960			
<b>Total Indebtedness</b>	<u>-</u>	<u>174,960</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt Limitation In Excess Of Outstanding And Authorized Debt</b>	<u><u>\$ 14,516,498</u></u>	<u><u>\$ 28,858,037</u></u>	<u><u>\$ 24,194,164</u></u>	<u><u>\$ 20,968,275</u></u>	<u><u>\$ 19,355,331</u></u>

**NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.**

# **TOWN OF ROXBURY, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of Roxbury, Connecticut  
Year Ended June 30, 2017





Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Roxbury  
Roxbury, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Roxbury, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Roxbury, Connecticut's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Roxbury, Connecticut, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 13 to the financial statements, in 2017, the Town of Roxbury adopted new accounting guidance, GASBS No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements, and 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 combining and individual nonmajor fund financial statements, and supplemental schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of the Town of Roxbury, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Roxbury, Connecticut's internal control over financial reporting and compliance.

*Charles Brown & Co., CPAs*

October 11, 2017

**Town of Roxbury  
Management's Discussion and Analysis  
June 30, 2017**

The June 30, 2017 Town of Roxbury Basic Financial statements are presented using the financial reporting requirements of the Government Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that the management of the Town of Roxbury focus on the most important or "major" funds, including the General Fund.

The goal is to provide the reader with an objective and readable analysis of the financial performance of the Town for the year. Taken together, the following statements should present whether the Town of Roxbury's financial position has improved or deteriorated as a result of the year's operations. Fund statements measure and report the operating results of many funds by measuring cash on hand and other assets that can easily be converted to cash. The Basic Financial Statements include government-wide financial statements prepared on the accrual basis of accounting for all of the Town government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter). Showing budgetary compliance has always been an important part of governmental accountability and therefore the financial statements include the original budget as well as the amended final budget.

The Basic Financial Statements includes the following information and financial statements as defined by GASB Statement 34:

- ✱ **Management's Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions. The MD&A:
  - ❑ Includes comparisons of the current year to the prior year based on government-wide information.
  - ❑ Provides an analysis of the overall financial position and the results of operations that assess whether the Town's financial position has improved or deteriorated as a result of the year's activities.
  - ❑ Analyzes significant changes in fund and major budget variances.
  - ❑ Describes capital asset and long-term debt activity during the year.
  - ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on the Town's financial position or the results of its operations.

- ✱ **Basic Financial Statements**

*Government-Wide Financial Statements* are designed to provide a broad overview of the Town of Roxbury's finances in a manner similar to private-sector business.

They include a *statement of net position* which presents information on all of the Town's assets, deferred outflows, liabilities, and deferred inflows with the difference between assets plus deferred outflows less liabilities and deferred inflows 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 government'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).

**Town of Roxbury  
Management's Discussion and Analysis  
June 30, 2017**

The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. The government-wide financial statements present functions of the Town of Roxbury that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Town include general government, commissions and boards, highways and public works, protection, health and welfare, benefits, education, and miscellaneous.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net position are reported as capital assets net of related debt, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net assets are shown as either expendable or nonexpendable.

Expenses presented are reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

- ***Fund Financial Statements*** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Roxbury, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. With the exception of the Pension Trust Fund, which is a fiduciary fund, all of the funds of the Town constitute governmental funds.

*Governmental fund* financial statements include financial data for the General Fund, Special Revenue Funds and Capital Project Funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *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 government'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 activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Roxbury maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Reserve for Capital Expenditures Fund, the Library Fund, the Land Acquisition Fund, and the Town Aid Road Fund, all of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The Town of Roxbury adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the approved budget.

**Town of Roxbury  
Management's Discussion and Analysis  
June 30, 2017**

Fund financial statements are presented for the primary government. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for the general fund and for each major governmental fund. Major funds are funds whose revenues, expenditures, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds. Other funds that are particularly important are also reported as a major fund. Non-major funds are reported in the aggregate in a separate column.

Governmental fund balances are segregated into Nonspendable, Restricted, Committed, Assigned and Unassigned as defined in the notes.

➤ ***Fiduciary Fund***

- The Fiduciary funds are used to account for resources held by the Town in a trustee capacity. The Fiduciary funds are not reflected in the government-wide financial statements because the resources of the fund are not available to support the Town of Roxbury's own programs. The accrued basis of accounting is used for the fiduciary funds. There is one Town fiduciary fund.
- The basic fiduciary funds financial statements can be found on Pages 18-19 of this report.

➤ ***Notes to the Financial Statements***

- Consist of notes that provide information essential to the understanding of the data provided in the government-wide and fund financial statements

➤ ***Required Supplementary Information (RSI)***

- Consists of the MD&A
- Budgetary comparison schedules for the general fund to demonstrate whether resources were obtained and used in accordance with the legally adopted budget

The combining statements referred to earlier, in connection with non-major governmental funds, are presented immediately following the required supplementary information.

Readers of the Town's financial statements are offered this narrative overview and analysis of financial activities for the fiscal year ended June 30, 2017.

**Financial Highlights**

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$16,613,328 (net position). Of this amount, \$3,811,489 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors
- The government's total net position increased by \$364,279 during the fiscal year
- As of the close of the current fiscal year, the Town of Roxbury's governmental funds reported combined ending fund balances of \$6,464,460, an increase of \$143,533. Of this, 33.53%, or \$2,167,442, is *available for spending* at the government's discretion (*unassigned fund balance*.)
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,167,442, or 22.11% of total general fund expenditures and net operating transfers of \$9,804,465. The Town has \$315,200 restricted for the Length of Service Award Plan, \$255,964 assigned to help pay for next year's budget, committed \$269,813 for various future expenditures, and has \$5,811 nonspendable for prepaids.
- The Town is liable for \$288,180 of Regional School District No. 12 debt (32.02%)

**Town of Roxbury  
Management's Discussion and Analysis  
June 30, 2017**

**Government-Wide Financial Analysis**

As noted earlier, assets and deferred outflows over liabilities and deferred inflows may serve over time as a useful indicator of a government's financial position. In the case of the Town of Roxbury, assets exceeded liabilities and deferred inflows of resources by \$16,613,328 at the close of the most recent fiscal year.

By far the largest portion of the Town of Roxbury's net position, 64.21%, reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). 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.

**Table 1. Net Position**

	<b>Total Primary Government 2017</b>	<b>Total Primary Government 2016</b>
Current.....	\$ 6,533,654	\$ 6,113,271
Capital Assets.....	10,666,704	10,419,051
Mortgages Receivable.....	361,258	338,985
<b>Total Assets.....</b>	<b>17,561,616</b>	<b>16,871,307</b>
Current Liabilities .....	203,078	240,073
Non-Current Liabilities .....	622,973	268,778
<b>Total Liabilities .....</b>	<b>826,051</b>	<b>508,851</b>
Deferred inflows of resources	122,237	113,407
Net Position:		
Net Investments in Capital Assets	10,666,704	10,419,051
Restricted.....	2,135,135	2,529,984
Unrestricted .....	3,811,489	3,300,014
<b>Total Net Position.....</b>	<b>\$16,613,328</b>	<b>\$16,249,049</b>

Noncurrent liabilities increased mainly due to reclassifying LOSAP assets and liabilities from a separate fund to the General Fund.

A portion of the Town's net position, \$2,135,135, or 12.86%, represents resources that are subject to restrictions on how they may be used. The \$221,000 is restricted to the library and the library's endowment, \$363,356 for road improvements \$260,503 for social services, \$843,141 for library services, \$10,007 for record preservation, \$379,675 for housing rehabilitation and \$57,453 for recreation. The remaining balance of *unrestricted net position*, \$3,811,489 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

**Town of Roxbury  
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During the current fiscal year, the Town of Roxbury's net position increased by \$364,279. The Town brought in net general revenues of \$9,898,933 that exceeded its net operating expenditures of \$9,534,654 by the amount of the net position increase. Gross expenses of \$10,468,782 were offset by \$306,622 in charges for services, \$203,842 in operating grants and contributions, and \$423,664 in capital grants and contributions.

**Governmental Activities.** Governmental activities increased the Town of Roxbury's net position by \$364,279.

**Table 2. Changes in Net Position**

	<b>Total Primary Government <u>2017</u></b>	<b>Total Primary Government <u>2016</u></b>
Revenues:		
Program Revenues:		
Charges for Services	\$ 306,622	\$ 391,782
Operating Grants and Contributions	203,842	309,625
Capital Grants and Contributions	423,664	456,944
General Revenues:		
Property Taxes	9,643,045	9,586,930
Grants and Contributions not Restricted to Specific Programs	34,665	23,061
Investment Earnings (gains and losses)	126,974	10,634
Lease Income, Tax Penalties, and Miscellaneous	<u>94,249</u>	<u>88,960</u>
Total Revenues	10,833,061	10,867,936
Program Expenses:		
General Government	721,441	747,701
Commissions	277,572	272,026
Education	6,674,859	7,122,605
Highways and Public Works	1,307,271	1,149,265
Protection	464,590	548,804
Health and Welfare	290,635	293,503
Benefits	443,885	413,293
Other	<u>288,529</u>	<u>315,424</u>
Total Program Expenses	<u>10,468,782</u>	<u>10,862,621</u>
Change in Net Position	364,279	5,315
Net Position at Beginning of Year	<u>16,249,049</u>	<u>16,243,734</u>
Net Position at End of Year	<u>\$ 16,613,328</u>	<u>\$ 16,249,049</u>

**Town of Roxbury  
Management's Discussion and Analysis  
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Of the net expenditures, \$6,674,859 was paid to Regional School District No.12, highways and public works \$1,307,271, general government \$721,441, protection expenditures \$464,590, and benefits of all of the Town's employees \$443,885 accounted for the majority of expenditures. The largest portion of Town general revenue was \$9,643,045 in tax revenue supplemented by \$128,914 from grants, leases, contributions, and other sources and earnings of \$126,974 in investment income including various gains and losses.

- Property taxes revenue increased by \$56,115 during the year.
- Operating grants and contributions decreased as a result of a decrease in education grants.
- Capital grants and contributions decreased mainly due to the Elderly/Disability Persons Transportation grant received in the year ended June 30, 2016.
- Investment income increased by \$116,340 mainly due to unrealized capital gains on the Library's investments, resulting from market fluctuations. The Library and Booth Free School Funds are reported in the Town's financials, while fiduciary control over their investments and strategies lie with the respective Boards of Trustees that oversee these funds.
- Total program expenses from FY 2015/2016 to FY 2016/2017 decreased by \$393,839 (3.63%) with the biggest decrease attributable to Education of \$447,746. The Town's share of participation expense is calculated based on the number of students attending the District's schools.

▪ **Financial Analysis of the Government's Funds**

As required, the Town of Roxbury uses governmental fund accounting to emphasize the accountability as a government entity by ensuring and demonstrating 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 Roxbury's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Roxbury's governmental funds reported combined ending fund balances of \$6,464,460, an increase of \$143,533. The governmental fund balance of \$6,464,460 is broken down as follows:

***Nonspendable fund balances of \$226,811:***

- **\$221,000** of the fund balance is *nonspendable* to indicate that it is not available for new spending because it was accepted with the understanding that the principal be kept intact in perpetuity
- **\$5,811** for prepaids

***Restricted funds balances of \$2,229,335:***

- Length of Service Award Plan
- Road Improvements
- Social Services and Other Special Purposes
- Support of Library Services
- Records Preservation
- Housing Rehabilitation
- Recreation



**Town of Roxbury  
Management's Discussion and Analysis  
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**Committed fund balances of \$1,840,872:**

- Subsequent year budget deficit
- Vested Sick Benefits
- Post Employment Benefits
- Open Space and Land Acquisition
- Capital and Nonrecurring Projects

The remainder of \$2,167,442 is unassigned.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, total general fund balance was \$3,014,230. As a measure of the general fund's liquidity, it may be useful to compare both *unassigned and assigned* fund balance and total fund balance to total fund expenditures. In Roxbury's case, total *unassigned* fund balance represents 22.11% of total general fund expenditures of \$9,804,465.

During the current fiscal year, the Town's General Fund Balance increased by \$312,418. As in previous years, and without exception, every town department, i.e. general government, highways, protection, etc., expended less than budgeted for a total positive budget expenditure and transfer variance, excluding continuing appropriates, of \$151,231.

**Budgetary Highlights**

The approved projected revenue budget of \$9,966,130 for FY2016/2017 remained unchanged. The approved expenditure budget of \$10,297,894 for FY 2016/2017 increased due to continuing appropriations of \$208,881 and a budget transfer of \$36,000 from the Town Road budget line to the Town Aid Road Fund.

**Capital Assets and Debt Administration**

**Capital Assets.** The Town of Roxbury's investment in capital assets for its governmental assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase (after depreciation and before dispositions) in the Town's investment in capital assets for the current fiscal year was \$247,653.

The most significant increases were for Hurlburt Park bathroom upgrades, the purchase of a police vehicle, the purchase of a van, and continued IT/security infrastructure costs.

**Table 3. Capital Assets at Year-end (Net of Depreciation)**

	<b>Total Primary Government</b>	
	<b>2017</b>	<b>2016</b>
Land.....	\$ 1,516,063	\$ 1,516,063
Construction in Progress.....	98,455	56,430
Land Improvements.....	178,921	206,280
Buildings .....	2,554,603	2,590,738
Machinery and Equipment .....	679,264	770,545
Infrastructure.....	5,639,398	5,278,995
Totals .....	<u>\$ 10,666,704</u>	<u>\$ 10,419,051</u>

**Town of Roxbury  
Management's Discussion and Analysis  
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Additional information on the Town of Roxbury's capital assets can be found in the Notes to the Financial Statements.

**Long-Term Debt**

Our Town's long-term debt is comprised of our pro-rata share of Regional School District No. 12's general long-term debt, compensated absences and post-retirement healthcare benefit obligation.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its tax collections plus interest and lien fees. For June 30, 2017, the maximum amount of borrowing permitted under the formula would be \$67,359,019. Our outstanding general obligation debt is \$21,651,113 below the maximum debt limitation (see "Statement of Statutory Debt Limitations" presented as a supplemental schedule to these financial statements).

Contingent Liability:

The Town is a member town of Regional School District No. 12 along with the towns of Washington and Bridgewater. Roxbury's obligation to the district is based on the number of pupils attending the district determined as of October 1 in the preceding year. For the fiscal year 2016-2017, Roxbury's pro-rata share of school district operations was 32.02%. Roxbury has pledged its full faith and credit to payment of principal and interest on the district bonds. The Town's share of the regional school district's net debt as of June 30, 2017 (outstanding school bond principal less State of Connecticut bond principal grants) represents overlapping debt to the Town in the amount of \$288,180.

Compensated Absences:

Sick leave may be accumulated by certain public works union employees in accordance with the union contract until retirement, termination or death, at which time they are paid for a percentage of their accumulated sick leave. The balance increased by \$845 from the previous year to \$26,339 as of June 30, 2017.

Energy Efficient Project Loan:

The Town has an interest free loan with Eversource for energy efficient lighting, to be repaid by the Library Fund. It is payable in monthly installments of \$510 until June 2019. The balance at June 30, 2017 is \$12,232, with \$6,116 due in the 2017-2018 fiscal year.

Post-Retirement Healthcare Benefit Obligation:

The Town provides post-retirement healthcare benefits for certain public works union employees. As required by GASB Statement No. 45, the cost is being recognized in the year when the employee services are received. The Town also recognizes the accumulating liability from prior year spread out over the next thirty years. The unfunded actuarial liability at July 1, 2015, the latest actuarial valuation date was \$198,455 and the liability on the Government-wide Statement of Net Position is \$275,318. Although the Town is accumulating the resources to pay this liability in the General Fund, it has not established a trust fund to irrevocable segregate assets and therefore the actuarial value of assets are being reported at zero.

The Length of Service Award Plan (LOSAP):

The assets of the LOSAP plan are subject to third party creditors, and therefore, the assets are recorded as restricted assets along with the liability to the participants, in the General Fund.

Additional information on the Town of Roxbury's long-term debt can be found in the Notes to the Financial Statements.

**Town of Roxbury  
Management's Discussion and Analysis  
June 30, 2017**

***Economic Factors and Next Year's Budget***

- Roxbury's Mil rate increased to 14.2 mils for the Fiscal Year 2017/2018, a 0.5 increase over Fiscal Year 2016/2017 Mil Rate of 13.7 mils.

The FY 2017/2018 budget of \$10,775,732 sees a \$686,619, or an approximate 6.37% increase in expenditures from the prior year's original budget of \$10,089,013. The Town's share of the Region 12 budget increased \$557,672 (8.29%) to \$7,282,856. Other significant changes are highlighted below:

**Revenues**

- Budget deficit to be covered from Fund Balance is budgeted at \$255,964.
- Budgeted State Grants decreased slightly by \$1,000 due to uncertainty of State Financial Assistance available. However, much uncertainty continued well into the 2017/2018 fiscal year, as the legislature did not pass a state budget until mid-October 2017. Budgeted state grants are still vulnerable to state cuts as the 2017/2018 fiscal year continues with a very bleak economic outlook for the State's Municipalities in general.
- A decrease of \$15,000 in Building Fee Revenue is projected in FY 2017/2018.

**Expenditures**

- The Protection Budget increased by \$37,832 (9.51%) due to increased police costs.
- The Capital Improvement Program expenditures increased by \$14,525 (3.61%).

At the end of FY 16/17 the Fund Balance was at \$3,014,230. Of the General Fund balance, \$255,964 was designated to FY 17/18 operations to help alleviate any tax impact from the budgeted increased expenditures and decreased revenues.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Roxbury's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the First Selectman, 29 North Street, PO Box 203, Roxbury, CT 06783.

**Town of Roxbury  
Statement of Financial Position  
June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 4,157,968
Investments, including restricted investment of \$315,200	2,228,113
Account receivable	265
Property taxes receivable (net)	102,777
Interest and liens receivable	19,223
Other current assets	5,811
Grant receivable	19,497
<b>Total current assets</b>	<u>6,533,654</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Assets not being depreciated	1,614,518
Assets, net of depreciation of \$12,193,256	9,052,186
Mortgages receivable	361,258
<b>Total Assets</b>	<u><u>17,561,616</u></u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	128,715
Accrued expenses	35,759
Amounts held in escrow	26,500
Deferred revenue	5,988
Other liabilities due within one year	6,116
<b>Noncurrent Liabilities:</b>	
Due in more than one year	622,973
<b>Total Liabilities</b>	<u>826,051</u>
<b>Deferred Inflows of Resources</b>	
Advance property tax collections	<u>122,237</u>
<b>Net Position</b>	
Net investment in capital assets	10,666,704
Restricted for:	
Trust purposes - Nonexpendable	221,000
Road improvements	363,356
Social services and other special purposes	260,503
Support of library services	843,141
Records preservation	10,007
Housing rehabilitation	379,675
Recreation	57,453
Unrestricted	3,811,489
<b>Total Net Position</b>	<u><u>\$ 16,613,328</u></u>

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

**Town of Roxbury  
Statement of Activities  
Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Total Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental Activities:</b>					
General government	\$ 721,441	\$ 199,029	\$ 5,513	\$ -	\$ (516,899)
Commissions	277,572	37,000	105,899	-	(134,673)
Education	6,674,859	-	33,612	-	(6,641,247)
Highways and public works	1,307,271	-	-	423,664	(883,607)
Protection	464,590	20,288	-	-	(444,302)
Health and welfare	290,635	47,488	58,818	-	(184,329)
Benefits	443,885	-	-	-	(443,885)
Other	288,529	2,817	-	-	(285,712)
<b>Total governmental activities</b>	<b>\$ 10,468,782</b>	<b>\$ 306,622</b>	<b>\$ 203,842</b>	<b>\$ 423,664</b>	<b>(9,534,654)</b>

**General revenues:**

Property taxes	9,643,045
Grants and contributions not restricted to specific programs	34,665
Investment earnings, including gains and losses	126,974
Lease income and other miscellaneous	94,249
<b>Total general revenues</b>	<b>9,898,933</b>

**Change in net position** 364,279

**Net position - July 1, 2016** 16,249,049

**Net position - June 30, 2017** \$ 16,613,328

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

Town of Roxbury  
Balance Sheet  
Governmental Funds  
June 30, 2017

	Major Funds						Total Governmental Funds	
	General	Capital Project Funds			Town Aid Road Fund	Library		Other Governmental Funds
		Reserve for Capital Exp	Land Acquisition					
<b>Assets:</b>								
Cash and cash equivalents	\$ 2,080,831	\$ 563,146	\$ 678,452	\$ 431,648	\$ 6,340	\$ 397,551	\$ 4,157,968	
Investments, unrestricted	900,000	-	-	-	-	861	1,912,913	
Investments, restricted	315,200	-	-	-	1,012,052	-	315,200	
Account receivable	-	-	-	-	265	-	265	
Property taxes receivable	103,777	-	-	-	-	-	103,777	
Interest and liens receivable	19,223	-	-	-	-	-	19,223	
Mortgages receivable	-	-	-	-	-	361,258	361,258	
Other current assets - prepaids	5,811	-	-	-	-	-	5,811	
Due from other funds	-	-	-	36,000	-	-	36,000	
Grant receivable	4,000	15,497	-	-	-	-	19,497	
<b>Total Assets</b>	<b>\$ 3,428,842</b>	<b>\$ 578,643</b>	<b>\$ 678,452</b>	<b>\$ 467,648</b>	<b>\$ 1,018,657</b>	<b>\$ 759,670</b>	<b>\$ 6,931,912</b>	
<b>Liabilities:</b>								
Accounts payable	\$ 81,863	\$ -	\$ -	\$ 46,292	\$ 560	\$ -	\$ 128,715	
Amounts held in escrow	26,500	-	-	-	-	-	26,500	
Deferred revenue	-	-	-	-	5,988	-	5,988	
Accrued expenses	35,759	-	-	-	-	-	35,759	
Due to other funds	36,000	-	-	-	-	-	36,000	
<b>Total Liabilities</b>	<b>180,122</b>	<b>-</b>	<b>-</b>	<b>46,292</b>	<b>6,548</b>	<b>-</b>	<b>232,962</b>	
<b>Deferred Inflows of Resources:</b>								
Unavailable revenue - property tax	112,253	-	-	-	-	-	112,253	
Advance collection of taxes	122,237	-	-	-	-	-	122,237	
<b>Total Deferred Inflows of Resources</b>	<b>234,490</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>234,490</b>	
<b>Fund Balances:</b>								
Nonspendable:								
Principal of Permanent funds	-	-	-	-	221,000	-	221,000	
Prepaids	5,811	-	-	-	-	-	5,811	
Restricted for:								
Length of Service Award Plan	315,200	-	-	-	-	-	315,200	
Road improvements	-	-	-	363,356	-	-	363,356	
Social services and other special purposes	-	-	-	-	-	260,503	260,503	
Support of Library services	-	-	-	-	791,109	-	843,141	
Records preservation	-	-	-	-	-	52,032	10,007	
Housing rehabilitation	-	-	-	-	-	379,675	379,675	
Recreation	-	-	-	-	-	57,453	57,453	
Committed for:								
Subsequent year budget deficit	255,964	-	-	-	-	-	255,964	
Vested sick benefits	17,849	-	-	-	-	-	17,849	
Post-employment benefits	109,175	-	-	-	-	-	109,175	
Open space and land acquisition	-	-	678,452	-	-	-	678,452	
Capital and nonrecurring projects	142,789	578,643	-	58,000	-	-	779,432	
Unassigned	2,167,442	-	-	-	-	-	2,167,442	
<b>Total Fund Balances</b>	<b>3,014,230</b>	<b>578,643</b>	<b>678,452</b>	<b>421,356</b>	<b>1,012,109</b>	<b>759,670</b>	<b>6,464,460</b>	
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,428,842</b>	<b>\$ 578,643</b>	<b>\$ 678,452</b>	<b>\$ 467,648</b>	<b>\$ 1,018,657</b>	<b>\$ 759,670</b>	<b>\$ 6,931,912</b>	

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

**Town of Roxbury**  
**Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds**  
**June 30, 2017**

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following :

**Total Fund Balances for Governmental Funds** **\$ 6,464,460**

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

Governmental capital assets	\$	22,859,960	
Less accumulated depreciation		<u>(12,193,256)</u>	10,666,704

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

Property taxes, interest, and liens receivable			112,253
Allowance for uncollectible taxes			(1,000)

Long-term liabilities, are not due and payable in the current period, and therefore, are not reported in the governmental funds.

Energy efficient project loan	\$	(12,232)	
Post retirement healthcare benefit obligation		(275,318)	
Compensated absences		(26,339)	
Length of Service Award Plans liability		<u>(315,200)</u>	(629,089)

**Total Net Position of Governmental Activities** **\$ 16,613,328**

The accompanying notes are an integral part of these financial statement.

**Town of Roxbury  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017**

	Major Funds							Total Governmental Funds
	General	Capital Project Funds		Town Aid Road Fund	Library	Other Governmental Funds	Total Governmental Funds	
		Reserve for Capital Exp	Land Acquisition					
<b>Revenue:</b>								
Property taxes, interest and liens	\$ 9,585,179	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,585,179
Telecommunication easements	12,654	-	-	-	-	-	-	12,654
Building department fees and permits	79,150	-	-	-	-	-	-	79,150
Federal, state and other grants	84,278	92,420	-	331,244	22,370	18,278	-	548,590
Investment income	52,908	3,056	3,694	4,094	91,455	1,545	-	156,752
Contributions	-	-	-	-	67,528	46,053	-	113,581
Rental income	81,595	-	-	-	-	-	-	81,595
Transfer station fees	47,488	-	-	-	-	-	-	47,488
Licenses, permits and other fees	173,631	-	-	-	2,817	-	-	179,984
<b>Total Revenue</b>	<b>10,116,883</b>	<b>95,476</b>	<b>3,694</b>	<b>335,338</b>	<b>184,170</b>	<b>3,536</b>	<b>69,412</b>	<b>10,804,973</b>
<b>Expenditures:</b>								
<b>Current</b>								
General government	649,325	-	-	-	-	-	-	649,325
Commissions	232,360	-	-	-	-	-	-	232,360
Highways and public works	745,925	-	-	819,422	-	-	-	1,565,347
Protection	386,362	-	-	-	-	-	-	386,362
Health and welfare	272,697	-	-	-	-	4,578	-	277,275
Benefits	384,128	-	-	-	-	-	-	384,128
Other	20,368	-	-	-	-	-	-	20,368
Education	6,668,800	-	-	-	237,160	8,393	-	6,668,800
Debt service	-	-	-	-	6,116	-	-	6,116
Capital outlay								
Capital improvements and equipment	-	203,706	-	-	22,100	-	-	225,806
<b>Total Expenditures</b>	<b>9,359,965</b>	<b>203,706</b>	<b>-</b>	<b>819,422</b>	<b>265,376</b>	<b>12,971</b>	<b>-</b>	<b>10,661,440</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>756,918</b>	<b>(108,230)</b>	<b>3,694</b>	<b>(484,084)</b>	<b>(81,206)</b>	<b>56,441</b>	<b>-</b>	<b>143,533</b>
<b>Other Financing Sources (Uses)</b>								
Operating transfers in (out)	(444,500)	274,500	20,000	36,000	123,000	(9,000)	-	-
<b>Excess (Deficiency) of Revenue and Other Sources Over Expenditures and Other Uses</b>	<b>312,418</b>	<b>166,270</b>	<b>23,694</b>	<b>(448,084)</b>	<b>41,794</b>	<b>47,441</b>	<b>-</b>	<b>143,533</b>
<b>Fund Balance - beginning of year, as restated</b>	<b>2,701,812</b>	<b>412,373</b>	<b>654,758</b>	<b>869,440</b>	<b>970,315</b>	<b>712,229</b>	<b>6,320,927</b>	<b>6,320,927</b>
<b>Fund Balance - end of year</b>	<b>3,014,230</b>	<b>578,643</b>	<b>678,452</b>	<b>421,356</b>	<b>1,012,109</b>	<b>759,670</b>	<b>6,464,460</b>	<b>6,464,460</b>

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



**Town of Roxbury**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of**  
**Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2017**

Amounts reported for governmental activities in the Statement of Activities are difference due to the following:

**Net Change in the Fund Balances - Total Governmental Funds** **\$ 143,533**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their useful lives are reported as depreciation expense, as follows:

Total capital outlay	\$	884,300	
Less current year depreciation		<u>(636,647)</u>	247,653

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Property taxes receivable	57,866
---------------------------	--------

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; this is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.

Change in Energy efficient project loan	\$	5,607	
Change in Post retirement healthcare benefit obligation		(43,757)	
Change in Compensated absences		(845)	
Change in Length of Service Award Plan liability		<u>(45,778)</u>	(84,773)

**Change in Net Position of Governmental Activities** **\$ 364,279**

The accompanying notes are an integral part of these financial statement.

**Town of Roxbury**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	<b>Defined Contribution Plan</b>
<hr/>	
<b>Assets:</b>	
Cash on Hand	\$ 6,737
Investments - at fair value	793,263
<b>Total Assets</b>	<u>800,000</u>
<b>Net Position:</b>	
Held in Trust for Pension Benefits	\$ <u>800,000</u>

---

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

**Town of Roxbury**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**Year Ended June 30, 2017**

	<b>Defined Contribution Plan</b>
<b>Additions:</b>	
Contribution	
Town	\$ 28,775
Investment Income	
Net Appreciation in Fair Values of Investments	76,365
Interest and Dividends	13,370
Gross Investment Income	<u>89,735</u>
Less Investment Expense	<u>7,638</u>
Net Investment Income	82,097
<b>Total Additions</b>	110,872
<b>Deductions: Pension Benefits</b>	<u>107,607</u>
<b>Change in Net Position</b>	3,265
<b>Net Position Held in Trust For Pension Benefits</b>	
Beginning of the Year	<u>796,735</u>
End of the Year	<u>\$ 800,000</u>

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

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies**

The accompanying financial statements of the Town of Roxbury, Connecticut (the “Town”) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The Town of Roxbury, Connecticut was incorporated in 1796 under the provisions of the Connecticut General Statutes, and has a population of approximately 2,200 living within an area of 27.4 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Roxbury, Washington and Bridgewater are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Roxbury students attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive and administrative officer of the Town, and prepares the Town Budget. The Board of Finance is the budget-making authority and is responsible for reviewing/revising the proposed budget, presenting the budget at the Annual Budget Hearing and submitting the budget at the Annual Town and Budget Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification has been considered and as a result, the potential component units discussed below are not included in the Town's reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The school district provides educational services and facilities for the Towns of Roxbury, Washington and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Roxbury Volunteer Fire Department, Inc. and Roxbury Ambulance Association, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control the daily operations.

**B. Jointly Governed Organizations:**

**Regional Animal Control Authority**

The Regional Animal Control Authority (the “Authority”) was created by the Towns of Bridgewater, Brookfield, New Fairfield, New Milford, Roxbury, and Sherman to enforce laws relating to animals within the six-town region. The Authority is supported by assessments to the participating towns based upon population census. The Town appropriated and expended \$10,463 for operation of the Authority for the year ended June 30, 2017.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

B. Jointly Governed Organizations (continued)

Lake Lillinonah Authority

The Lake Lillinonah Authority (the “Lake Authority”) was created by the Towns of Bridgewater, Brookfield, New Milford, Newtown, Roxbury, and Southbury by local ordinances. The Lake Authority is comprised of three delegates from each member town. The Town appropriated and expended \$12,918 for the operation of the Lake Authority for the year ended June 30, 2017.

Northwest Hills Council of Governments

The Town and twenty other local municipalities each appoint the governing board of the Northwest Hills Council of Governments (the “NHCOC”) to provide a regional forum for information exchange and regional planning. The NHCOC is supported by assessments to the twenty-one member Towns based upon population census. The Town appropriated and expended \$1,650 for the operation of the NHCOC for the year ended June 30, 2017.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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*.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materiality. Major individual governmental funds are reported in separate columns in the fund financial statements. The other seven governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental fund is provided in the form of combining statements.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting and Financial Statement Presentation**

*Government-Wide Statements*

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

**General Fund:**

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

The beginning of the year fund balance increased by \$269,422, from \$2,432,390 to \$2,701,812. This balance is restated to recognize the Volunteer Award Plans in the General Fund, in compliance with new GASB guidelines.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting and Financial Statement Presentation (continued)**

**Special Revenue Fund:**

Library Fund accounts for all financial resources used to provide public library services.

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

**Capital Projects Funds:**

The Reserve for Capital Expenditure Fund as authorized by General Statutes of Connecticut, is used for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

Open Space and Land Acquisition Fund – accounts for the purchase of land for open space.

The Town also reports the following eight Nonmajor Governmental Funds:

Special Revenue Funds, account for specific revenues that are legally restricted to expenditures for particular purpose:

Historic Document Preservation Fund – accounts for recording fees and state grants restricted for document preservation along with the related expenditures.

First Selectman Discretionary Fund – accounts for donations to assist those in need along with other discretionary expenditures.

Apple Lane Fund – accounts for donations restricted for funding improvements to the grounds of Hurlburt Park.

Hodge Funds – accounts for the restricted financial support for the Senior Center and other resident relief.

Community Volunteer Fund – accounts for financial support to fund the volunteer recognition program.

Booth Free School Fund – accounts for restricted donations to promote community education.

Small Cities Housing Rehabilitation Fund – accounts for federal grants offered in the form of deferred loans to owner/occupants for assistance in the rehabilitation of their homes.

Joey’s Trail Fund – accounts for restricted donations for the creation of a trail from the Senior Center to behind the Library in Joey Awlasewicz’s memory.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting and Financial Statement Presentation (continued)**

Additionally, the Town reports the following Fiduciary Fund Types:

Pension Trust Funds, account for the accumulation of resources to be used for retirement benefits.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenue* 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.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

**E. Assets, Liabilities, and Net Assets or Equity**

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer’s Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds do not specify permitted investments. Therefore investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan. The Library Fund may invest in securities selected by the trustee and is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule).

Town investments are reported at fair value.

Receivables

In the government-wide financial statements property taxes are shown net of an allowance for uncollectible taxes of \$1,000. The allowance is calculated based upon prior years’ collections.

In the fund financial statement, all property taxes receivable at June 30, 2017, which have not been collected within 60 days of June 30, have been recorded as deferred inflows, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60-day period have been recorded as revenue.



**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

E. Assets, Liabilities, and Net Assets or Equity (continued)

Property taxes are assessed on October 1 and billed the following July. Real and personal property bills are payable in two installments, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). They are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$10,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair 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.

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>
Land improvements	25
Buildings	40
Building improvements	6-20
Infrastructure	30
Machinery, Equipment and Vehicles	5-15

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On the fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the statement of net assets.

Compensated Absences

Sick leave may be accumulated by certain public works union employees in accordance with the union contract until retirement, termination or death, at which time they are paid for a percentage of their accumulated sick leave.

Sick leave expense to be paid in future periods are accrued when earned, at current hourly rates, in the government-wide financial statements. Expenditures for compensated absences are recognized in the governmental fund financial statements when paid or the vested amount is expected to be paid with available resources. The General Fund is typically used to liquidate the liability.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

E. Assets, Liabilities, and Net Assets or Equity (continued)

Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Equity and Net Position/Assets – Governmental Funds

Beginning with fiscal year 2011, the Town implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as authorized by the Town’s Board of Selectman and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the General Fund for positive amounts and in any other fund that have a fund balance deficit.

The Town does not have a minimum fund balance policy.

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 reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purpose is 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 represents the net position of the Town, which are not restricted

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "1 " - Summary of Significant Accounting Policies (continued)**

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note "2" - Budgetary Compliance**

Budgetary Compliance – The General Fund

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review and approval, incorporating any revisions. The Board of Finance then presents the budget to the Legislative Body for Approval.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on a department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval. The Town Meeting authorized the transfer of \$36,000 from the Town Roads budget line to the Town Aid Road Fund.

Budgetary Compliance - Special Revenue Funds

The Town does not budget for its special revenue funds. Considering a cost-benefit analysis, it is not practical for the town to report budgetary information for special revenue funds on a combined basis.

Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Donor Restricted Endowments

The Town has received certain endowments for the maintenance and operations of the Town Library. The amounts are reflected in net assets as restricted for trust purposes - nonexpendable. Investment income (including appreciation, if any) is approved for expenditure by the Town Library Board.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "2" - Budgetary Compliance (continued)**

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

**Note "3" – Cash, Deposits and Investments**

**A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2017:

	Governmental <u>Funds</u>	Fiduciary <u>Funds</u>
Deposits:		
Demand accounts	\$ 2,818,667	\$ ---
Certificates of deposit	<u>900,000</u>	<u>---</u>
Total Deposits	3,718,667	---
 Petty Cash/Cash on hand	 150	 6,737
Cash equivalents:		
State short-term investment fund (STIF)	892,198	---
Overnight repurchase agreement	<u>447,903</u>	<u>---</u>
	5,057,968	6,737
Less certificate of deposits classified as investments	<u>900,000</u>	<u>---</u>
Total Cash and Cash Equivalents	<u>\$ 4,157,968</u>	<u>\$ 6,737</u>

**B. Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017 the carrying amount of the Town's deposits, including certificates of deposits of \$900,000 classified as investments, was \$3,718,667 and the bank balance was \$3,866,556. Of the Town's bank balance, \$3,366.556 was exposed to custodial credit risk; as follows:

Uninsured and uncollateralized	\$ 511,286
Uninsured and collateralized held by pledging Bank's trust department not in the town's name	<u>2,855,270</u>
Total amount subject to custodial credit risk	<u>\$ 3,366,556</u>

**C. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2017, the Town's cash equivalents amounted to \$1,340,101. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

State of Connecticut Short-Term Investment Fund (STIF)	Standard and Poor's AAAm
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**Town of Roxbury**  
**Notes to Financial Statements**

**Note "3" – Cash, Deposits and Investments (continued)**

C. Cash Equivalents (continued)

Amounts held in the overnight repurchase agreement were 100% collateralized with collateral held by the bank's trust department or agent, but not in the Town's name.

D. Investments

At June 30, 2017 the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Primary Government</b>			
Certificate of Deposits	\$ 900,000	**	11/28/17
Mutual Funds	1,324,068	N/A	N/A
Money Market Funds held for investing	<u>4,045</u>	not rated	N/A
Total Primary Government	<u>\$ 2,228,113</u>		
<b>Fiduciary Funds</b>			
Corporate bonds	\$ 25,926	'A' Standard & Poor's rating	1/09/23
Mutual funds	731,997	N/A	N/A
Money market funds	<u>35,340</u>	not rated	N/A
Total Fiduciary Funds	<u>\$ 793,263</u>		

\*\* Included in deposits above, therefore, insured and collateralized to the extent described above.

- Ratings by Standard & Poor's are provided where applicable to indicate the associated credit risk. N/A indicates not applicable.

- 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.

\$312,500 of the Town's investments are restricted for Length of Service Award Plan.

E. Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2017 whose fair value was determined using Level 3 inputs.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "3" – Cash, Deposits and Investments (continued)**

E. Fair Value Measurements (continued)

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2017.

Investments by Fair Value Level	6/30/2017		
	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Certificate of Deposit	\$ -	\$ 900,000	\$ 900,000
Money Market Funds	-	39,385	39,385
Corporate Bonds	-	25,926	25,926
Mutual Funds	2,056,065	-	2,056,065
<b>Total Investment &amp; Cash Equivalent by Fair Value Level</b>	<b>\$ 2,056,065</b>	<b>\$ 965,311</b>	<b>\$ 3,021,376</b>

The Town's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. The Town's investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

**Note "4" - Receivables**

A. Property Tax, Interest and Liens Receivable

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes	\$ 103,777
Interest and lien fees on taxes	19,223
Gross receivables	<u>123,000</u>
Less: allowance for uncollectibles	<u>1,000</u>
Net Receivables	<u>\$ 122,000</u>

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "4" – Receivables (continued)**

**B. Mortgages Receivable**

The amount recorded as a mortgage receivable, \$361,258 represents loans disbursed from the Small Cities, Community Development Block Grant. This grant is administered through the State of Connecticut; however, funds for this grant are federal funds originating with the Department of Housing and Urban Development (HUD). Typically, funds are offered in the form of deferred loans to owner/occupants for assistance in the rehabilitation of their homes. Deferred loans are 0% interest loans that do not require repayment until a transfer of Title, the Owner's demise or the subject property is no longer the applicant's principal place of residence. All loans are secured with a mortgage deed, promissory note and memorandum of agreement.

**Note "5" - Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets - Not Depreciated:				
Land	\$ 1,516,063	\$ ---	\$ ---	\$ 1,516,063
Construction/Projects in Progress	56,430	89,310	( 47,285)	98,455
Capital Assets - Depreciated:				
Land improvements	874,137	---	---	874,137
Building & improvements	4,800,079	20,507	47,285	4,867,871
Machinery, equipment & vehicles	3,173,562	58,263	( 168,305)	3,063,520
Infrastructure	<u>11,723,694</u>	<u>716,220</u>	<u>---</u>	<u>12,439,914</u>
Total Capital Assets Being Depreciated	<u>20,571,472</u>	<u>794,990</u>	<u>( 121,020)</u>	<u>21,245,442</u>
Less: Accumulated Depreciation				
Land improvements	667,857	27,359	---	695,216
Building & improvements	2,209,341	103,927	---	2,313,268
Machinery, equipment & vehicles	2,403,017	149,544	( 168,305)	2,384,256
Infrastructure	<u>6,444,699</u>	<u>355,817</u>	<u>---</u>	<u>6,800,516</u>
Total Accumulated Depreciation	<u>11,724,914</u>	<u>636,647</u>	<u>( 168,305)</u>	<u>12,193,256</u>
Capital Assets Being Depreciated - Net	<u>8,846,558</u>	<u>158,343</u>	<u>47,285</u>	<u>9,052,186</u>
Capital Assets - Net	<u>\$ 10,419,051</u>	<u>\$ 247,653</u>	<u>\$ ---</u>	<u>\$ 10,666,704</u>

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

<u>Governmental Activities</u>	
General government services	\$ 70,915
Commissions	22,900
Public works, including depreciation of general infrastructure assets	445,185
Health & Welfare	13,360
Education	6,059
Protection	<u>78,228</u>
<u>Total depreciation expense</u>	<u>\$ 636,647</u>

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "6" – Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts Due</u> <u>in One Year</u>
<u>Compensated Absences</u>					
Vested or accumulated severance and sick leave.	25,494	1,087	242	26,339	---
<u>Energy Efficient Project Loan</u>					
An interest free loan was entered into with Eversource for energy efficient lighting. Payable in monthly installments of \$510 until June 2019.	17,839	---	5,607	12,232	6,116
<u>Length of Service Award Plan</u>					
Beginning balance, restated to follow GASB guidelines	269,422	45,778	---	315,200	---
<u>Post-Retirement Healthcare Benefit Obligation</u>					
	<u>231,561</u>	<u>43,757</u>	<u>---</u>	<u>275,318</u>	<u>---</u>
<b>Totals</b>	<b><u>\$ 544,316</u></b>	<b><u>\$ 90,622</u></b>	<b><u>\$ 5,849</u></b>	<b><u>\$ 629,089</u></b>	<b><u>\$ 6,116</u></b>

The following is a summary of the Town's aggregate debt service requirements:

<u>Year Ending June 30,</u>	
2018	\$ 6,116
2019	<u>6,116</u>
<b>Totals</b>	<b><u>\$ 12,232</u></b>

**Note "7" - Contingent Liabilities**

The Town is contingently liable for Regional School District No. 12 serial bonds, anticipation notes and other long term debt payable through August 15, 2018. The amount (32.02%) attributable to the Town is \$288,180.



**Town of Roxbury**  
**Notes to Financial Statements**

**Note "8" – Interfund Transfers**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers From</u> <u>Other Funds</u>	<u>Transfers To</u> <u>Other Funds</u>	<u>Net</u> <u>Transfers</u>
Major Governmental Funds:			
General Fund	\$ ---	\$ 444,500	\$( 444,500)
Reserve for Capital Expenditure Fund	274,500	---	274,500
Land Acquisition Fund	20,000	---	20,000
Town Aid Road Fund	36,000	---	36,000
Library Fund	123,000	---	123,000
Nonmajor Governmental Funds:			
Booth Free School	---	9,000	( 9,000)
Total	<u>\$ 453,500</u>	<u>\$ 453,500</u>	<u>\$ ---</u>

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

**Note "9" - Fund Deficits**

The following individual funds had deficiencies of revenue and other sources over expenditures and other uses for the year ended June 30, 2017 and/or fund balance deficits as of June 30, 2017:

	<u>Deficit</u> <u>From Operations</u>	<u>Fund Balance</u> <u>Deficit</u>
Major Funds:		
Town Aid Road Fund	\$ 448,084	\$ ---
Non-Major Governmental Funds, Special Revenue Funds:		
Booth Free School	\$ 8,876	\$ ---
Joey's Trail	\$ 2,412	\$ ---

**Note "10" - Commitments and Litigation**

It is the opinion of Town officials that there are no claims, material or substantial, against the Town, which will be finally determined so as to result in a judgment or judgments against the Town, which would materially effect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions, as specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "11" - Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self-insurance fund. However, the Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA) workers compensation pool. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

**Note "12" - Municipal Employee Money Purchase Pension Plan**

The Town provides retirement benefits through a single-employer non-contributory defined contribution pension plan, which covers substantially all full-time employees of the Town. The Board of Selectman has oversight and fiduciary responsibility for the plan. Current participants total 7 employees.

This plan covers employees who have completed 1 year of service and work more than 35 hours per week. The Town Clerk, grandfathered under the predated June 3, 2006 Pension Ordinance, is eligible to participate even though the 35 hour work requirement might not be met. Employees will have nonforfeitable interests in the percentage of the employer contribution account determined pursuant to the following vesting schedule:

<u>Years of Continuous Service:</u>	<u>Percentage Vested:</u>
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

The participants become 100% vested after six years of service. Normal retirement age is at 65. The Town contributes an amount equal to 7.5% of each eligible employee's base compensation. The plan provides for benefits upon death, disability, or retirement. Employer contributions for the year ending June 30, 2017 totaled \$28,775. The plan allows for amendment by the Town as employer.

Financial statements are prepared using the accrual basis of accounting. The employer contributions are recognized in the period that the contributions are due.

Plan investments are reported at fair value and reported in accordance with GASB fair value measurements.

**Note "13" - Length of Service Award Plan (LOSAP)**

The Town offers its eligible Roxbury Volunteer Fire Department ("RVFD") and Roxbury Ambulance Association ("RAA") personnel a deferred compensation plan developed in accordance with Internal Revenue Code Section 457. In order to be eligible for the plan, the volunteer must generally complete one full year of service and attain at least 25 volunteer percentage credit points for the RVFD and 20 for the RAA. The Town's volunteer contribution ranges from \$500 to \$1,000 per eligible volunteer as approved at Town Meeting. Participants become fully vested at the normal retirement age of 59. The Town is the current Administrator for the Deferred Compensation Plan and therefore the Board of Selectman can amend the plan. The Town contributed \$16,000 to this plan for the year ended June 30, 2017.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "13" - Length of Service Award Plan (LOSAP) (continued)**

The fund financial statements recognize benefit payments as expenditures within the General Fund at the time they are due and payable. LOSAP contributions represent the reclassification of unrestricted General Fund assets to the plans restricted investments.

The plan's account established to hold LOSAP assets are not legally protected from the Town's creditors. Authority to invest the Plan's assets is vested in the Town in accordance with a statutory prudent person rule. The Town accounts for LOSAP assets as restricted investments in the General Fund. See the fair value measurement disclosures on the LOSAP's assets. Accordingly, as of June 30, 2017 the Town's LOSAP plans are included in the General Fund, and are no longer a Fiduciary Fund.

The beginning of the year fund balance on the fund financial statements General Fund increased by \$269,422, from \$2,432,390 to \$2,701,812. This balance is restated to recognize the Volunteer Award Plans in the General Fund, in compliance with new GASB guidelines.

**Note "14" - New England Teamsters and Trucking Industry Pension Fund**

Pursuant to the Entry Agreement between the Town and Teamsters Union Local No. 677, effective July 1, 2014, the Town is required to contribute to the New England Teamsters and Trucking Industry Pension Fund (a multiple-employer defined contribution plan) on behalf of full-time employees in the Public Works Department. The Town has no authority to amend plan provisions or contribution requirements until the expiration date of the present collective bargaining agreement which is June 30, 2018. The Town's required contribution for the year ended June 30, 2017 was \$2.50 per hour worked up to a maximum of \$100.00 per week for any one employee. The total contribution for the year ended June 30, 2017 was \$26,000.

**Note "15" - Post Retirement Health-care Benefits**

A. Plan Description

The Town provides post-retirement benefits for certain union employees' health insurance benefit after retirement through a single-employer defined benefit plan. An actuarial valuation is made every three years to determine whether the contributions are sufficient to meet the plan obligations. Annual updates are prepared for the intervening years. The latest actuarial valuation was made July 1, 2015. The post-retirement health insurance plan does not issue stand-alone financial reports.

There are no contribution requirements for active plan members. The Town determines the required contribution using the Entry Age Actuarial Cost Method. At July 1, 2016, plan membership consisted of four active plan members and spouses and has not changed as of June 30, 2017.

B. Basis of Accounting

From an accrual accounting perspective, the cost of post-employment health-care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost are incurred, rather than in the future year when it will be paid. Therefore, the Town recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demand on the Town's future cash flows. Recognition of the liability accumulated from prior years' service is amortized over 30 years, commencing with the fiscal year ending June 30, 2011.

**Town of Roxbury**  
**Notes to Financial Statements**

**Note “15” – Post Retirement Health-care Benefits (continued)**

**C. Funding Policy**

The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with post-employment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and amortization of the accrued liabilities.

Although a trust fund may not be established in the future to exclusively control the funding and reporting of post-employment benefits, the Town anticipates a commitment to fund normal costs as well as long-term approach for the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the annual OPEB cost of benefits and segregating the needed resources.

**D. Annual OPEB Cost and OPEB Obligations**

The Town’s annual other post-employment benefit (OPEB) cost is calculated on the basis of annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or past service cost) over a period not to exceed thirty years.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the Town's net OPEB obligation:

Annual required contribution (ARC)	\$ 46,388
Interest on net OPEB obligation	9,262
Adjustment to annual required contribution	<u>( 11,894)</u>
Annual OPEB cost	43,757
Contributions made	<u>---</u>
Increase in net OPEB obligation	43,757
Net OPEB obligation at the beginning of the year	<u>231,561</u>
Net OPEB obligation at the end of the year	<u>\$ 275,318</u>

The Town’s annual OPEB cost and the percentage of annual OPEB cost contributed to the plan was as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Employer Contributions/ Payments</u>	<u>Percentage of AOC Contributed/ Paid</u>	<u>Net OPEB Obligation</u>
6/30/17	\$ 43,757	\$ ---	---	275,318
6/30/16	\$ 46,159	\$ 4,341	9.40%	231,561
6/30/15	\$ 14,764	\$ ---	---	189,743

**Town of Roxbury  
Notes to Financial Statements**

**Note "15" – Post Retirement Health-care Benefits (continued)**

**D. Annual OPEB Cost and OPEB Obligations (continued)**

Actuarial valuations of an ongoing plan involve estimates of the probability of the occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The actuarial accrued liability as of July 1, 2015 was \$198,455. As of June 30, 2017 there are no retirees receiving benefits under this plan.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Over (Under) Funded AAL</u>	<u>Funded AAL Ratio</u>	<u>Covered Payroll</u>	<u>Over (Under) Funded AAL as a Percentage of Covered Payroll</u>
7/1/15	\$ ---	\$ 198,455	\$ (198,455)	0.0%	\$ 307,948	64.44%
7/1/12	\$ ---	\$ 468,989	\$ (468,989)	0.0%	\$ 240,905	194.68%
7/1/09	\$ ---	\$ 138,904	\$ (138,904)	0.0%	\$ 281,708	49.00%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**F. Actuarial Assumptions:**

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation Date:	July 1, 2015
Actuarial Cost Method:	Entry Age Actuarial Cost Method
Asset Valuation Method:	Market Value
Amortization Method:	Level percentage of projected payroll
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Assumed retirement age	63
Investment rate of return	4%
Discount rate	4%
Average salary increase	1.75%
Medical Inflation rate	Years 1-5 2%; Years 6 on 5.5%

**Town of Roxbury**  
**Notes to Financial Statements**

**Note "16" - General Fund Capital and Nonrecurring Projects Committed Fund Balance:**

The General Fund Committed Fund Balance for Nonrecurring Projects is comprised of the following:

Revaluation	\$ 45,956
Ambulance Replacement	45,000
Library Maintenance (paint)	17,222
Replace Town Hall Carpet	11,482
Preparation and implementation of the Accounting Procedure Manual	10,750
Senior Center Maintenance	9,590
Treasurer Upgrades	<u>2,789</u>
Total	<u>\$ 142,789</u>

**Note "17" - Implementation of Future GASB Pronouncements**

The GASB has issued pronouncements that have an effective date that may impact the June 30, 2018 financial statements. Management has not currently determined what, if any, impact implementation of the following pronouncements may have on the financial statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, 68 and 73*

Statement No. 83, *Certain Asset Retirement Obligations*

Statement No. 84, *Fiduciary Activities*

Statement No. 87, *Leases*

**Town of Roxbury**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund, (Non GAAP, Budgetary Basis)**  
**Year Ended June 30, 2017**

	<b>Original Budget</b>	<b>Transfers, Continuing/ Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Revenues:</b>					
<b>Property Taxes, Interest and Fees</b>	\$ 9,485,361	\$ -	\$ 9,485,361	\$ 9,585,179	\$ 99,818
<b>State Grants</b>					
State and Federal Grants	47,875	-	47,875	84,278	36,403
<b>Other Revenue</b>					
Investment Income	20,000	-	20,000	23,130	3,130
Real Estate Conveyance Taxes and Other Fees	108,000	-	108,000	109,995	1,995
Building Department Fees	110,000	-	110,000	79,150	(30,850)
Transfer Station Fees	40,000	-	40,000	47,488	7,488
Recreation	14,800	-	14,800	8,672	(6,128)
Land Use Permits	9,650	-	9,650	4,245	(5,405)
Senior-Center including contributions	20,000	-	20,000	24,083	4,083
Ambulance Association	6,000	-	6,000	12,054	6,054
Cell Tower Lease	72,744	-	72,744	76,095	3,351
Telecommunication PILOT	10,500	-	10,500	12,654	2,154
Rent	5,200	-	5,200	5,500	300
Regional School District #12 surplus	10,000	-	10,000	56,384	46,384
Miscellaneous Receipts	6,000	-	6,000	14,582	8,582
<b>Total Other Revenue</b>	<u>432,894</u>	<u>-</u>	<u>432,894</u>	<u>474,032</u>	<u>41,138</u>
<b>Amounts Available for Appropriations</b>	<u>\$ 9,966,130</u>	<u>\$ -</u>	<u>\$ 9,966,130</u>	<u>\$ 10,143,489</u>	<u>\$ 177,359</u>

Continued

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

**Town of Roxbury**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund, (Non GAAP, Budgetary Basis)**  
**Year Ended June 30, 2017**

	Original Budget	Transfers, Continuing/ Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Expenditures</b>					
<b>General Government</b>					
Selectmen's Salaries	87,975	-	87,975	87,975	-
Grant Procurement	10,000	-	10,000	5,263	(4,737)
Selectmen's Office	59,615	-	59,615	58,694	(921)
Financial Administrator	38,398	-	38,398	37,258	(1,140)
Treasurer	23,228	-	23,228	19,931	(3,297)
Town Clerk	82,928	-	82,928	79,760	(3,168)
Tax Collector	46,330	-	46,330	42,768	(3,562)
Assessors	46,774	-	46,774	45,699	(1,075)
Board of Assessment Appeals	800	-	800	567	(233)
Board of Finance	3,100	-	3,100	644	(2,456)
Building Department	81,137	-	81,137	76,811	(4,326)
Probate Court	3,132	-	3,132	3,131	(1)
Postage/Delivery	7,000	-	7,000	5,510	(1,490)
Town Hall	99,308	-	99,308	91,869	(7,439)
Elections	11,740	-	11,740	9,127	(2,613)
Auditor	16,500	-	16,500	17,000	500
Legal Fees	24,500	-	24,500	31,148	6,648
Animal Control	12,913	-	12,913	12,344	(569)
Town Reports	2,245	-	2,245	743	(1,502)
<b>Total General Government</b>	<b>657,623</b>	<b>-</b>	<b>657,623</b>	<b>626,242</b>	<b>(31,381)</b>
<b>Commissions/Boards</b>					
Planning	8,518	-	8,518	8,452	(66)
Zoning	34,386	-	34,386	32,297	(2,089)
Zoning Board of Appeals	8,135	-	8,135	6,384	(1,751)
Conservation	1,110	-	1,110	551	(559)
Inland - Wetlands	23,158	-	23,158	19,940	(3,218)
Council on Aging	2,200	-	2,200	1,750	(450)
Volunteer Recognition Comm	2,000	-	2,000	-	(2,000)
Historic District	525	-	525	577	52
Historic Buildings	3,045	-	3,045	2,098	(947)
Senior Center	94,350	-	94,350	93,819	(531)
Library Other	20,694	-	20,694	18,373	(2,321)
Lake Lillinoah Authority	12,918	-	12,918	12,918	-
ASAP, After School Arts Program	2,500	-	2,500	5,000	2,500
Recreation	34,437	-	34,437	28,771	(5,666)
Swim Pond Improvements	3,675	-	3,675	-	(3,675)
<b>Total Commissions/Boards</b>	<b>251,651</b>	<b>-</b>	<b>251,651</b>	<b>230,930</b>	<b>(20,721)</b>

Continued

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



**Town of Roxbury**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund, (Non GAAP, Budgetary Basis)**  
**Year Ended June 30, 2017**

	<b>Original Budget</b>	<b>Transfers, Continuing/ Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Highways and Public Works</b>					
Public Works Salary/Overtime	329,977	-	329,977	291,278	(38,699)
Town Roads	89,000	(36,000)	53,000	92,377	39,377
Town Roads Winter Maintenance	100,000	-	100,000	96,597	(3,403)
Unimproved Town Roads	37,200	-	37,200	57,531	20,331
Unimproved Town Roads Winter Maintenance	30,000	-	30,000	21,912	(8,088)
Town Garage and Salt Barn	21,550	-	21,550	19,443	(2,107)
Maintenance, Operation, Repairs of Town Equipment	78,800	-	78,800	80,853	2,053
Surveyors/Engineers	5,000	-	5,000	1,000	(4,000)
Tree Maintenance	40,000	-	40,000	43,605	3,605
Town Parks	53,000	-	53,000	41,329	(11,671)
<b>Total Highways and Public Works</b>	<b>784,527</b>	<b>(36,000)</b>	<b>748,527</b>	<b>745,925</b>	<b>(2,602)</b>
<b>Protection</b>					
Police - Town	80,675	-	80,675	77,246	(3,429)
Police - State	99,000	-	99,000	96,495	(2,505)
Town Police - Private Duty Budgeted Net	1,000	-	1,000	1,020	20
Ambulance/Paramedic Program	23,645	-	23,645	23,545	(100)
Fire Department	71,050	-	71,050	71,197	147
Emergency Services Recruitment	500	-	500	-	(500)
Fire Marshal	7,370	-	7,370	6,345	(1,025)
Insurance and Bonds	89,803	-	89,803	88,184	(1,619)
Street Lights/Unmetered Service	3,250	-	3,250	2,353	(897)
Civil Preparedness/Blackboard	6,990	-	6,990	5,670	(1,320)
E-911 System	14,407	-	14,407	14,307	(100)
<b>Total Protection</b>	<b>397,690</b>	<b>-</b>	<b>397,690</b>	<b>386,362</b>	<b>(11,328)</b>
<b>Health and Welfare</b>					
Visiting Nurse Services	4,900	-	4,900	3,582	(1,318)
Vital Statistics	150	-	150	95	(55)
Mun Agent/Soc Svcs/Vet Coord	29,184	-	29,184	23,797	(5,387)
Elderly/Disabled Svcs/Transportation	37,800	-	37,800	25,719	(12,081)
Welfare	10,000	-	10,000	10,000	-
Newtown Health District	30,328	-	30,328	29,597	(731)
Transfer Station	186,136	-	186,136	179,907	(6,229)
<b>Total Health and Welfare</b>	<b>298,498</b>	<b>-</b>	<b>298,498</b>	<b>272,697</b>	<b>(25,801)</b>
<b>Benefits</b>					
Insurance Benefits	212,310	-	212,310	206,475	(5,835)
Personal Benefits	57,240	-	57,240	49,636	(7,604)
Social Security	67,419	-	67,419	59,449	(7,970)
Medicare	15,767	-	15,767	14,150	(1,617)
Pension Plan, Fees and VFD Contribution	75,404	-	75,404	70,418	(4,986)
Unemployment Compensation	100	-	100	-	(100)
<b>Total Benefits</b>	<b>428,240</b>	<b>-</b>	<b>428,240</b>	<b>400,128</b>	<b>(28,112)</b>

Continued

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

**Town of Roxbury**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund, (Non GAAP, Budgetary Basis)**  
**Year Ended June 30, 2017**

	<b>Original Budget</b>	<b>Transfers, Continuing/ Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Other</b>					
Ordinance Codification	200	-	200	-	(200)
Copiers/Fax	2,300	-	2,300	2,150	(150)
Computer Upgrades	6,000	-	6,000	5,608	(392)
Contingency	30,000	-	30,000	-	(30,000)
Memorial Day Observance	1,100	-	1,100	967	(133)
Miscellaneous	9,900	-	9,900	9,489	(411)
<b>Total Other</b>	<b>49,500</b>	<b>-</b>	<b>49,500</b>	<b>18,214</b>	<b>(31,286)</b>
<b>Transfers</b>					
Library Fund	114,000	-	114,000	114,000	-
Land Acquisition Fund	20,000	-	20,000	20,000	-
Town Aid Road Fund	-	36,000	36,000	36,000	-
Reserve for Capital Expenditure Fund:					
Repl #1 '07 John Deer 672 Grader '22	10,000	-	10,000	10,000	-
Repl #19 '06 Chevy P/U '16	5,000	-	5,000	5,000	-
Repl #20 '72 Mack Water Truck '17	20,000	-	20,000	20,000	-
Repl #22 '06 Alamo Flair Mwer	30,000	-	30,000	30,000	-
Repl #23 '04 Chev 3500 Brush Truck Flat Bed	10,000	-	10,000	10,000	-
Repl #9 '89 Mack Rescue '18	125,000	-	125,000	125,000	-
Police Purch Car/Computer/Radio '16	19,500	-	19,500	19,500	-
Hurlburt Park Build Bathrms/Kitch '16	50,000	-	50,000	50,000	-
Tennis Court Maintenance	5,000	-	5,000	5,000	-
<b>Total Transfers</b>	<b>408,500</b>	<b>36,000</b>	<b>444,500</b>	<b>444,500</b>	<b>-</b>
<b>Education</b>	<b>6,725,184</b>	<b>-</b>	<b>6,725,184</b>	<b>6,725,184</b>	<b>-</b>
<b>Continuing Appropriations - see note to schedule</b>					
Post Employment Benefits Committed	30,000	79,175	109,175	-	(109,175)
Vested Sick Benefits Committed	4,600	13,249	17,849	-	(17,849)
Repl Ambulance (A1) 2021	20,000	25,000	45,000	-	(45,000)
Revaluation	15,000	50,521	65,521	19,565	(45,956)
Senior Ctr Maint Carpet/Paint	3,000	8,020	11,020	1,430	(9,590)
Minor Mem Lib Exterior Maint	10,000	9,376	19,376	2,154	(17,222)
Repl Twn Hall Carp/Linoleum	5,000	10,000	15,000	3,518	(11,482)
Board of Finance Procedure Manual	-	10,750	10,750	-	(10,750)
Treas - Phys Invent Fxd Assets 2014	-	2,790	2,790	-	(2,790)
<b>Total Continuing Appropriations</b>	<b>87,600</b>	<b>208,881</b>	<b>296,481</b>	<b>26,667</b>	<b>(269,814)</b>
<b>Total Expenditures and Transfers</b>	<b>10,089,013</b>	<b>208,881</b>	<b>10,297,894</b>	<b>9,876,849</b>	<b>(421,045)</b>
<b>Revenues less Expenditures</b>	<b>(122,883)</b>	<b>(208,881)</b>	<b>(331,764)</b>	<b>266,640</b>	<b>598,404</b>
<b>Fund Balance-beginning of year, as restated</b>	<b>122,883</b>	<b>208,881</b>	<b>331,764</b>	<b>2,432,390</b>	<b>2,100,626</b>
<b>Fund Balance- end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,699,030</b>	<b>\$ 2,699,030</b>

Concluded

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

**Town of Roxbury**  
**Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual**  
**Year Ended June 30, 2017**

\* The beginning of the year fund balance is restated by \$(30,922). The decrease in fund balance is attributable to the reversal of prior years' STEAP grant revenue that was recognized as revenue in prior years, in anticipation of the grant money. The money is no longer anticipated to be received.

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Reconciliation Between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

For budgeting purposes, the Town recognizes educational refunds of prior year fund balances and other credits from Regional School District #12 as revenue. Generally accepted accounting principles (GAAP) require that refunds for prior year and other credits be offset against educational expenditures.

GASB requires that the Length of Services Award Plan (LOSAP) be accounted for in the General Fund. For budgeting purposes, the Town recognizes LOSAP contributions as expenditures. Under GAAP, LOSAP contributions do not meet the definition of expenditures but rather restricted funds to the LOSAP participants. Additionally, the Town does not budget for LOSAP investment activity income. GAAP requires the investment activity income is to be recorded as revenue.

The difference between GAAP and the budgeting basis is as follows:

	<u>General Fund</u>		
	<u>Total Revenue and Transfers In</u>	<u>Total Expenditures and Transfers Out</u>	<u>Fund Balance</u>
Non-GAAP Budgetary Basis Statement - June 30, 2017 - Actual	\$ 10,143,489	\$ 9,876,849	\$ 2,699,030
Prior year refund from RSD #12 offsets expenditure	(56,384)	(56,384)	-
Accumulated LOSAP activity prior to 6/30/2017	-	-	269,422
LOSAP contributions	-	(16,000)	16,000
LOSAP investment activity	29,778	-	29,778
Actual GAAP - June 30, 2017	<u>\$ 10,116,883</u>	<u>\$ 9,804,465</u>	<u>\$ 3,014,230</u>

Town of Roxbury  
 Non-Major Governmental Funds, Special Revenue Funds  
 Combining Balance Sheet  
 June 30, 2017

	1st Selectman Discretionary	Apple Lane	Hodge Funds	Community Volunteer	Booth Free School	Historic Document Preservation	Small Cities Housing Rehabilitation	Joey's Trail	Total Other Govt. Funds
<b>Assets:</b>									
Cash	\$ 16,946	\$ 57,453	\$ 243,229	\$ 328	\$ 51,171	\$ 10,007	\$ 18,417	\$ ---	\$ 397,551
Investments at fair value	---	---	---	---	861	---	---	---	861
Mortgages receivable	---	---	---	---	---	---	361,258	---	361,258
<b>Total Assets</b>	<b>\$ 16,946</b>	<b>\$ 57,453</b>	<b>\$ 243,229</b>	<b>\$ 328</b>	<b>\$ 52,032</b>	<b>\$ 10,007</b>	<b>\$ 379,675</b>	<b>\$ ---</b>	<b>\$ 759,670</b>
<b>Liabilities:</b>									
Account Payable	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
<b>Fund Balances:</b>									
<b>Restricted for:</b>									
Social services and other special purposes	16,946	---	243,229	328	---	---	---	---	260,503
Support of library services	---	---	---	---	52,032	---	---	---	52,032
Records preservation	---	---	---	---	---	10,007	---	---	10,007
Housing rehabilitation	---	---	---	---	---	---	379,675	---	379,675
Recreation	---	57,453	---	---	---	---	---	---	57,453
<b>Total Fund Balance</b>	<b>16,946</b>	<b>57,453</b>	<b>243,229</b>	<b>328</b>	<b>52,032</b>	<b>10,007</b>	<b>379,675</b>	<b>---</b>	<b>759,670</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 16,946</b>	<b>\$ 57,453</b>	<b>\$ 243,229</b>	<b>\$ 328</b>	<b>\$ 52,032</b>	<b>\$ 10,007</b>	<b>\$ 379,675</b>	<b>\$ ---</b>	<b>\$ 759,670</b>

Town of Roxbury  
**Non-Major Governmental Funds, Special Revenue Funds**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2017**

	1st	Selectman Discretionary	Apple Lane	Hodge Funds	Community Volunteer	Booth Free School	Historic Document Preservation	Small Cities Housing Rehabilitation	Joey's Trail	Total Other Govt. Funds
<b>Revenues</b>										
Investment income (loss)	\$	75	29	1,202	\$	124	\$	115	\$	1,545
Contributions		1,513		44,540						46,053
State grant							4,000	14,278		18,278
Activity income							3,536			3,536
<b>Total</b>		<u>1,588</u>	<u>29</u>	<u>45,742</u>	<u>---</u>	<u>124</u>	<u>7,536</u>	<u>14,393</u>	<u>---</u>	<u>69,412</u>
<b>Expenditures</b>										
Activity expenses		<u>500</u>	<u>---</u>	<u>4,078</u>	<u>---</u>	<u>---</u>	<u>5,865</u>	<u>116</u>	<u>2,412</u>	<u>12,971</u>
<b>Excess (Deficiency) of Revenue over expenditures</b>		<u>1,088</u>	<u>29</u>	<u>41,664</u>	<u>---</u>	<u>124</u>	<u>1,671</u>	<u>14,277</u>	<u>(2,412)</u>	<u>56,441</u>
<b>Other Financing (Uses)</b>										
Operating transfers (out)		<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(9,000)</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(9,000)</u>
<b>Excess (Deficiency) of Revenue Over Expenditures and Other Uses</b>		<u>1,088</u>	<u>29</u>	<u>41,664</u>	<u>---</u>	<u>(8,876)</u>	<u>1,671</u>	<u>14,277</u>	<u>(2,412)</u>	<u>47,441</u>
<b>Fund Balances</b>										
Beginning of Year		<u>15,858</u>	<u>57,424</u>	<u>201,565</u>	<u>328</u>	<u>60,908</u>	<u>8,336</u>	<u>365,398</u>	<u>2,412</u>	<u>712,229</u>
End of Year	\$	<u>16,946</u>	<u>57,453</u>	<u>243,229</u>	<u>328</u>	<u>52,032</u>	<u>10,007</u>	<u>379,675</u>	<u>---</u>	<u>759,670</u>

Town of Roxbury  
 Report of Tax Collector  
 Year Ended June 30, 2017

Grand List Year	Taxes Receivable 7/1/2016	Corrections		Transfers (To)/From Suspense	Adjusted Taxes Receivable	Collections			Taxes Receivable 6/30/2017	
		Additions	Deductions			Taxes	Interest	Liens & Fees		Total
2015	\$ 9,608,348	\$ 7,965	\$ (9,664)	\$ (400)	\$ 9,606,249	\$ 9,520,058	\$ 20,825	\$ 886	\$ 9,541,769	\$ 86,191
2014	52,831	95	(17)	(728)	52,181	40,985	8,599	312	49,896	11,196
2013	16,073	-	-	(558)	15,515	14,251	2,796	426	17,473	1,264
2012	5,034	-	-	(281)	4,753	3,816	933	94	4,843	937
2011	735	-	-	(67)	668	19	15	17	51	649
2010	734	-	-	-	734	-	-	-	-	734
2009	2,723	-	-	-	2,723	-	-	-	-	2,723
2008	83	-	-	-	83	-	-	-	-	83
Suspense book collections	-	-	-	265	265	265	307	-	572	-
<b>Totals</b>	<b>\$ 9,686,561</b>	<b>\$ 8,060</b>	<b>\$ (9,681)</b>	<b>\$ (1,769)</b>	<b>\$ 9,683,171</b>	<b>\$ 9,579,394</b>	<b>\$ 33,475</b>	<b>\$ 1,735</b>	<b>\$ 9,614,604</b>	<b>\$ 103,777</b>

**Town of Roxbury  
Statement of Debt Limitation  
Year Ended June 30, 2017**

**Total Tax Collections (including interest and lien fees)** \$ 9,614,604

**Reimbursement for Revenue Loss On:**

Tax relief for elderly - (CGS 12-129d) 8,113

Total Receipts from Taxation \$ 9,622,717

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
<b>Debt Limitation</b>	\$	\$	\$	\$	\$
2 1/4 times base	21,651,113	-	-	-	-
4 1/2 times base	-	43,302,227	-	-	-
3 3/4 times base	-	-	36,085,189	-	-
3 1/4 times base	-	-	-	31,273,830	-
3 times base	-	-	-	-	28,868,151
<b>Total Debt Limitation</b>	<u>21,651,113</u>	<u>43,302,227</u>	<u>36,085,189</u>	<u>31,273,830</u>	<u>28,868,151</u>

**Indebtedness**

Regional School District #12 bonds payable (Town of Roxbury's share 32.02%)

Bank term loan due August 15, 2018 - \$900,000

**Total Indebtedness**

	-	288,180	-	-	-
<b>Total Indebtedness</b>	<u>-</u>	<u>288,180</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Debt Limitation in Excess of**

**Outstanding and Authorized Debt**

	\$ 21,651,113	\$ 43,014,047	\$ 36,085,189	\$ 31,273,830	\$ 28,868,151
--	---------------	---------------	---------------	---------------	---------------

**NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.**

# **TOWN OF WASHINGTON, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Report of  
The Town of Washington, Connecticut  
Year Ended June 30, 2017





Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Washington, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As described in Note 15 to the financial statements, in 2017, the Town of Washington adopted new accounting guidance, GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*. Our opinion is not modified with respect to this matter.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Pages 4 through 10, budgetary comparison information on Pages 42 through 47, the schedule of changes in net pension liability and related ratios on Page 48, the schedule of employer contributions on Page 49 and schedule of investment returns on Page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual nonmajor fund financial statements, and 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 combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2018, on our consideration of the Town of Washington, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Washington, Connecticut's internal control over financial reporting and compliance.

*Charles Keown II, CPA*

January 3, 2018

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2017**

This discussion is intended to provide readers a narrative overview and analysis of the financial activities of the Town of Washington, Connecticut (the "Town") for the fiscal year ended June 30, 2017. The information presented here should be considered in conjunction with the Town's basic financial statements that follow.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**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 and the statement of activities, which are the government-wide statements, report information about the Town finances as a whole and about its activities in a way that helps the reader determine whether the Town is better or worse off as a result of the year's activities.

The statement of net position reflects all of the Town's assets and deferred outflows of resources, and all of its liabilities and deferred inflows of resources, the net result of which is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Town's financial position is improving or deteriorating. However, significant changes in net position can also occur from year to year due to changes in accounting standards issued by the Governmental Accounting Standards Board (GASB). To assess the overall financial condition of the Town other nonfinancial factors such as the property tax base and the condition of the Town's infrastructure also need to be considered.

The statement of activities presents information showing how the government'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, such as uncollected property taxes and earned but unused vacation leave that will result in cash flows in future fiscal periods are reported in this statement.

The government-wide financial statements distinguish functions of the Town that are principally supported by tax revenues, grants 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, public works, health and welfare, culture and recreation, education, and other activities. The Town does not report any funds that carry on business-type activities.

The basic government-wide financial statements can be found on pages 11 and 12 of this report.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the Town report governmental funds and fiduciary funds.

**Town of Washington**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is to say the Town's most basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on cash and other financial resources that can be readily converted to cash flow in and out, and balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a near or short-term view of the Town's finances that may be useful in evaluating the 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 government'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.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Town Aid Road Fund, Capital Non-Recurring, Land Acquisition Open Space, each of which is considered to be a major fund. The remaining eight funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been included as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. This includes pension trust funds, and the Town's Alcohol and Drug Abuse Prevention Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Washington's own programs.

The basic fiduciary fund financial statements can be found on pages 17 and 18 of this report.

**NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They also provide required supplementary information regarding the Town's progress in funding its liability to provide pension benefits to its employees. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's pension liability and General Fund budget information.

The notes to the basic financial statements can be found on pages 19 to 41 of this report. Required supplementary information and supplemental schedules can be found on pages 42 to 57 of this report.

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2017**

**FINANCIAL HIGHLIGHTS**

- On a government-wide basis, the Town's assets and deferred outflows of resources of \$26,503,339 exceeded the sum of its liabilities and deferred inflows of resources of \$1,884,237 resulting in net position of \$24,619,102. Of this amount, \$16,202,534 was invested in capital assets, while \$604,949 was restricted for road improvements and \$86,057 was restricted for purposes of various nonmajor Town funds. The remaining net position of \$7,725,562 was available to meet the Town's ongoing obligations to its citizens and creditors.
- At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$9,454,491, an increase of \$1,117,979 from last fiscal year. The total fund balance of the General Fund of \$5,183,925 represented 30.95% of fiscal year 2017-2018 budgeted appropriations of \$16,748,534, while its unassigned fund balance of \$3,866,662, available for spending at the Town's discretion, represented 23.09% of that same amount.
- The Town's long-term debt at June 30, 2017 consisted of its obligation of \$156,056 for earned but unused employee compensated absences, net pension liability of \$366,224, landfill – transfer station closure and postclosure care costs of \$21,000, and LOSAP program benefits of \$635,647.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$24,619,102 at the close of the fiscal year.

**Town of Washington - Net Position**

	<u>2016</u>	<u>2017</u>
<b><u>Assets</u></b>		
Current assets	\$ 8,965,794	\$ 10,253,939
Capital assets, net	15,719,516	16,202,534
Total assets	<u>24,685,310</u>	<u>26,456,473</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>148,995</u>	<u>46,866</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,057,128	662,162
Long-term liabilities	676,419	1,175,927
Total liabilities	<u>1,733,547</u>	<u>1,838,089</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>13,730</u>	<u>46,148</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	15,719,516	16,202,534
Restricted	684,752	691,006
Unrestricted	6,682,760	7,725,562
Total Net Position	<u>\$ 23,087,028</u>	<u>\$ 24,619,102</u>

The largest portion of the Town's net position \$16,202,534 (65.81%) reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges). The Town uses these assets to provide services to its citizens; consequently these assets are not available for spending. Of the Town's remaining net position, \$7,725,562 (31.38%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's net position increased \$1,532,074 during the fiscal year.

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2017**

**Town of Washington Governmental Activities - Changes in Net Position**

	2016		2017	
	\$	% to Total	\$	% to Total
<b>Revenues:</b>				
<b>Program:</b>				
Charges for services	\$ 996,067	5.66%	\$ 941,684	5.29%
Operating grants and contributions	235,253	1.34%	54,646	0.31%
Capital grants and contributions	815,992	4.64%	495,515	2.78%
<b>General:</b>				
Property taxes	15,325,719	87.14%	15,986,219	89.79%
Grants and contributions, not restricted to specific programs	124,399	0.71%	173,289	0.97%
Unrestricted investment earnings	42,227	0.24%	103,799	0.58%
Lease income and other miscellaneous	48,740	0.28%	49,272	0.28%
<b>Total Revenues</b>	<b>17,588,397</b>	<b>100.00%</b>	<b>17,804,424</b>	<b>100.00%</b>
<b>Expenses:</b>				
General government	1,857,540	11.86%	1,852,865	11.40%
Public safety	835,129	5.33%	947,148	5.82%
Highways (public works)	1,960,544	12.51%	2,053,364	12.62%
Sanitation	411,354	2.63%	402,527	2.47%
Social services	20,796	0.13%	18,629	0.11%
Health	86,924	0.55%	86,842	0.53%
Parks and recreation	326,265	2.08%	364,326	2.24%
Education	9,716,505	62.02%	10,117,932	62.18%
Other	452,002	2.89%	428,717	2.63%
<b>Total Expenses</b>	<b>15,667,059</b>	<b>100.00%</b>	<b>16,272,350</b>	<b>100.00%</b>
Change in Net Position	1,921,338		1,532,074	
Net Position, Beginning of Year	21,165,690		23,087,028	
Net Position, End of Year	<u>\$ 23,087,028</u>		<u>\$ 24,619,102</u>	

The following is an analysis of significant changes in activity from the prior year:

- The decrease in charges for services is due to decreases in the number of building permits, recycling fund revenue, which were offset by an increase in private duty police fees.
- The decrease in operating grants and contributions is due to the decrease in the Education Cost Sharing Grant.
- The decrease in capital grants and contributions is due to reimbursement from the Local Capital Improvement Grant for the new Town Garage in the prior year.
- The increase in property tax revenue, including interest and liens, is mainly due to an increase in the mill rate. The mill rate increased by 0.50 mills to 14.25 mills.
- The increase in unrestricted investment earnings is due to earnings on LOSAP assets, which were reclassified to the General Fund, in accordance with GASB guidelines.

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2017**

- The increase in public safety expense is due to increased private duty policy activity and the transfer of the LOSAP program to the General Fund.
- The increase in highways (public works) is due to the increase in maintenance expense, related to the winter weather.
- The increase in expenditures includes \$401,427 in education expenses, as assessed by Regional School District # 12 (determined by a separate approved taxpayer budget).
- The decrease in other expenses is mainly due to the completion of the Propane Stage Renovation Project.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'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 *expendable* 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 government's net resources available for spending at the end of the fiscal year.

At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$9,454,491. This fund balance is classified as follows for the major funds: nonspendable prepayments of \$2,840, \$635,647 restricted for the LOSAP program, \$604,949 restricted for road improvements, \$2,713,413 committed for capital non-recurring expenditures, \$338,183 committed to land acquisition for open space, \$45,317 committed for revaluation, \$6,569 committed for conservation and development, \$190,494 committed for legal litigation, \$79,588 committed for health reimbursement benefits, and \$356,808 assigned for the subsequent year's budgeted deficit. The \$3,866,662 unassigned fund balance of the General Fund was available for spending at the Town's discretion. The nonmajor fund balances are classified as follows: \$66,457 nonspendable, \$22,228 restricted, \$420,718 committed, and \$104,618 assigned for recycling purposes. Information detailing the allocation of fund balance for nonmajor fund purposes is on pages 51 and 52.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare its fund balance to the ensuing year's budgeted appropriations. Total fund balance of the General Fund at fiscal year-end represented 30.95% of fiscal year 2017-2018 budgeted appropriations, while its unassigned fund balance represented 23.09% of that same amount.

The fund balance of the Capital Non-Recurring Fund increased \$464,967 during the fiscal year as revenue and appropriated transfers exceeded expenditures. The Town Aid Road Fund increased by \$8,571 by expending less than the fiscal year's grant allocation. The Land Acquisition Open Space Fund increased by \$590. The combined fund balances of all nonmajor funds decreased by \$6,782 during the fiscal year.



**Town of Washington  
Management's Discussion and Analysis  
June 30, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The final amended General Fund budget provided for \$726,465 use of fund balance to finance approved appropriations. However, actual revenues and transfer in were \$721,914 greater than budgetary projections, while expenditures and operating transfers were \$616,991 less than approved appropriations, resulting in an actual addition of fund balance of \$612,440 and a positive budgetary variance of \$1,338,905.

Additional appropriations to the original budget totaled \$267,016. All of the additional appropriations were comprised of continuing appropriations.

Transfers in include amounts returned to the General Fund of \$34,359 from the Non-recurring Capital Expenditure Fund.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The breakdown of capital assets, net of accumulated depreciation is as follows:

	<u>2016</u>	<u>2017</u>
Land	\$ 1,141,215	\$ 1,141,215
Construction in Progress		
Mygatt Road Reconstruction	30,275	30,275
Bridge Reconstruction	362,398	629,336
Bryan Memorial Plaza	-	237,779
Storage Building	104,100	104,100
Land Improvements	55,884	50,705
Building & Improvements	4,837,463	4,670,796
Machinery & Equipment	1,803,059	1,491,101
Infrastructure	7,385,122	7,847,227
	<u>\$ 15,719,516</u>	<u>\$ 16,202,534</u>

During the fiscal year, the Town's net investment in capital assets increased by \$483,018. This increase results from current year additions over current year depreciation, as follows:

<b>Additions:</b>	
Work in Progress	\$ 504,717
Building Improvements	41,408
Machinery, equipment, and vehicles	113,188
Infrastructure: paving and other road improvements	893,051
Current Year Depreciation	<u>(1,069,346)</u>
<b>Net Increase</b>	<u>\$ 483,018</u>

Additional information on the Town's capital assets can be found in Note 7 on page 32 of this report.

**Town of Washington  
Management's Discussion and Analysis  
June 30, 2017**

**Debt**

The Town's long-term debt at June 30, 2017 consisted of its obligation of \$156,056 for earned but unused employee compensated absences, \$366,224 net pension liability, \$635,647 owed to LOSAP participants, and \$21,000 for landfill – transfer station closure and postclosure care costs.

The Town is also contingently liable for its pro rata share of the Regional School District No. 12 debt. At June 30, 2017, the Town's pro rata share (48.54%) was \$436,860.

Additional information on the Town's debt can be found in Note 8 on page 33 of this report and the Statement of Debt Limitation on page 57.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Economic factors affecting the Town, including those that were considered in preparing the Town's General Fund budget for the 2017-2018 fiscal year, and those that will affect future budgets are as follows:

The Town's Mill rate for the 2017-2018 fiscal year has remained the same as the prior year, at 14.25 mills.

The \$16,748,534, 2017/2018 General Fund expenditure budget, which increased by \$72,432 from the prior fiscal year original budget, includes a \$315,998 decrease in the amount that the Town is assessed by Regional School District No. 12 along with the following changes:

- Cost of living increase
- Transfers to the Nonrecurring Capital Fund, net of grant reimbursement, increase of \$127,656.

It is expected that general State financial aid will remain level at best.

At the end of the FY 2016/2017 fiscal year, the General Fund balance was at \$5,183,925. Of the General Fund balance, \$356,808 was assigned for the FY 2017/2018 operations, to help moderate any tax impact from the higher expenditures.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Washington's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the first Selectman, Bryan Memorial Town Hall, PO Box 303, Washington Depot, CT 06794.

**Town of Washington  
Statement of Net Position  
June 30, 2017**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 6,345,977
Investments	3,704,834
Property taxes receivable - net	180,288
Prepaid expenditures	2,840
Mortgage receivable	20,000
<b>Total current assets</b>	<u>10,253,939</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Assets not being depreciated	2,142,705
Assets, net of depreciation of \$22,811,407	14,059,829
<b>Total noncurrent assets</b>	<u>16,202,534</u>
<b>Total Assets</b>	<u>26,456,473</u>
<b>Deferred Outflows of Resources</b>	
Difference between pension expected and actual experience	<u>46,866</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	132,390
Performance bonds held	165,790
Overpaid property taxes	1,257
Grant payable	359,725
Long-term liabilities due within one year	3,000
<b>Total current liabilities</b>	<u>662,162</u>
<b>Noncurrent Liabilities</b>	
Due in more than one year	<u>1,175,927</u>
<b>Total Liabilities</b>	<u>1,838,089</u>
<b>Deferred Inflows of Resources</b>	
Difference between projected and actual earnings on pension plan investments	<u>46,148</u>
<b>Net Position</b>	
Net investment in capital assets	16,202,534
Restricted for:	
Cemetery perpetual care principal - nonexpendable	66,457
Road improvements	604,949
Senior Center	6,669
Community beautification	3,317
Document preservation	9,614
Unrestricted	7,725,562
<b>Total Net Position</b>	<u>\$ 24,619,102</u>

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

**Town of Washington  
Statement of Activities  
Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Total Net (Expense) Revenue and Changes in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental Activities:</b>					
General government	\$ 1,852,865	\$ 657,132	\$ 4,000	\$ ---	\$ (1,191,733)
Public safety	947,148	150,909	---	---	(796,239)
Highways (public works)	2,053,364	---	---	495,515	(1,557,849)
Sanitation	402,527	8,199	---	---	(394,328)
Social services	18,629	6,170	---	---	(12,459)
Health	86,842	---	---	---	(86,842)
Parks and recreation	364,326	86,583	---	---	(277,743)
Education	10,117,932	---	50,646	---	(10,067,286)
Other	428,717	32,691	---	---	(396,026)
<b>Total governmental activities</b>	<b>\$ <u>16,272,350</u></b>	<b>\$ <u>941,684</u></b>	<b>\$ <u>54,646</u></b>	<b>\$ <u>495,515</u></b>	<b>(14,780,505)</b>
<b>General revenues:</b>					
					15,986,219
					173,289
					103,799
					49,272
					<u>16,312,579</u>
					1,532,074
					<u>23,087,028</u>
					<u>\$ 24,619,102</u>

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

**Town of Washington  
Balance Sheet  
Governmental Funds  
June 30, 2017**

	<b>Major Funds</b>							
	<b>General Fund</b>	<b>Special</b>		<b>Capital Project Funds</b>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	
		<b>Revenue Fund</b>		<b>Capital Non-Recurring</b>	<b>Land Acquisition</b>			
		<b>Town Aid Road Fund</b>	<b>Open Space</b>					
<b>Assets:</b>								
Cash and cash equivalents	\$ 3,675,294	\$ 604,949	\$ 1,819,074	\$ 29,854	\$ 216,806	\$ 6,345,977		
Investments - at fair value	1,739,681	-	1,279,609	308,329	377,215	3,704,834		
Property tax receivable, net	187,288	-	-	-	-	187,288		
Mortgage receivable	-	-	-	-	20,000	20,000		
Prepaid expenditures	2,840	-	-	-	-	2,840		
<b>Total Assets</b>	<b>\$ 5,605,103</b>	<b>\$ 604,949</b>	<b>\$ 3,098,683</b>	<b>\$ 338,183</b>	<b>\$ 614,021</b>	<b>\$ 10,260,939</b>		
<b>Liabilities:</b>								
Accounts payable	\$ 106,845	\$ -	\$ 25,545	\$ -	\$ -	\$ 132,390		
Performance bonds payable	165,790	-	-	-	-	165,790		
Overpaid property taxes	1,257	-	-	-	-	1,257		
Unearned revenue	-	-	359,725	-	-	359,725		
<b>Total Liabilities</b>	<b>273,892</b>	<b>-</b>	<b>385,270</b>	<b>-</b>	<b>-</b>	<b>659,162</b>		
<b>Deferred Inflows of Resources:</b>								
Unavailable revenue - property tax	147,286	-	-	-	-	147,286		
<b>Fund Balances:</b>								
<b>Nonspendable:</b>								
Prepayments	2,840	-	-	-	-	2,840		
Perpetual Care Principal	-	-	-	-	66,457	66,457		
<b>Restricted for:</b>								
Volunteer Firefighter & EMT Service Program	635,647	-	-	-	-	635,647		
Road improvements	-	604,949	-	-	-	604,949		
Senior Center	-	-	-	-	6,669	6,669		
Community beautification	-	-	-	-	3,317	3,317		
Document preservation	-	-	-	-	9,614	9,614		
After school programs	-	-	-	-	2,628	2,628		
<b>Committed to:</b>								
Parks and recreation	-	-	-	-	90,360	90,360		
Cemetery operation	-	-	-	-	14,762	14,762		
Capital non-recurring expenditures	-	-	2,713,413	-	-	2,713,413		
Land acquisition for open space	-	-	-	338,183	-	338,183		
Affordable housing	-	-	-	-	215,596	215,596		
Down payment assistance program	-	-	-	-	100,000	100,000		
Revaluation	45,317	-	-	-	-	45,317		
Conservation and Development Plan	6,569	-	-	-	-	6,569		
Legal litigation	190,494	-	-	-	-	190,494		
Health reimbursement benefits	79,588	-	-	-	-	79,588		
<b>Assigned for:</b>								
Recycling	-	-	-	-	104,618	104,618		
Subsequent year budgeted deficit	356,808	-	-	-	-	356,808		
<b>Unassigned</b>	<b>3,866,662</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,866,662</b>		
<b>Total Fund Balances</b>	<b>5,183,925</b>	<b>604,949</b>	<b>2,713,413</b>	<b>338,183</b>	<b>614,021</b>	<b>9,454,491</b>		
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,605,103</b>	<b>\$ 604,949</b>	<b>\$ 3,098,683</b>	<b>\$ 338,183</b>	<b>\$ 614,021</b>	<b>\$ 10,260,939</b>		

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

**Town of Washington**  
**Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds**  
**June 30, 2017**

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following :

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>9,454,491</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$	39,013,941
Less accumulated depreciation		<u>(22,811,407)</u>
		16,202,534
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Property taxes, interest, and liens receivable	\$	147,286
Allowance for doubtful accounts		(7,000)
Deferred outflows related to the net difference between projected and actual earnings on pension plan investments		<u>46,866</u>
		187,152
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	\$	(156,056)
Postclosure landfill costs		(21,000)
Net pension liability		(366,224)
Deferred inflows related to the differences between pension expected and actual experiences		(46,148)
Length of Service Award Plans liability		<u>(635,647)</u>
		(1,225,075)
<b>Total Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>24,619,102</u></b>

The accompanying notes are an integral part of these financial statement.

**Town of Washington**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2017**

	<b>Major Funds</b>						<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Special</b>	<b>Capital Project Funds</b>		<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>	
		<b>Revenue Fund</b>	<b>Land</b>				
		<b>Town Aid Road Fund</b>	<b>Capital Non-Recurring</b>	<b>Acquisition Open Space</b>			
<b>Revenues:</b>							
Property taxes	\$ 15,912,273	\$ -	\$ -	\$ -	\$ -	\$ 15,912,273	
Interest and lien fees on property taxes	106,268	-	-	-	-	106,268	
Intergovernmental	119,733	329,965	169,550	-	-	619,248	
Contribution in lieu of taxes	104,202	-	-	-	-	104,202	
Investment income	67,702	3,606	26,611	2,090	3,790	103,799	
Lease income	49,272	-	-	-	-	49,272	
Licenses and permits	770,742	-	-	-	-	770,742	
Program fees and other receipts	35,165	-	-	-	135,777	170,942	
<b>Total Revenues</b>	<b>17,165,357</b>	<b>333,571</b>	<b>196,161</b>	<b>2,090</b>	<b>139,567</b>	<b>17,836,746</b>	
<b>Expenditures:</b>							
<b>Current:</b>							
General government	1,763,405	-	-	1,500	1,386	1,766,291	
Public safety	734,343	-	-	-	-	734,343	
Highways	1,093,296	-	-	-	-	1,093,296	
Sanitation	405,995	-	-	-	214	406,209	
Health	83,925	-	-	-	-	83,925	
Recreation	188,795	-	-	-	132,028	320,823	
Social services	10,430	-	-	-	8,199	18,629	
Education	10,117,932	-	-	-	-	10,117,932	
Other	420,696	-	-	-	16,522	437,218	
Capital outlay	-	325,000	1,415,101	-	-	1,740,101	
<b>Total Expenditures</b>	<b>14,818,817</b>	<b>325,000</b>	<b>1,415,101</b>	<b>1,500</b>	<b>158,349</b>	<b>16,718,767</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>2,346,540</b>	<b>8,571</b>	<b>(1,218,940)</b>	<b>590</b>	<b>(18,782)</b>	<b>1,117,979</b>	
<b>Other Financing Sources (Uses):</b>							
Operating transfers in (out)	(1,695,907)	-	1,683,907	-	12,000	-	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,695,907)</b>	<b>-</b>	<b>1,683,907</b>	<b>-</b>	<b>12,000</b>	<b>-</b>	
<b>Net Change in Fund Balances</b>	<b>650,633</b>	<b>8,571</b>	<b>464,967</b>	<b>590</b>	<b>(6,782)</b>	<b>1,117,979</b>	
<b>Fund Balances:</b>							
<b>Beginning of Year, as restated</b>	<b>4,533,292</b>	<b>596,378</b>	<b>2,248,446</b>	<b>337,593</b>	<b>620,803</b>	<b>8,336,512</b>	
<b>End of Year</b>	<b>\$ 5,183,925</b>	<b>\$ 604,949</b>	<b>\$ 2,713,413</b>	<b>\$ 338,183</b>	<b>\$ 614,021</b>	<b>\$ 9,454,491</b>	

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

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

Amounts reported for governmental activities in the statement of activities are different due to the following:

<b>Net Change in Fund Balances-Total Governmental Funds</b>	<b>\$</b>	<b>1,117,979</b>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life lives and reported as depreciation expense as follows:</p>		
Total capital outlay	\$	1,552,364
Less current year depreciation		<u>(1,069,346)</u>
		483,018
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Property taxes receivable - net	\$	(32,322)
Change in deferred outflows related the net difference between projected and actual earnings on pension plan investments		(195,143)
Change in deferred inflows related to the differences between pension expected and actual experiences		<u>60,596</u>
		(166,869)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in compensated absences liability	\$	(9,909)
Change in postclosure landfill costs		3,000
Change in Length of Service Award Plan liability		(38,193)
Change net pension liability		<u>143,048</u>
		97,946
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>1,532,074</u></u></b>

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



**Town of Washington**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	<b>Pension Trust Funds</b>	<b>Prevention of Alcohol and Drug Abuse Agency Fund</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 69,227	\$ 11,248
Accrued interest	3,194	-
Investments - at fair value	<u>3,387,347</u>	<u>-</u>
<b>Total Assets</b>	<b>3,459,768</b>	<b>11,248</b>
<b>Liabilities:</b>		
Due to beneficiaries	<u>-</u>	<u>11,248</u>
<b>Net Position</b>		
Held in trust for pension benefits	<u>3,459,768</u>	<u>-</u>
<b>Total Net Position</b>	<b>\$ <u><u>3,459,768</u></u></b>	<b>\$ <u><u>-</u></u></b>

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

**Town of Washington**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended June 30, 2017**

	<b>Pension Trust Funds</b>
<b>Additions:</b>	
Town contributions	\$ 146,829
Investment income:	
Net appreciation (depreciation) in fair values of investments	300,858
Interest and dividends	80,834
Gross investment income	<u>381,692</u>
Less: investment expense	17,531
Net investment income	<u>364,161</u>
<b>Total additions</b>	510,990
<b>Deductions:</b>	
Pension benefits	<u>152,722</u>
<b>Net Increase - Change in Net Position</b>	358,268
Net Position - Beginning of year	<u>3,101,500</u>
Net Position - End of year	<u>\$ 3,459,768</u>

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

**Town of Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies**

The accompanying basic financial statements of the Town of Washington, Connecticut (the “Town”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

**A. Reporting Entity:**

The Town of Washington, Connecticut was incorporated in 1779 under the provisions of the Connecticut General Statutes, and has a population of approximately 4,000 living within an area of 38.7 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Washington, Roxbury and Bridgewater are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Washington residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for reviewing/revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United State of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financial accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The criteria provided in the Government Accounting Standards Board Codification have been considered, and as a result, the potential component units discussed below are not included in the Town’s reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The School District provides educational services and facilities for the Towns of Washington, Roxbury and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Washington Volunteer Fire Department, Inc. and Washington Ambulance Association, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

**B. Jointly Governed Organizations:**

**Lake Waramaug Authority**

The Lake Waramaug Authority (the “Lake Authority”) was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated \$13,854 and expended \$10,193 for the operation of the Lake Authority for the year ended June 30, 2017.

**Town of Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**B. Jointly Governed Organizations (continued)**

**Lake Waramaug Interlocal Commission**

The Lake Waramaug Interlocal Commission (the “Commission”) was created by the Town of Washington, Warren and Kent to improve the lake water quality and control water pollution. The Town appropriated \$12,300 and expended \$12,290 for the operation of the Commission for the year ended June 30, 2017.

**Northwest Hills Council of Governments**

The Town and twenty other local municipalities each appoint the governing board of the Northwest Hills Council of Governments (the “NHCOC”) to provide a regional forum for information exchange and regional planning. The NHCOC is supported by assessments to the twenty-one member Towns based upon population census. The Town of Washington appropriated and expended \$2,790 for the operation of the NHCOC for the year ended June 30, 2017.

**C. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* included 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*.

**Fund Financial Statements**

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materially.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns, in the fund financial statements. The other eight nonmajor funds are aggregated into one column in the financial statements under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

**Town of Washington**  
**Notes to Financial Statements**

**Note "1" - Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting:**

*Government-Wide Statements*

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

*Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* included 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.

**Town of Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

The Town reports the following major governmental funds:

**General Fund:**

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

**Special Revenue Fund:**

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

**Capital Projects Funds:**

The Capital Non-Recurring Expenditure Fund, as authorized by General Statutes of Connecticut, accounts for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

The Land Acquisition Open Space Fund accounts for the purchase of land for open space.

The Town also reports the following eight Nonmajor Governmental Funds:

**Special Revenue Funds**, account for specific revenues that are legally restricted to expenditures for particular purpose:

Judea Cemetery Fund – accounts for the sale of plots, along with the related expenditures for maintaining and improving the cemetery.

Park and Recreation Fund – accounts for fees from recreational leisure programs and its related expenditures.

Senior Center Fund – accounts for charges for services and contributions restricted for senior citizens functions and activities.

Greenway Community Fund – accounts for contributions restricted for ground maintenance and improvements.

Document Preservation Fund – accounts for recording fees and state grants restricted for document preservation and its related expenditures.

Recycling Fund – accounts for recycling rebates and monies received from the dissolution of the Bristol Resource Recycling, restricted for the purposes of recycling bins and the updating of the Transfer Station.

After School Fund - accounts for tuition restricted for after school activity expenditures.

**Town of Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**D. Measurement Focus and Basis of Accounting (continued)**

Capital Project Funds, account for major capital facilities and the acquisition of equipment:

Affordable Housing Fund – accounts for the purchase of land and related cost used to provide affordable housing.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

Pension Trust Funds - The pension funds account for the accumulation of resources to be used for retirement benefits.

Agency Funds - The agency funds account for financial resources held as a custodian for outside groups and agencies. The Town’s Alcohol and Drug Abuse Prevention Fund accounts for resources used for the prevention of alcohol and drug abuse, on behalf of outside groups and agencies.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity**

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer’s Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds do not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value. Volunteer Firefighter and EMT Service Program investments are restricted for the Length of Service Award Plan, and as such, are reported as restricted fund balance in the General Fund.

**Town of Washington**  
**Notes to Financial Statements**

**Note "1" - Summary of Significant Accounting Policies (continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)**

**Receivables**

In the government-wide financial statements, property taxes are shown net of an allowance for uncollectibles of \$7,000. The allowance is calculated based upon prior years' collections.

In the fund financial statements, all property taxes receivable at June 30, 2017, which have not been collected within 60 days of June 30, have been recorded as deferred inflow of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 days period have been recorded as revenue.

Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installment, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the Motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

**Capital Assets**

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

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>
Land improvements	25
Buildings	40
Building improvements	6-20
Infrastructure	30
Machinery, Equipment and Vehicles	5-15

**Deferred Outflows and Deferred Inflows of Resources**

The statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The Town reports deferred outflows of resources related to pension for the differences between projected and actual earnings on plan investments. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.



**Town of Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)**

The statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. The Town reports deferred inflows of resources related to pension for the difference between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

For governmental funds' balance sheet, the Town reports an additional deferred inflow of resources for unavailable revenue from property taxes. Property tax income is recognized as revenue in the period that the amounts become available.

**Interfund Activity**

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On the fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the statement of net assets.

**Compensated Absences**

Eligible employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Under various agreements employees may accumulate unused sick leave to be paid upon retirement. Sick leave and vacation leave expenditures are recognized in the fund financial statements in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for accrued vacation and sick leave earning is reported in the government-wide statements.

**Grant Payable**

Grant payable is comprised of an unused State of Connecticut, Small Town Economic Assistance Program (STEAP) grant of \$359,725 which will be recognized as expenditures are incurred.

**Accrued Liabilities and Long-term Debt**

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

**Town of Washington**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued)**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)**

**Fund Equity and Net Position – Governmental Funds**

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as authorized by the Town’s Board of Selectmen and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the General Fund for positive amounts and in any other fund that have a fund balance deficit.

The Town does not have a minimum fund balance policy.

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

**Net Investment in Capital Assets**

This category presents all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category. Debt issued for non-capital purpose is 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 represents the net position of the Town, which are not restricted. A deficit will require future funding.

**F. Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

**Town of Washington**  
**Notes to Financial Statements**

**Note "1" - Summary of Significant Accounting Policies (continued)**

G. Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note "2" - Stewardship, Compliance, and Accountability**

Budgetary Compliance – The General Fund

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectmen and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

The original General Fund budget increased by continuing appropriations of \$267,016.

Budgetary Compliance - Other Governmental Funds:

The Town does not budget for its other Governmental Funds. Considering a cost-benefit analysis, it is not practical for the town to report budgetary information for the other governmental funds on a combined basis. Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

**Town of Washington**  
**Notes to Financial Statements**

**Note "3" – Cash and Cash Equivalents, Deposits and Investments**

**A. Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2017:

	Governmental <u>Funds</u>	Fiduciary <u>Funds</u>
Deposits:		
Demand Accounts	\$ 628,511	\$ 80,475
Certificates of Deposit	<u>4,092,121</u>	<u>---</u>
Total Deposits	4,720,632	80,475
Petty Cash and Cash on Hand	42,167	---
Cash Equivalents:		
Repurchase agreements	4,654,228	---
State short-term investment fund (STIF)	<u>1,175</u>	<u>---</u>
	9,418,202	80,475
Less: Certificates of Deposits classified as investments	<u>3,072,225</u>	<u>---</u>
Total Cash and Cash Equivalents	<u>\$ 6,345,977</u>	<u>\$ 80,475</u>

**B. Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, the carrying amount of the Town's deposits, including certificates of deposits of \$3,072,225 classified as investments, was \$9,498,677 and the bank balance was \$9,829,434. Of the Town's bank balance \$3,938,449 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,544,604
Uninsured and collateralized held by pledging Bank's trust department not in the town's name	<u>393,845</u>
Total amount subject to custodial credit risk	<u>\$ 3,938,449</u>

**C. Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2017, the Town's cash equivalents amounted to \$4,655,403. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The State of Connecticut Short-Term Investment Fund (STIF) is a "2a7-Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

State of Connecticut Short-Term Investment Fund (STIF)	<u>Standard and Poor's</u> AAAm
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Amounts held in the repurchase agreement accounts were collateralized with collateral held by the banks' trust departments or agents, but not in the Town's name.

**Town of Washington**  
**Notes to Financial Statements**

**Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)**

**D. Investments**

At June 30, 2017, the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Primary Government</b>			
Certificate of deposit	\$ 1,027,765	*	5/04/2019
Certificate of deposit	606,881	*	5/06/2018
Certificate of deposit	308,329	*	5/04/2019
Certificate of deposit	265,005	*	2/26/2020
Certificate of deposit	259,713	*	10/02/2018
Certificate of deposit	165,651	*	6/19/2019
Certificate of deposit	146,004	*	12/17/2017
Certificate of deposit	141,596	*	3/22/2018
Certificate of deposit	61,666	*	5/04/2019
Certificate of deposit	39,000	*	4/14/2019
Certificate of deposit	26,222	*	10/09/2017
Certificate of deposit	21,863	*	3/08/2018
Certificate of deposit	2,530	*	1/10/2019
Common Stock	41,505	N/A	N/A
Mutual Fund	591,104	N/A	N/A
Total Primary Government	<u>\$ 3,704,834</u>		

\* Included in deposits above, therefore, insured and collateralized to the extent described above.

The common stock and mutual fund investments included in the General Fund are restricted for the Volunteer Firefighter and EMT Service Incentive Program Plan.

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
<b>Fiduciary Funds</b>			
Corporate bonds	\$ 208,176	Detailed below	Detailed below
Common stock	192,515	N/A	N/A
Preferred stock	19,585	N/A	N/A
Municipal bond	25,132	Not rated	1/01/2018
Exchange traded & Closed End Funds	195,036	N/A	N/A
Mutual funds	2,746,903	N/A	N/A
Total Fiduciary Funds	<u>\$ 3,387,347</u>		

- Ratings by a nationally recognized rating organization are provided where applicable to indicate the associated credit risk. N/A indicates rating is not applicable.
- 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 or any State or political subdivision or in obligations of the State of Connecticut or political subdivision. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

**Town of Washington**  
**Notes to Financial Statements**

**Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)**

D. Investments (continued)

Corporate Bonds:	<u>BAA1</u>	<u>A3</u>	<u>AA2</u>	<u>A1</u>	<u>A2</u>	<u>Total</u>
Average Credit Rating	\$ 26,500	\$ 24,412	\$ 53,828	\$ 51,089	\$ 52,347	\$ 208,176
Investment Maturity	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>			<u>Total</u>
	\$ 208,176	\$ ---	\$ ---			\$ 208,176

E. Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2017 whose fair value was determined using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2017.

Investments by Fair Value Level	Fair Value Measurements Using		Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
	\$	\$	
Certificate of Deposit	-	3,072,225	\$ 3,072,225
Corporate Bonds	-	208,176	208,176
Common Stock	234,020	-	234,020
Preferred Stock	19,585	-	19,585
Municipal Bonds	-	25,132	25,132
Exchange Traded & Closed End Funds	-	195,036	195,036
Mutual Funds	3,338,007	-	3,338,007
<b>Total Investments by Fair Value Level</b>	<b>\$ 3,591,612</b>	<b>\$ 3,500,569</b>	<b>\$ 7,092,181</b>

The Town's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. The Town's investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

**Town of Washington**  
**Notes to Financial Statements**

**Note "4" – Property Taxes Receivable:**

Property taxes receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables:</u>	
Property taxes	\$ 155,093
Accrued interest and lien fees on taxes	<u>32,195</u>
Gross receivables	187,288
Less: Allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 180,288</u>

**Note "5" - Interfund Transfers:**

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>	<u>Net Transfers</u>
Major Governmental Funds:			
General Fund	\$ 34,359	\$ 1,730,266	\$ ( 1,695,907)
Capital Non-Recurring	1,718,266	34,359	1,683,907
Nonmajor Governmental Funds:			
Judea Cemetery Fund	<u>12,000</u>	<u>---</u>	<u>12,000</u>
Total	<u>\$ 1,764,625</u>	<u>\$ 1,764,625</u>	<u>\$ ---</u>

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

**Note "6" - Operating Deficiencies and/or Fund Deficits:**

At June 30, 2017, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating Deficiency</u>	<u>Fund Deficit</u>
Non-major Funds		
Park and Recreation Fund	\$ 19,512	\$ ---
Senior Center Fund	\$ 2,021	\$ ---
Greenway Committee Fund	\$ 969	\$ ---

**Town of Washington**  
**Notes to Financial Statements**

**Note "7" - Capital Assets:**

Capital asset activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Reclass and Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Capital Assets - Not Depreciated:</b>				
Land	\$ 1,141,215	\$ ---	\$ ---	\$ 1,141,215
Mygatt Road - Reconstruction (WIP)	30,275	---	---	30,275
Bridge Reconstruction (WIP)	362,398	266,938	---	629,336
Bryan Memorial Plaza	---	237,779	---	237,779
Storage Building (WIP)	<u>104,100</u>	---	---	<u>104,100</u>
Total Capital Assets Not Depreciated	1,637,988	<u>504,717</u>	---	<u>2,142,705</u>
<b>Capital Assets - Depreciated:</b>				
Land Improvements	532,685	---	---	532,685
Building & Improvements	6,873,657	41,408	---	6,915,065
Machinery & Equipment	5,502,374	113,188	---	5,615,562
Infrastructure	<u>22,914,873</u>	<u>893,051</u>	---	<u>23,807,924</u>
Total Capital Assets Being Depreciated	35,823,589	<u>1,047,647</u>	---	<u>36,871,236</u>
<b>Less: Accumulated Depreciation</b>				
Land Improvements	476,801	5,179	---	481,980
Building & Improvements	2,036,194	208,075	---	2,244,269
Machinery & Equipment	3,699,315	425,146	---	4,124,461
Infrastructure	<u>15,529,751</u>	<u>430,946</u>	---	<u>15,960,697</u>
Total Accumulated Depreciation	<u>21,742,061</u>	<u>1,069,346</u>	---	<u>22,811,407</u>
Capital Assets Being Depreciated - Net	<u>14,081,528</u>	<u>( 21,699)</u>	---	<u>14,059,829</u>
Capital Assets - Net	<u>\$15,719,516</u>	<u>\$ 483,018</u>	<u>\$ ---</u>	<u>\$16,202,534</u>

**Depreciation is charged to the following Governmental Activities:**

General government services	\$ 82,161
Public safety	174,625
Public works	766,414
Health & Welfare	2,917
Parks and recreation	<u>43,229</u>
<b><u>Total depreciation expense</u></b>	<b><u>\$ 1,069,346</u></b>



**Town of Washington  
Notes to Financial Statements**

**Note "8" - Long-Term Debt:**

The following is a summary of activity for the year ended June 30, 2017. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1,</u> <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
<u>Compensated Absences</u>					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	\$ 146,147	\$ 21,512	\$ 11,603	\$ 156,056	\$ ---
<u>Total Pension Liability</u>	509,272	359,487	502,535	366,224	---
<u>Length of Service Award Plan</u>					
Beginning balance, restated to follow GASB guideline	597,454	38,193	---	635,647	---
<u>Landfill - Transfer Station Closure and PostClosure Care Costs</u>					
Liability for closure and postclosure care costs of the Town of Washington's Landfill, as explained in Notes	24,000	---	3,000	21,000	3,000
<u>Total</u>	<u>\$ 1,276,873</u>	<u>\$ 419,192</u>	<u>\$ 517,138</u>	<u>\$ 1,178,927</u>	<u>\$ 3,000</u>

**Note "9" - Contingent Liabilities:**

The Town is contingently liable on Regional School District No. 12 serial bonds payable through June 1, 2017 and the bank term loan of \$900,000 due August 15, 2018. The amount (48.54%) attributable to the Town is \$436,860. Additionally, The Town is continuing working with the State Department of Environmental Protection and Legal Counsel to resolve a water compliance order resulting from road salt storage.

**Note "10" - Pension Plans:**

A. Defined Contribution Plan

The Town provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees not participating in the defined benefit pension plan. The Board of Selectmen has oversight and fiduciary responsibility for the plan.

All eligible employees working a minimum of 1,500 hours during the year are eligible for inclusion in the plan. The plan provides that benefits are vested in accordance with the following vesting schedule. The Town contributes an amount equal to 7% of each eligible employee's base compensation. During the year, the Town's contributions totaled \$6,829. As of June 30, 2017 the plan had two participants.

**Town of Washington**  
**Notes to Financial Statements**

**Note "10" - Pension Plans (continued)**

**B. Defined Benefit Pension Plan:**

**General Information about the Pension Plan**

The Town of Washington is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The plan does not issue stand-alone financial statements. At January 1, 2016, the latest actuarial valuation date, PERS membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>19</u>
Total	<u>50</u>

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must work at least 1,000 hours per year, complete one full year of continuous service and attain a minimum age of twenty-five.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. A participant must work for a minimum of five years in order to qualify for normal retirement. The annual benefit is 1.25% of Average Monthly Compensation multiplied by years of Credited Service to June 30, 1993 and 1.5% of the average monthly compensation multiplied by years of credited service beginning July 1, 1993. The maximum years of credited service is 40 years. Final average earnings are the highest average years of compensation over the highest five consecutive calendar years within the last ten years of employment. The plan contains a provision for early retirement at age fifty-five and after fifteen years of credited service at a reduced benefit.

Participants separation from service prior to early or normal retirement date, are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

<u>Full Years of Credited Service</u>	<u>Vested Percentage of Accrued Benefit</u>
less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

**Town of Washington**  
**Notes to Financial Statements**

**Note “10” - Pension Plans (continued)**

**E. Defined Benefit Pension Plans (continued)**

**Plan Amendments:**

On September 16, 2013 the Town executed an amendment that froze participation in the plan, to new employees, as of July 1, 2013. Employees who have not met the eligibility requirements by July 1, 2013 are not eligible to participate in the plan.

**Authority:**

The Board of Selectmen has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions.

**Funding Policy:**

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. There are no legal or contractual limitations on the maximum amount of the Town's contribution.

**Summary of Significant Accounting Policies and Plan Asset Matters**

*Basis of Accounting:* PERS financial statements are prepared using the accrual basis of accounting. Employer's contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments:* All funds are invested in fixed income and equity securities through trust agreement with Union Savings Bank and are reported at fair values as discussed in the notes.

**Investments:**

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

The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equities	70%
Fixed Income	30%
Total	<u>100%</u>

**Town of Washington**  
**Notes to Financial Statements**

**Note "10" - Pension Plans (continued)**

**B. Defined Benefit Pension Plans (continued)**

**Investments (continued)**

The following investments represent 5 percent or more of plan net assets:

Vanguard Ftse All World	\$ 216,379	6.30%
Vanguard High Dividend Yield	\$ 382,359	11.13%
Vanguard Short Term CP Admiral Shares	\$ 436,542	12.71%
Vanguard 500 Index Fund	\$ 1,175,129	34.21%

*Rate of Return:* The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability**

The components of the net pension liability at June 30, 2017 were as follows:

Total pension liability	\$ 3,801,066
Plan fiduciary net position	<u>3,434,842</u>
Net pension liability	<u>\$ 366,224</u>

Plan fiduciary net position as percentage of the total pension liability 90.37%

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the June 30, 2017 measurement:

Inflation	Not separately stated
Salary Increases	3.5%, average, including inflation
Investment Rate of Return	5.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Male Mortality Table for males and the same table set back six years for females.

The long-term expected rate of return on pension plan investments was determined using a blended rate, an average of past performance. The rate best estimates expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and 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 total weighted average expected rate of return is 5.50%.

**Town of Washington**  
**Notes to Financial Statements**

**Note "10" - Pension Plans (continued)**

**B. Defined Benefit Pension Plans (continued)**

**Actuarial Assumptions (continued)**

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized below.

<u>Assets Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities	6.10%
Fixed Income	4.10%

**Discount Rate**

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates. Therefore, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions, 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.

**Net Pension Liability of the Town**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of June 30, 2016	\$ 3,594,301	\$ 3,085,029	\$ 509,272
Changes for the Year:			
Service cost	91,439	---	91,439
Interest on total pension liability	201,809	---	201,809
Differences between expected and actual			
Experience	66,239	---	66,239
Employer contributions	---	140,000	(140,000)
Net investment income	---	362,535	(362,535)
Benefit payments	( 152,722)	( 152,722)	---
Net changes	<u>206,765</u>	<u>349,813</u>	<u>(143,048)</u>
Balances as of June 30, 2017	\$ <u>3,801,066</u>	\$ <u>3,434,842</u>	\$ <u>366,224</u>

**Town of Washington**  
**Notes to Financial Statements**

**Note "10" - Pension Plans (continued)**

**B. Defined Benefit Pension Plans (continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Town, calculated using the discount rate of 5.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate.

	<u>1% Decrease</u> <u>to 4.50%</u>	<u>Current Discount Rate</u> <u>of 5.50%</u>	<u>1% Increase</u> <u>To 6.50%</u>
Net Pension Liability	\$ 759,166	\$ 366,224	\$ 27,865

**Pension Expense: Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2017, the Town recognized pension expense of \$131,499. At June 30, 2017, the Town reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Differences between expected and actual experiences	\$ ---	\$ 46,866
Net difference between projected and actual earning on pension plan investments	<u>46,148</u>	<u>---</u>
Total	<u>\$ 46,148</u>	<u>\$ 46,866</u>

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

<u>Year Ending June 30,</u>	
2018	\$ 10,051
2019	10,050
2020	(11,171)
2021	(32,503)
2022	5,644
Thereafter	<u>18,647</u>
	<u>\$ 718</u>

**Town of Washington**  
**Notes to Financial Statements**

**Note "11" - Volunteer Firefighter and EMT Service Incentive Program:**

The Town of Washington is the Plan Administrator, of an Award Program for the benefit of its Volunteer Firefighters and its Volunteer Emergency Medical Technicians (EMT). The Town, at its discretion, provides an annual contribution to the program. The Town's volunteer contribution is \$500 per eligible volunteer for the volunteer firefighters and a fixed lump sum for the EMT award plan. The total contributions for the year 2016-2017 for the Firefighters and EMT were \$12,000 and \$12,500, respectively. The volunteers become fully vested after ten years of service. The normal retirement age for receiving benefits is age 65, although participants may apply for hardship distributions under certain circumstances as prescribed by the United States Department of Labor. The plan also has provisions for participant withdrawal prior to normal retirement age once vested at 100%.

The fund financial statements recognize benefit payments as expenditures within the General Fund at the time they are due and payable. Volunteer Firefighter and EMT contributions represent the reclassification of unrestricted General Fund assets to the programs' grantor/rabbi trust restricted investments.

The programs' account established to hold assets are not legally protected from the Town's creditors. Authority to invest the Programs' assets is vested in the Town in accordance with a statutory prudent person rule. The Town accounts for the Program's assets as restricted investments in the General Fund. See the fair value measurement disclosures on the Program's assets. Accordingly, as of June 30, 2017, the Town's Volunteer Firefighter and EMT Service Incentive Program plans are included in the General Fund, and are no longer a Fiduciary Fund.

The beginning of the year fund balance on the General Fund financial statements increased by \$597,454, from \$3,935,838 to \$4,533,292. This balance is restated to recognize the Volunteer Firefighter and EMT Service Incentive Program Plans in the General Fund, in compliance with new GASB guidelines.

**Note "12" - Landfill closure and postclosure care liability**

In accordance with State and Federal laws and regulations, the Town has placed a final cover on its Washington Landfill and has stopped accepting demolition waste for burial. (The Town of Washington stopped accepting municipal solid waste, household garbage, in March of 1987.) The Town will perform certain maintenance and monitoring functions at the site for thirty years after closure. The \$21,000 reported as landfill closure and postclosure care liability, represents the cumulative amount of postclosure care cost as of June 30, 2017. Actual cost may be higher due to inflation, changes in technology or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by future tax revenue. The Town has not set up a trust for this liability and is not aware of any legal requirement to do so.

**Note "13" - Commitments and Litigation**

It is the opinion of Town officials that there are no material or substantial claims against the Town, which will be finally determined so as to result in a judgment or judgments against the Town, which would materially affect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

**Town of Washington**  
**Notes to Financial Statements**

**Note "13" - Commitments and Litigation** (continued)

The Town is self-insured for employees' health insurance co-pays and/or deductibles according to benefit policies established by the Board of Selectmen and Board of Finance. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

The Town currently accounts for the funding of the employee health insurance co-pays in the General Fund. The Town has committed \$79,588 of fund balance to cover the amount over and above the approved budgeted amounts.

The Town establishes deductible claims liabilities based on estimates of claims that have been incurred but not reported at the balance sheet date. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and incremental claim adjustment expenses. The claims accrual does not include other allocated or unallocated claims adjustment expenses. The Town purchases commercial health insurance coverage over and above the employees' deductible.

	Claims Payable <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims Paid <u>        </u>	Claims Payable <u>June 30</u>
2016-2017	\$ <u>13,403</u>	\$ <u>97,757</u>	\$ <u>97,038</u>	\$ <u>14,122</u>

**Note "14" – Risk Management**

The Town is exposed to various risks of loss related to public official liability, police liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters for which the Town carries insurance.

The Town of Washington is a member of the Connecticut Interlock Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, formed by the Connecticut Conference of Municipalities (CCM) for the purpose of establishing and administering an interlock risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's workers' compensation pool, a risk sharing pool. The workers' compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.



**Town of Washington**  
**Notes to Financial Statements**

**Note "15" - Implementation of Future GASB Pronouncements**

The GASB has issued pronouncements that have an effective date that may impact the June 30, 2018 financial statements. Management has not currently determined what, if any, impact implementation of the following pronouncements may have on the financial statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, 68 and 73*

Statement No. 83, *Certain Asset Retirement Obligations*

Statement No. 84, *Fiduciary Activities*

Statement No. 87, *Leases*

**Note "16" - Prior Period Adjustments and Restatements**

As of July 1, 2016, the Town implemented GASB No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* relating to its Volunteer Firefighter and EMT Program Service Incentive (LOSAP). Prior to the adoption of GASB 73, the Town reported assets accumulated for LOSAP benefit plans in a Trust and Agency Fund. In accordance to the Town Ordinance, LOSAP assets are held in a grantor/rabbi trust, which are not protected from the Town's creditors. GASB 73 requires assets in such trust arrangements to be reported as assets of the sponsoring municipality. As a result of adopting GASB 73 the following restatement was made to the beginning fund balance.

**General Fund, Fund Financial Statements**

Fund balance at June 30, 2016, as originally reported	\$ 3,935,838
Accumulated Volunteer Firefighter & EMT Service Program activity as of June 30, 2016	<u>597,454</u>
Fund balance at June 30, 2016, as restated	\$ <u>4,533,292</u>

**Town of Washington**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenue</b>			
Property taxes	\$ 15,518,716	\$ 15,887,523	\$ 368,807
Interest and lien fees on property taxes	75,000	106,268	31,268
State of Connecticut - Grants:			
Judicial fines	-	1,335	1,335
Mashantuck Pequot/Mohegan fund	8,741	8,741	-
State - real property tax	6,117	25,979	19,862
Totally disabled	158	123	(35)
Municipal revenue sharing	25,496	25,496	-
Educational cost sharing grant	98,425	50,646	(47,779)
Veterans exemption	-	1,255	1,255
Other state and federal grants	-	6,158	6,158
Telephone access tax	24,000	24,750	750
Refund from Regional School District 12	-	76,959	76,959
Contributions in lieu of taxes	69,000	104,202	35,202
Investment income	14,000	42,535	28,535
Lease income	46,920	49,272	2,352
Other fees and receipts:			
Building inspection - net of expenditures	52,000	244,032	192,032
Building inspection - Excess revenue over budget offsets expenditures	-	(192,032)	(192,032)
Selectman licenses, fees and permits	73,080	105,594	32,514
Private duty police	30,000	150,909	120,909
Private duty police - Excess revenue over budget offsets expenditures	-	(120,909)	(120,909)
Town Clerk's fees including conveyance taxes	170,000	270,207	100,207
Other receipts	5,000	35,165	30,165
<b>Total Revenue</b>	<u>16,216,653</u>	<u>16,904,208</u>	<u>687,555</u>
<b>Other Financing Sources - Operating Transfers In:</b>			
Non-recurring Capital Expenditure Fund	-	34,359	34,359
<b>Total Revenues and Other Financing Sources</b>	<u>\$ 16,216,653</u>	<u>\$ 16,938,567</u>	<u>\$ 721,914</u>

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

**Town of Washington**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Expenditures:</b>					
<b>General Government</b>					
Selectmen	\$ 154,195	\$ -	\$ 154,195	\$ 156,812	\$ 2,617
Assessor	85,562	-	85,562	83,283	(2,279)
Tax Collector	71,540	-	71,540	68,318	(3,222)
Town Clerk	75,968	-	75,968	64,840	(11,128)
Town Treasurer	14,904	-	14,904	14,744	(160)
Building Department	9,125	-	9,125	187,221	178,096
Building Department - Excess revenue over budget	-	-	-	(192,032)	(192,032)
Probate Court	5,661	-	5,661	5,661	-
Elections	34,164	-	34,164	31,778	(2,386)
Auditor	26,500	-	26,500	25,700	(800)
Board of Assessment Appeals	2,350	-	2,350	108	(2,242)
Planning Commission	34,222	-	34,222	27,007	(7,215)
Zoning Commission	57,123	-	57,123	59,528	2,405
Zoning Board of Appeals	8,763	-	8,763	9,971	1,208
Inland Wetlands	85,417	-	85,417	74,531	(10,886)
Historic District Commission	9,451	-	9,451	5,840	(3,611)
Conservation Commission	6,774	-	6,774	5,666	(1,108)
Housing Commission	849	-	849	303	(546)
Operation of Town Hall	99,896	-	99,896	95,208	(4,688)
Town Garage / Salt Building	34,750	-	34,750	26,392	(8,358)
Surety Bonds and Insurance	185,172	-	185,172	173,897	(11,275)
Accident & Health Insurance and committed reimbursable costs	347,450	-	347,450	359,876	12,426
Office Expense	42,350	-	42,350	38,692	(3,658)
Payroll Taxes	126,956	-	126,956	118,796	(8,160)
Board of Finance	34,971	-	34,971	34,021	(950)
Economic Develop Coordinator	55,000	-	55,000	54,808	(192)
<b>Total General Government</b>	<b>1,609,113</b>	<b>-</b>	<b>1,609,113</b>	<b>1,530,969</b>	<b>(78,144)</b>
<b>Public Safety</b>					
Fire Marshal	56,584	-	56,584	47,936	(8,648)
Fire Department	194,950	-	194,950	170,324	(24,626)
Police	345,285	-	345,285	431,369	86,084
Private duty police - Excess revenue over budget	-	-	-	(120,909)	(120,909)
Emergency Management	66,222	-	66,222	62,448	(3,774)
Open Burning Official	599	-	599	599	-
Lake Waramaug Authority	13,854	-	13,854	10,193	(3,661)
EMT & Firefighter Awards	12,500	-	12,500	24,500	12,000
<b>Total Public Safety</b>	<b>689,994</b>	<b>-</b>	<b>689,994</b>	<b>626,460</b>	<b>(63,534)</b>

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

**Town of Washington**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

<b>Expenditures (continued):</b>	<b>Original Budget</b>	<b>Continuing and Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Highways</b>					
General Maintenance	683,508	-	683,508	<b>563,969</b>	(119,539)
Winter Maintenance	444,001	-	444,001	<b>497,064</b>	53,063
Street Lighting	33,000	-	33,000	<b>32,263</b>	(737)
<b>Total Highways</b>	<b>1,160,509</b>	<b>-</b>	<b>1,160,509</b>	<b>1,093,296</b>	<b>(67,213)</b>
<b>Sanitation</b>					
Transfer Station	298,539	-	298,539	<b>267,557</b>	(30,982)
Recycling	141,900	-	141,900	<b>138,438</b>	(3,462)
<b>Total Sanitation</b>	<b>440,439</b>	<b>-</b>	<b>440,439</b>	<b>405,995</b>	<b>(34,444)</b>
<b>Conservation of Health</b>					
Paramedic Service	31,475	-	31,475	<b>31,475</b>	-
Health Department	41,110	-	41,110	<b>39,928</b>	(1,182)
Visiting Nurses Associations	26,000	-	26,000	<b>12,522</b>	(13,478)
Hepatitis B Vaccinations	100	-	100	-	(100)
<b>Total Conservation of Health</b>	<b>98,685</b>	<b>-</b>	<b>98,685</b>	<b>83,925</b>	<b>(14,760)</b>
<b>Recreation</b>					
Parks and Recreation	144,910	-	144,910	<b>128,150</b>	(16,760)
Senior Center / Veterans Hall	65,573	-	65,573	<b>57,145</b>	(8,428)
After School Arts Program	3,500	-	3,500	<b>3,500</b>	-
<b>Total Recreation</b>	<b>213,983</b>	<b>-</b>	<b>213,983</b>	<b>188,795</b>	<b>(25,188)</b>
<b>Social Services</b>	13,332	-	13,332	<b>10,430</b>	(2,902)
<b>Other Expenditures</b>					
Gunn Memorial Library	167,000	-	167,000	<b>167,000</b>	-
Pension Expense	155,783	-	155,783	<b>150,950</b>	(4,833)
Council on Governments	2,790	-	2,790	<b>2,790</b>	-
Interlocal Advisory Board	12,300	-	12,300	<b>12,290</b>	(10)
Annual Repairs	45,000	-	45,000	<b>47,544</b>	2,544
New Preston Cemetery	3,000	-	3,000	<b>3,000</b>	-
Animal Control	36,017	-	36,017	<b>31,672</b>	(4,345)
Newsletter and Website	9,000	-	9,000	<b>5,450</b>	(3,550)
Propane Incident					
Stage Renovations	-	-	-	<b>1,356</b>	1,356
<b>Total Other Expenditures</b>	<b>430,890</b>	<b>-</b>	<b>430,890</b>	<b>422,052</b>	<b>(8,838)</b>
<b>Education</b>	<b>10,194,891</b>	<b>-</b>	<b>10,194,891</b>	<b>10,194,891</b>	<b>-</b>

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

**Town of Washington**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

<b>Expenditures (continued):</b>	<b>Original Budget</b>	<b>Continuing and Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Continuing Appropriations</b>					
Revaluation	54,000	13,400	67,400	<b>22,083</b>	(45,317)
Conservation and Development	-	6,569	6,569	-	(6,569)
Legal litigation	40,000	167,459	207,459	<b>16,965</b>	(190,494)
Health reimbursement benefit	-	79,588	79,588	-	(79,588)
Total Continuing appropriations	<u>94,000</u>	<u>267,016</u>	<u>361,016</u>	<b>39,048</b>	<u>(321,968)</u>
<b>Total Expenditures</b>	<u>14,945,836</u>	<u>267,016</u>	<u>15,212,852</u>	<b>14,595,861</b>	<u>(616,991)</u>
<b>Other Financing Uses - Operating Transfers Out</b>					
Judea Cemetery	12,000	-	12,000	<b>12,000</b>	-
Non-recurring Capital Exp. Fund	1,718,266	-	1,718,266	<b>1,718,266</b>	-
Total transfers out	<u>1,730,266</u>	<u>-</u>	<u>1,730,266</u>	<b>1,730,266</b>	<u>-</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>16,676,102</u>	<u>267,016</u>	<u>16,943,118</u>	<b>16,326,127</b>	<u>(616,991)</u>
<b>Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(459,449)	(267,016)	(726,465)	<b>612,440</b>	1,338,905
<b>Fund Balance at beginning of year</b>	<u>459,449</u>	<u>267,016</u>	<u>726,465</u>	<b>3,935,838</b>	<u>3,209,373</u>
<b>Fund Balance at end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<b>\$ 4,548,278</b>	<u>\$ 4,548,278</u>

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

**Town of Washington**  
**Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Continuing Appropriations - The Town budgets committed fund balance as continuing appropriations. Pursuant to the legislative authority, these continuing appropriations do not lapse at year end, but are carried forward until expended or changed by legislative authority.

The over expenditure in the propane incident budget line is due to an insurance recovery claim timing difference. The receipts from the claim were recognized as the cash was received, while the expenditures were recognized as incurred. Since the Town's budgetary policy is to budget for insurance claims net of expenditures, had the expenditure been incurred in the same year as the insurance receipts, this over expenditure would be nonexistent. Therefore, this is not considered a violation of statutory provision.

Reconciliation between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

For budgeting purposes the Town recognizes as revenue educational refunds of prior year fund balances and other credits from Regional School District #12. GAAP requires that refunds for prior year and other credits be offset against educational expenditures.

The Town, for budget purposes, recognizes building inspection fees and private duty-police fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on a percentage of revenue. For GAAP purposes, the gross revenue and expenditures are recognized resulting in the adjustment shown below.

GASB requires that the Volunteer Firefighter & EMT Service Program, also known as, Length of Service Award Plan (LOSAP) be accounted for in the General Fund. For budgeting purposes, the Town recognizes LOSAP contributions as expenditures. Under GAAP, LOSAP contributions do not meet the definition of expenditures, but rather restricted funds to the LOSAP participants. Additionally, the Town does not budget for LOSAP investment activity. GAAP requires the investment activity income to be recorded as revenue and benefit payments and investment fees be recorded as expenditures.

**Town of Washington**  
**Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2017**

The difference between GAAP and the budgetary basis is as follows:

	<u>General Fund</u>		
	<u>Total</u>	<u>Expenditures</u>	<u>Fund</u>
	<u>Total Revenues</u>	<u>and Transfers/</u>	<u>Balance</u>
	<u>and Other</u>	<u>Other Financing</u>	
	<u>Financing Sources</u>	<u>Uses</u>	
Actual - Non-GAAP Budgetary Basis Statement - June 30, 2017	\$ 16,938,567	\$ 16,326,127	\$ 4,548,278
Prior Year Refund from RSD #12 Offsets Expenditures	(76,959)	(76,959)	-
To Gross up Revenue and Expenditures:			
Building Department	192,032	192,032	-
Private Duty Police	120,909	120,909	-
To Offset Operating Transfers In (Out)	(34,359)	(34,359)	
LOSAP activity:			
Accumulated LOSAP activity prior to 6/30/2016	-	-	597,454
LOSAP contributions	-	(24,500)	24,500
LOSAP pension benefits	-	8,175	(8,175)
LOSAP investment income and fees	25,167	3,299	21,868
Actual GAAP - June 30, 2017	<u>\$ 17,165,357</u>	<u>\$ 16,514,724</u>	<u>\$ 5,183,925</u>

**Town of Washington**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Four Fiscal Years**

	2017	2016	2015	2014
<b>Total pension liability:</b>				
Service cost	\$ 91,439	\$ 94,845	\$ 102,325	\$ 98,203
Interest	201,809	190,974	184,048	176,212
Difference between expected and actual experience	66,239	(8,445)	(7,780)	-
Benefit payments, including refunds of member contributions	(152,722)	(150,434)	(137,463)	(117,455)
Net change in total pension liability	206,765	126,940	141,130	156,960
Total pension liability - beginning	3,594,301	3,467,361	3,326,231	3,169,271
Total pension liability - ending	<u>3,801,066</u>	<u>3,594,301</u>	<u>3,467,361</u>	<u>3,326,231</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	140,000	140,000	159,275	172,775
Net investment income	362,535	59,616	60,532	336,327
Benefit payments, including refunds of member contributions	(152,722)	(150,434)	(137,463)	(117,455)
Net change in plan fiduciary net position	349,813	49,182	82,344	391,647
Plan fiduciary net position - beginning	3,085,029	3,035,847	2,953,503	2,561,856
Plan fiduciary net position - ending	<u>3,434,842</u>	<u>3,085,029</u>	<u>3,035,847</u>	<u>2,953,503</u>
 Net Pension Liability - Ending	 <u>\$ 366,224</u>	 <u>\$ 509,272</u>	 <u>\$ 431,514</u>	 <u>\$ 372,728</u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	 <u>90.37%</u>	 <u>85.83%</u>	 <u>87.55%</u>	 <u>88.79%</u>
 Covered Employee Payroll	 <u>\$ 880,632</u>	 <u>\$ 915,138</u>	 <u>\$ 965,273</u>	 <u>\$ 924,764</u>
 Net Pension Liability as a percentage of covered employee payroll	 <u>41.59%</u>	 <u>55.65%</u>	 <u>44.70%</u>	 <u>40.31%</u>



**Town of Washington  
Schedule of Employer Contributions  
Last Ten Fiscal Years**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 149,687	\$ 128,579	\$ 135,255	\$ 151,353	\$ 172,775	\$ 155,330	\$ 164,697	\$ 144,849	\$ 130,743	\$ 124,624
Contributions in relation to the actuarially determined contribution	140,000	140,000	159,275	172,775	172,775	160,179	165,000	140,000	130,743	124,624
Contribution Deficiency (Excess)	\$ 9,687	\$ (11,421)	\$ (24,020)	\$ (21,422)	\$ -	\$ (4,849)	\$ (303)	\$ 4,849	\$ -	\$ -
Covered employee payroll	\$ 880,632	\$ 915,138	\$ 965,273	\$ 924,764	\$ 975,124	\$ 959,248	\$ 981,076	\$ 872,321	\$ 901,743	\$ 762,608
Contributions as a percentage of covered employee payroll	15.90%	15.30%	16.50%	18.68%	17.72%	16.70%	16.82%	16.05%	14.50%	16.34%

**Notes to Schedule**

Valuation date:

Measurement date:

January 1, 2016

June 30, 2017

Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the end of the fiscal year in which the contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Aggregate method with no supplemental liability
Amortization method	Not applicable, cost method does not identify actuarial liabilities separately
Remaining amortization period	Not applicable
Asset valuation method	Fair market value
Inflation	Not separately stated
Salary increases	3.5%
Investment rate of return	5.5%
Retirement age	100% normal retirement age
Mortality	1983 group annuity male mortality table (setback six years for female)

**Other items:**

Changes in benefit terms  
Changes of assumptions

None  
None

**Town of Washington  
Schedule of Investment Returns  
Last Four Fiscal Years**

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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	11.61%	1.97%	2.00%	12.64%

Town of Washington  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 June 30, 2017

	Special Revenue Funds							Capital	
	Judea Cemetery	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	After School Fund	Project Fund Affordable Housing Fund	Total
<b>Assets:</b>									
Cash and cash equivalents	\$ 15,997	\$ 68,497	\$ 4,139	\$ 3,317	\$ 9,614	\$ 104,618	\$ 2,628	\$ 7,996	\$ 216,806
Investment - at market	65,222	21,863	2,530	-	-	-	-	287,600	377,215
Mortgage receivable	-	-	-	-	-	-	-	20,000	20,000
<b>Total Assets</b>	<b>\$ 81,219</b>	<b>\$ 90,360</b>	<b>\$ 6,669</b>	<b>\$ 3,317</b>	<b>\$ 9,614</b>	<b>\$ 104,618</b>	<b>\$ 2,628</b>	<b>\$ 315,596</b>	<b>\$ 614,021</b>
<b>Liabilities:</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund balances:</b>									
<b>Nonspendable:</b>									
Perpetual Care Principal	66,457	-	-	-	-	-	-	-	66,457
<b>Restricted for:</b>									
Social services	-	-	6,669	-	-	-	-	-	6,669
Community beautification	-	-	-	3,317	-	-	-	-	3,317
Document preservation	-	-	-	-	9,614	-	-	-	9,614
After school programs	-	-	-	-	-	-	2,628	-	2,628
<b>Committed to:</b>									
Parks and recreation	-	90,360	-	-	-	-	-	-	90,360
Cemetery operation	14,762	-	-	-	-	-	-	-	14,762
Affordable housing	-	-	-	-	-	-	-	215,596	215,596
Down payment assistance program	-	-	-	-	-	-	-	100,000	100,000
<b>Assigned for:</b>									
Recycling	-	-	-	-	-	104,618	-	-	104,618
<b>Total Fund Balances</b>	<b>81,219</b>	<b>90,360</b>	<b>6,669</b>	<b>3,317</b>	<b>9,614</b>	<b>104,618</b>	<b>2,628</b>	<b>315,596</b>	<b>614,021</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 81,219</b>	<b>\$ 90,360</b>	<b>\$ 6,669</b>	<b>\$ 3,317</b>	<b>\$ 9,614</b>	<b>\$ 104,618</b>	<b>\$ 2,628</b>	<b>\$ 315,596</b>	<b>\$ 614,021</b>

**Town of Washington**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2017**

	Special Revenue Funds							Capital Project Fund	
	Judea Cemetery Fund	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	After School Fund	Affordable Housing Fund	Total
<b>Revenues:</b>									
Investment income	\$ 1,218	\$ 220	\$ 8	\$ 3	\$ 2	\$ 252	\$ -	\$ 2,087	\$ 3,790
Program fees and other receipts	4,350	86,583	6,170	-	2,134	8,199	28,341	-	135,777
<b>Total Revenues</b>	<u>5,568</u>	<u>86,803</u>	<u>6,178</u>	<u>3</u>	<u>2,136</u>	<u>8,451</u>	<u>28,341</u>	<u>2,087</u>	<u>139,567</u>
<b>Expenditures:</b>									
Cemetery expenditures	15,550	-	-	-	-	-	-	-	15,550
Programs and Activities	-	106,315	8,199	972	1,386	214	25,713	-	142,799
Capital outlay	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>15,550</u>	<u>106,315</u>	<u>8,199</u>	<u>972</u>	<u>1,386</u>	<u>214</u>	<u>25,713</u>	<u>-</u>	<u>158,349</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	(9,982)	(19,512)	(2,021)	(969)	750	8,237	2,628	2,087	(18,782)
<b>Other Financing Sources:</b>									
Operating transfers in	12,000	-	-	-	-	-	-	-	12,000
<b>Net Change in Fund Balances</b>	<u>2,018</u>	<u>(19,512)</u>	<u>(2,021)</u>	<u>(969)</u>	<u>750</u>	<u>8,237</u>	<u>2,628</u>	<u>2,087</u>	<u>(6,782)</u>
<b>Fund Balances:</b>									
Beginning of Year	79,201	109,872	8,690	4,286	8,864	96,381	-	313,509	620,803
<b>End of Year</b>	<u>\$ 81,219</u>	<u>\$ 90,360</u>	<u>\$ 6,669</u>	<u>\$ 3,317</u>	<u>\$ 9,614</u>	<u>\$ 104,618</u>	<u>\$ 2,628</u>	<u>\$ 315,596</u>	<u>\$ 614,021</u>

**Town of Washington**  
**Combining Statement of Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended June 30, 2017**

	<b>Defined Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>Totals</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 62,398	\$ 6,829	\$ 69,227
Accrued interest	3,194	-	3,194
Investments - at fair value	<u>3,369,250</u>	<u>18,097</u>	<u>3,387,347</u>
<b>Total Assets</b>	<b>\$ 3,434,842</b>	<b>\$ 24,926</b>	<b>\$ 3,459,768</b>
<b>Net Position:</b>			
Held in trust for pension benefits	<u>\$ 3,434,842</u>	<u>\$ 24,926</u>	<u>\$ 3,459,768</u>
<b>Total Net Position</b>	<b><u>\$ 3,434,842</u></b>	<b><u>\$ 24,926</u></b>	<b><u>\$ 3,459,768</u></b>

**Town of Washington**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Pension Trust Funds**  
**Year Ended June 30, 2017**

	<b>Defined Benefit Plan</b>	<b>Defined Contribution Plan</b>	<b>Totals</b>
<b>Additions:</b>			
Town contributions	\$ 140,000	\$ 6,829	\$ 146,829
Investment income:			
Change in fair values of investments	299,232	1,626	300,858
Interest and dividends	80,834	-	80,834
Gross investment income	<u>380,066</u>	<u>1,626</u>	<u>381,692</u>
Less: investment expense	17,531	-	17,531
Net investment income	<u>362,535</u>	<u>1,626</u>	<u>364,161</u>
<b>Total additions</b>	502,535	8,455	510,990
<b>Deductions:</b>			
Pension benefits	<u>152,722</u>	<u>-</u>	<u>152,722</u>
<b>Change in Net Position</b>	349,813	8,455	358,268
Net Position - Beginning of year	<u>3,085,029</u>	<u>16,471</u>	<u>3,101,500</u>
Net Position - End of year	<u>\$ 3,434,842</u>	<u>\$ 24,926</u>	<u>\$ 3,459,768</u>

**Town of Washington**  
**Fiduciary Fund Type - Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**Year Ended June 30, 2017**

**ALCOHOL AND DRUG ABUSE PREVENTION FUND**

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2017</b>
<b>Assets:</b>				
Cash	\$ <u>7,110</u>	\$ <u>10,058</u>	\$ <u>5,920</u>	\$ <u>11,248</u>
<b>Liabilities:</b>				
Due to Participants	\$ <u>7,110</u>	\$ <u>10,058</u>	\$ <u>5,920</u>	\$ <u>11,248</u>

Town of Washington  
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)  
Year Ended June 30, 2017

	Taxes Receivable July 1, 2016	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS			Taxes Receivable June 30, 2017	
		Lawful Additions	Corrections Reductions			Taxes and other costs	Refunds and Adjustments	Total Net Collections		
<b>Grand List : October 1,</b>										
2015 \$	15,869,417 \$	17,510 \$	(22,837) \$	- \$	15,864,090 \$	15,750,500 \$	54,410 \$	524 \$	15,805,434 \$	114,114
2014	125,039	3,542	(1,116)	(2,382)	125,083	102,108	19,944	(746)	121,306	22,229
2013	71,979	3,001	(687)	(6,180)	68,113	57,910	19,149	(253)	76,806	9,950
2012	35,384	-	-	(1,402)	33,982	29,383	15,073	-	44,456	4,599
2011	24,620	-	-	(1,372)	23,248	19,047	12,178	-	31,225	4,201
2010	1,312	-	-	(1,312)	-	-	1,054	-	1,054	-
2009	1,312	-	-	-	1,312	1,312	1,382	-	2,694	-
2008	1,282	-	-	-	1,282	1,282	1,582	-	2,864	-
2007	1,457	-	-	-	1,457	1,457	2,058	-	3,515	-
2006	1,402	-	-	-	1,402	1,377	1,978	(25)	3,330	-
Suspense book collections	-	-	-	8,680	8,680	8,680	10,977	-	19,657	-
<b>Totals</b>	<b>\$ 16,133,204 \$</b>	<b>24,053 \$</b>	<b>(24,640) \$</b>	<b>(3,968) \$</b>	<b>16,128,649 \$</b>	<b>15,973,056 \$</b>	<b>139,785 \$</b>	<b>(500) \$</b>	<b>16,112,341 \$</b>	<b>155,093</b>



**Town of Washington**  
**Statement of Debt Limitation**  
**Connecticut General Statutes, Section 7-374 (b)**  
**Year Ended June 30, 2017**

<b>Total tax collections (including interest and lien fees) for the year ended June 30, 2017</b>	<b>\$ 16,112,341</b>
<b>Reimbursement for revenue loss on :</b>	
Tax relief for elderly - (CGS 12-129d)	<u>19,862</u>
<b>Total Receipts From Taxation For The Year Ended June 30, 2017 (Base)</b>	<b><u>\$ 16,132,203</u></b>

	<b>General Purposes</b>	<b>Schools</b>	<b>Sewers</b>	<b>Urban Renewal</b>	<b>Pension Deficit</b>
<b>Debt Limitation:</b>					
2 1/4 times Base	\$ 36,297,457	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	72,594,914	-	-	-
3 3/4 times Base	-	-	60,495,761	-	-
3 1/4 times Base	-	-	-	52,429,660	-
3 times Base	-	-	-	-	48,396,609
<b>Total Debt Limitation</b>	<u>36,297,457</u>	<u>72,594,914</u>	<u>60,495,761</u>	<u>52,429,660</u>	<u>48,396,609</u>

**Indebtedness:**

Shepaug Regional School District #12  
 Bonds payable (Town's share is 48.54%)

Bank term loan due August 15, 2018 - \$900,000

**Total Indebtedness**

-	436,860	-	-	-
<u>-</u>	<u>436,860</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Debt Limitation In Excess Of  
 Outstanding And Authorized Debt**

<b>\$ 36,297,457</b>	<b>\$ 72,158,054</b>	<b>\$ 60,495,761</b>	<b>\$ 52,429,660</b>	<b>\$ 48,396,609</b>
<u><u>36,297,457</u></u>	<u><u>72,158,054</u></u>	<u><u>60,495,761</u></u>	<u><u>52,429,660</u></u>	<u><u>48,396,609</u></u>

**NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.**