



October 28, 2019

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re: TOWN OF BETHANY, CONNECTICUT  
\$4,800,000 General Obligation Bond Anticipation Notes**

**Dated: November 20, 2019    Date of Sale: Tuesday, November 5, 2019  
Due: August 19, 2020        Time of Sale: 11:30 A.M. (Eastern Time)**

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

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Tuesday, November 5, 2019. 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, November 5, 2019.**

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

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Town of Bethany, Connecticut as of June 30, 2018. These excerpts are included in this package. Copies of the complete Annual Financial Report for June 30<sup>th</sup> are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



**Telephone Sale Term Sheet**  
**\$4,800,000**  
**General Obligation Bond Anticipation Notes**  
**Town of Bethany, Connecticut**

**Date of Sale:** Tuesday, November 5, 2019 at 11:30 A.M. (Eastern Time).

**Location of Sale:** Town of Bethany, Town Hall, 40 Peck Road, Bethany, Connecticut 06524  
Telephone: (203) 283-1110

**Issuer:** Town of Bethany, Connecticut (the “Town”).

**Issue:** \$4,800,000 General Obligation Bond Anticipation Notes (the “Notes”).

**Dated Date:** November 20, 2019

**Principal and Interest Due:** At maturity on August 19, 2020

**Purpose:** The Notes are being issued to finance various road improvements.

**Denominations:** \$100,000, or integral multiples thereof, plus any odd amount.

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

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

**Credit Rating:** No application for a rating on this Note issue has been made to any credit rating agency. The Town has an outstanding bond rating of “Aa2” from Moody’s Investors Service.

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

**Form of Legal Opinion and Tax Exemption:** See “Appendix – Opinion of Bond Counsel and Tax Status.”

**Bank Qualification:** The Notes shall be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

**Registrar, Transfer Agent, Certifying Agent and Paying Agent:** U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103. Unless an alternate Certifying Agent, Paying Agent and Registrar is designated by the Town as provided under “Option For No Book Entry” as described in the Notice of Sale.

**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. Telephone (203) 283-1110.

**Legal Opinion:** Day Pitney LLP 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 November 20, 2019. Delivery of the Notes will be made against payment in immediately available Federal Funds.

**Issuer Official:** Questions concerning the Town should be directed to Sheila M. Lane, CPA, Finance Manager, Bethany Town Hall, 40 Peck Road, Bethany, Connecticut 06524, Telephone: (203) 393-2100, ext. 123 or Mr. Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Milford, Connecticut, Telephone: (203) 283-1110.

**NOTICE OF TELEPHONE**  
**\$4,800,000**  
**Town of Bethany, Connecticut**  
**Bond Anticipation Notes**  
**(BOOK-ENTRY)**

TELEPHONE PROPOSALS will be received by the Town of Bethany, Connecticut until **11:30 A.M. Eastern Time on TUESDAY,**

**NOVEMBER 5, 2019**

for the purchase of \$4,800,000 Bond Anticipation Notes of the Town of Bethany, dated November 20, 2019, maturing on August 19, 2020 (the "Notes").

The Town 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 Town payable from ad valorem taxes levied on all taxable property in the Town 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 Town 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 Town 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 Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Town will authenticate and deliver replacement Notes in the form of fully registered 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 Town as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form,

or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Town any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel or of converting the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

**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 Town by a representative of Phoenix Advisors, LLC, the Town's municipal advisor (the "Municipal Advisor"), at (203) 283-1110 only until 11:30 A.M. on Tuesday, November 5, 2019.

**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 Town 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 Town 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 Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason. The Town 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 Town 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 Town in establishing the issue price of the Notes and shall execute and deliver to the Town 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 Town under this Notice of Sale to establish the issue price of the Notes may be taken on behalf of the Town by the Town's Municipal Advisor identified herein and any notice or report to be provided to the Town may be provided to the Town'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 Town 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 Town 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 Town 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 Town 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 Town shall so advise the winning bidder. The Town 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 Town if any maturity of the Notes satisfies the 10% Test as of the date and time of the award of the Notes. The Town 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 Town 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:

1. "Public" means any person other than an Underwriter or a Related Party,
2. "Underwriter" means (A) any person that agrees pursuant to a written contract with the Town (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),
3. 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
4. "Sale Date" means the date that the Notes are awarded by the Town 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 Town when duly certified; (2) that, assuming the accuracy of and compliance by the Town 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; 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.** The Town of Bethany 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 Town 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. 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 Town; provided, however, that the Town 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 November 20, 2019.

**More Information.** For more information regarding this issue and the Town reference is made to the Town's financial statements. Copies of the Town'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 Ms. Sheila M. Lane, Finance Manager, Town of Bethany, Town Hall, 40 Peck Road, Bethany, Connecticut 06524 (telephone: (203) 393-2100).

PAULA COFRANCESCO,  
*First Selectman*

RUSSELL SCOVIN,  
*Treasurer*

October 28, 2019

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

*Competitive Sale Requirements Satisfied*

**TOWN OF BETHANY, CONNECTICUT  
\$4,800,000 BOND ANTICIPATION NOTES, DATED NOVEMBER 20, 2019**

**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 November 5, 2019.

(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 the Town of Bethany, 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: \_\_\_\_\_

Dated: \_\_/\_\_/2019

**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*

**TOWN OF BETHANY, CONNECTICUT  
\$4,800,000 BOND ANTICIPATION NOTES, DATED NOVEMBER 20, 2019**

**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 the Town of Bethany, 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: \_\_/\_\_/2019

**Attachment:**

**SCHEDULE A  
SALE PRICES**

*[Remainder of page intentionally left blank]*

**TOWN OF BETHANY, CONNECTICUT**  
**\$4,800,000 BOND ANTICIPATION NOTES**  
**DATED NOVEMBER 20, 2019; MATURING AUGUST 19, 2020**  
**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 Town 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)

Town of Bethany  
Bethany, Connecticut

We have represented the Town of Bethany, Connecticut as Bond Counsel in connection with the issuance by the Town of \$4,800,000 Bond Anticipation Notes, dated as of November 20, 2019.

We have examined a record of proceedings authorizing the Notes, and based on our examination, we are of the opinion that the Town of Bethany is authorized to issue the Notes; the Town 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 Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Notes against all the taxable property in the 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 Town officials authorized to issue the Notes have executed written representations and agreements on behalf of the Town 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; 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 Town 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 Town 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. 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 Town'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.

***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 Town'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 Town 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]*

# **TOWN OF BETHANY, CONNECTICUT**

## **FINANCIAL INFORMATION**

Excerpted from the  
Annual Financial Statements of  
The Town of Bethany, Connecticut  
Year Ended June 30, 2018



Guiding Successful People

**Bethany**  
166 Route 81  
Bethany, Connecticut 06419  
P: 860-663-0110

**Shelton**  
1000 Bridgeport Avenue,  
Suite 210  
Shelton, Connecticut 06484  
P: 203-925-9600

**Principals**  
John A. Accavallo CPA  
Darin L. Offerdahl MBA CPA  
Kerry L. Emerson  
  
Sandra M. Woodbridge CPA\*  
Dominic L. Cusano MBA CPA\*  
\*indicates retired

## INDEPENDENT AUDITORS' REPORT

The Board of Finance  
Town of Bethany, 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 Bethany, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Bethany, Connecticut, as of June 30, 2018, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 8 through 16 and the required supplementary information on pages 59 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

The General Fund budgetary comparison detail, combining and individual nonmajor fund financial statements, and other 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 General Fund budgetary comparison detail, combining and individual nonmajor fund financial statements, and other 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 February 15, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*MAWC. LLC*

Shelton, Connecticut  
February 15, 2019

**TOWN OF BETHANY, CONNECTICUT**

**Management's Discussion and Analysis  
June 30, 2018**

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Town of Bethany, Connecticut's financial performance provides an overview and analysis of the Town's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent year by \$27,403,132 (net position). Of this amount, \$5,679,672 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- Revenues for the Town's governmental activities increased .53% over the prior year to \$25,897,584, while total expenses increased 2.38% to \$24,973,384. The resulting increase in net position is \$924,200 for 2018 as compared to an increase of \$1,450,387 for 2017.
- As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,036,571, an increase of \$1,475,673 from the prior year. Approximately 62% of the total fund balance, \$4,382,859, constitutes Unassigned Fund Balance, which is available for spending at the Town's discretion.
- As of the end of the current fiscal year, Unassigned Fund Balance of the General Fund was \$4,382,859, or 17.75% of total General Fund expenditures and transfers out of \$24,697,012. The Board of Finance has adopted a policy of maintaining a General Fund surplus of not less than 10% and not more than 14% of budgeted expenditures.
- The total General Fund balance increased by \$698,977 during the current fiscal year, from \$4,091,002 to \$4,789,979.
- The Town's investment in capital assets for the current fiscal year was \$1,870,725. After accounting for \$1,585,377 of depreciation expense, net capital assets decreased by \$285,348 to \$27,671,797.
- During the fiscal year ended June 30, 2018, the Town made \$515,000 of scheduled bond principal payments. At the end of the current fiscal year, the Town had \$2,650,000 of long-term bonded debt outstanding.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements, for governmental activities, tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the Town.

**Reporting the Town as a Whole**

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes to net position. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess its overall health.

The Statement of Net Position and the Statement of Activities show the Town's governmental activities. The Town's basic services are reported here, including education, public works, and general administration. Property taxes, state and federal grants, and local revenues such as fees and licenses finance most of these activities.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

Our analysis of the Town's major funds begins in the section titled "Governmental Funds". The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

**Governmental Funds** – The Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

THE TOWN AS TRUSTEE

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. These funds do not belong to the Town. The Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**THE TOWN AS A WHOLE**

The Town's combined net position increased by \$924,200 from a year ago – increasing from \$26,478,932 to \$27,403,132. Our analysis below focuses on the net position and changes in net position of the Town.

**Statement of Net Position**

	<u>Change During Year</u>			
	<u>2018</u>	<u>Dollars</u>	<u>Percent</u>	
<u>Assets</u>				
Current and other assets	\$ 7,610,080	\$ 983,505	15%	\$ 6,626,575
Capital assets	<u>27,671,797</u>	<u>285,348</u>	<u>1%</u>	<u>27,386,449</u>
Total assets	<u>35,281,877</u>	<u>1,268,853</u>	<u>16%</u>	<u>34,013,024</u>
Deferred outflows of resources	<u>68,681</u>	<u>(55,650)</u>	<u>-45%</u>	<u>124,331</u>
<u>Liabilities</u>				
Long-term debt outstanding	7,498,215	676,196	10%	6,822,019
Other liabilities	<u>436,036</u>	<u>(400,368)</u>	<u>-48%</u>	<u>836,404</u>
Total liabilities	<u>7,934,251</u>	<u>275,828</u>	<u>4%</u>	<u>7,658,423</u>
<u>Deferred inflows of resources</u>	<u>13,175</u>	<u>13,175</u>	<u>100%</u>	<u>-</u>
<u>Net Position</u>				
Invested in capital assets	21,723,460	(207,992)	-0.9%	21,931,452
Unrestricted	<u>5,679,672</u>	<u>1,132,192</u>	<u>24.9%</u>	<u>4,547,480</u>
Total net position	<u>\$ 27,403,132</u>	<u>\$ 924,200</u>	<u>24%</u>	<u>\$ 26,478,932</u>

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

By far, the largest portion of the Town's net position, \$21,723,460 or 79.3%, reflects its investment in capital assets (e.g., land, construction in progress, buildings, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During the year, additions to the Town's capital assets were \$1,870,725 and depreciation was \$1,585,377. Long-term debt related to capital assets increased by \$604,789. The amount invested in capital assets, net of related debt, decreased by \$207,992.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations – increased by \$1,132,192, as compared to a decrease of \$1,369,621 in 2017.

**Changes in Net Position**

	2018	Change During Year		2017
		Dollars	Percent	
<u>Revenues</u>				
Program revenues:				
Charges for services	\$ 754,893	\$ 111,964	17.41%	\$ 642,929
Operating grants and contributions	3,670,209	(406,459)	-9.97%	4,076,668
Capital grants and contributions	56,814	(208,867)	-78.62%	265,681
General revenues:				
Property taxes	20,506,302	628,752	3.16%	19,877,550
Grants and contributions	807,976	162,253	25.13%	645,723
Interest and investment earnings	24,096	(1,876)	-7.22%	25,972
Other	77,294	(150,227)	-66.03%	227,521
Total revenues	<u>25,897,584</u>	<u>135,540</u>	<u>0.53%</u>	<u>25,762,044</u>
<u>Expenses</u>				
General Government	1,347,299	(68,112)	-4.81%	1,415,411
Public safety	1,076,477	32,298	3.09%	1,044,179
Highways and public works	2,106,814	171,487	8.86%	1,935,327
Health and human services	743,142	25,175	3.51%	717,967
Community services	399,591	135,192	51.13%	264,399
Insurance and benefits	1,005,612	102,920	11.40%	902,692
Education	18,000,189	51,308	0.29%	17,948,881
Interest on long-term debt	71,692	(11,109)	-13.42%	82,801
Capital Outlay	222,568	222,568	100.00%	-
Total expenses	<u>24,973,384</u>	<u>439,159</u>	<u>1.81%</u>	<u>24,311,657</u>
Increase(decrease) in net position	<u>\$ 924,200</u>	<u>\$ (303,619)</u>	<u>-20.93%</u>	<u>\$ 1,450,387</u>

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Revenues for the Town's governmental activities increased .53% over the prior year to \$25,897,584, while total expenses increased 2.38% to \$24,973,384. The resulting increase in net position is \$924,200 for 2018 as compared to an increase of \$1,450,387 for 2017.

Property tax revenue increased by \$628,752, or 3.16%, over the prior year. This is consistent with the 2.62% increase in the mil rate from 36.9 to 35.96, and a 2.87% increase in the grand list. The Tax Collector collected 98.76% of the current grand list assessment as compared to 99.21% in fiscal year 2017.

Educational Grant ECS-were \$1,742,788 in 2018 as compared to \$2,007,493 in 2017. Municipal revenue sharing income was \$181,588 in 2018 as compared to \$74,145 in 2017. These two factors contributed to the decrease in operating grants.

In 2017, the Town received 282,073 in Small Town Economic Assistance Program (STEAP) funds. This grant was not received in 2018 contributing to the decrease of capital grants in 2018.

Other general revenues for 2018 include an overpayment refund from Amity Regional School District #5 in the amount of \$370,801 as compared to \$195,323 in 2017.

**Governmental Activities**

The table below presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). Net cost shows the burden that was placed on the Town's taxpayers by each of the functions.

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Governmental Type Activities**

	<u>Total Cost of Services</u>		Increase Decrease	% of Change	<u>Net Cost of Services</u>		Increase Decrease	% of Change
	2018	2017			2018	2017		
<b>Governmental Activities</b>								
General government	\$ 1,347,299	\$ 1,415,411	\$ (68,112)	-4.81%	\$ 1,033,021	\$ 1,196,610	\$ (163,589)	-13.67%
Public safety	1,076,477	1,044,179	32,298	3.09%	888,214	816,788	71,426	8.74%
Highways and public works	2,106,814	1,935,327	171,487	8.86%	1,806,664	1,724,266	82,398	4.78%
Health and human services	743,142	717,967	25,175	3.51%	712,333	608,795	103,538	17.01%
Community services	399,591	264,399	135,192	51.13%	219,656	(5,282)	224,938	-4258.58%
Insurance and benefits	1,005,612	902,692	102,920	11.40%	1,005,612	902,692	102,920	11.40%
Education	18,000,189	17,948,881	51,308	0.29%	14,588,522	13,999,709	588,813	4.21%
Interest on long-term debt	71,692	82,801	(11,109)	-13.42%	71,692	82,801	(11,109)	-13.42%
Capital Outlay	222,568	-	222,568	0.00%	165,754	-	165,754	0.00%
Totals	<u>\$ 24,750,816</u>	<u>\$ 24,311,657</u>	<u>\$ 439,159</u>	<u>1.81%</u>	<u>\$ 20,325,714</u>	<u>\$ 19,326,379</u>	<u>\$ 999,335</u>	<u>5.17%</u>

Total cost of services for the Town's governmental activities was \$24,891,471, an increase of 2.38% over the prior year. Net cost of services was \$20,466,369, an increase of 5.9%.

The total cost of providing education was \$18,000,189 in 2018, an increase of .29%. The net cost was 14,588,522, an increase of 4.21%.

The Regional High School gross budget increased 1.26% from \$47,835,699 to \$48,439,163. The Town's proportionate share (based on the average daily membership) decreased from 20.819% to 19.68%.

Bethany's share of the Amity Region # 5 School District budget decreased 0.61% from \$9,437,981 to \$9,495,632. In 2018, the Regional High School refunded \$370,801 of unexpended funds from the prior fiscal year as compared to \$154,280 in 2017.

Elementary School budgeted expenditures remained unchanged at \$6,654,933 in 2018 vs \$6,530,538 in 2017 or a .9% increase.

The net cost of highway and public works increased 12.94% over the prior year primarily due to an increase in expenditures in the road improvements and snow removal and costs related to the tornado of approximately \$140,000.

The net cost of community services increased by \$224,938 due to the recognition of a capital grant in the amount of \$265,681 in 2017 from the Department of Social Services for the Hangar Restoration Project at the Bethany Airport property which is being renovated to serve as a community center and emergency shelter that was not received in fiscal year 2018. The expenditures of the project are reported as capital assets, and as such, will not be included in the total cost of services until depreciation expense is recognized.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year unassigned fund balance of the general fund was \$4,382,859. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out.

Total fund balance for the general fund represents 17.75% of total general fund expenditures and transfers out.

The fund balance of the Town's general fund increased by \$698,977 during the current fiscal year.

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The capital projects funds, a major fund, had a \$608,827 increase in fund balance during the current fiscal year, while the other governmental funds had an increase of \$167,869.

**GOVERNMENTAL FUNDS**

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

Fund equity for governmental funds is called Fund Balance and is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The provisions of GASB No. 54-*Fund Balance Reporting and Governmental Fund Type Definitions* – provides clearer fund balance classifications that can be more consistently applied.

- **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form (e.g. inventory), or are legally or contractually required to be maintained intact.
  
- **Restricted Fund Balance** – Includes amounts that have constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
  
- **Committed Fund Balance** – Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action at a Town Meeting, and cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
  
- **Assigned Fund Balance** – Includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
  
- **Unassigned Fund Balance** – The residual classification for the General Fund fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$7,036,571, an increase of \$1,475,673 from the prior year. Approximately 62% of the total fund balance, \$4,382,859, constitutes unassigned fund balance, which is available for spending at the Town's discretion.

Assigned fund balance of \$1,259,518, is comprised of Special Revenue funds and Capital Project funds that are constrained by the Town for the purpose the funds were created.

Committed fund balance of \$1,363,150 is reported in the Capital Reserve Fund and represents resources available to finance capital assets approved at Town Meeting. Details of this fund balance may be found in the Capital Reserve Fund - Schedule of Changes in Fund Balance by Project, in the Other Schedules section of the Financial Statements.

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Restricted fund balance of \$108,579 is comprised of unexpended grant funds. Nonspendable fund balance of \$64,705 consists of inventories and prepaid expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,382,859.

Total General Fund balance increased by \$698,977 during the current fiscal year, from \$4,091,002 to \$4,789,979. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned Fund Balance represents 17.75% and total Fund Balance represents 19.39% of total General Fund expenditures and transfers out of \$24,697,012. The Town has adopted a policy to maintain the unassigned fund balance for its General Fund at not less than 10% of total budgeted operating expenditures and not more than 14%.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Board of Finance can revise the Town budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by Connecticut State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation, or an appropriation over \$20,000, requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding.

Connecticut State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund.

**General Fund - Budget Summary**

Revenues:	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Property taxes	\$ 20,796,684	\$ 20,501,304	\$ (295,380)
Intergovernmental	1,386,387	2,225,839	839,452
Local	105,000	145,830	40,830
Other	383,939	377,321	(6,618)
Interest earnings	567,400	857,698	290,298
	<u>\$ 23,239,410</u>	<u>\$ 24,107,992</u>	<u>\$ 868,582</u>

Expenditures	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General government	\$ 7,088,845	\$ 6,891,556	\$ (197,289)
Regional Highschool	9,495,632	9,341,182	(154,450)
Elementary Highschool	6,654,933	6,586,521	(68,412)
	<u>23,239,410</u>	<u>22,819,259</u>	<u>(420,151)</u>
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ 1,288,733</u>	<u>\$ 1,288,733</u>

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The original 2017-2018 budget contemplated total revenues and expenditures in the amount of \$23,239,410.

Actual total revenues exceeded the original budget by \$868,582 and actual total expenditures were \$279,496 less than the original budget.

Significant variances between actual revenues and expenditures of the general fund for fiscal 2018 and the amount reflected in the Town's final budget are summarized as follows:

- The total revenue recognized on current property tax collections, prior year tax collections, and interest and lien fees were less than the budgeted amounts by a total of \$295,380.
- Educational-ECS funds of \$1,742,788 during the current fiscal year \$1,742,788 against a budgeted amount of \$810,951 causing a favorable variance of \$931,837.
- Other revenues include \$370,801 of unexpended funds refunded by the Regional High School from the 2017 fiscal year that was not anticipated in the budget.
- Less than anticipated municipal revenue sharing were received against the budget amounts causing a variance of \$189,150 during the fiscal year.
- Tax refunds of \$138,213 were more than budgeted during 2018.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town'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 Town's investment in capital assets for the current fiscal year was \$1,870,725. After accounting for \$1,585,377 depreciation, net capital assets decreased by \$285,348 to \$27,671,797. The amount invested in capital assets net of related debt as reported in the Statement of Net Position was \$21,074,150, an \$207,992 decrease from the previous year.

Capital asset additions during the current fiscal year included the following:

- \$61,330 construction in progress for the removal and replacement of the original building roof at the Bethany Community School (total appropriation of up to \$1,260,000).
- \$999,211 construction in progress for the Bethany Volunteer Fire Department communications system.
- \$649,310 for infrastructure for road reconstruction and resurfacing

**TOWN OF BETHANY, CONNECTICUT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**LONG-TERM OBLIGATIONS**

During the fiscal year ended June 30, 2018, the Town made \$515,000 of scheduled bond principal payments. At the end of the current fiscal year, the Town had \$2,650,000 of long-term bonded debt outstanding. The Town's general obligation bond rating continues to carry an Aa2 rating from Moody's Investors Service, Inc. (last reviewed October 2017).

As a member town of Amity Regional School District #5, the Town is responsible for a pro-rata share of the district's net debt based on a formula that utilizes the average daily membership (ADM) of each town as of October 1 of the preceding year. For fiscal year 2018, the Town's ADM percentage was calculated to be 18.96%, and its share of net district debt amounts to \$6,862,185.

Connecticut State Statutes limit the amount of general obligation debt a government entity may issue to seven times its tax collections plus interest and lien fees. For June 30, 2018, the maximum amount of borrowing permitted under the formula would be \$142,742,789. With net borrowings of \$11,919,765, the Town's outstanding general obligation debt is well below the maximum debt limitation.

During 2018, scheduled principal payments on all capital leases were made in the amount of \$44,243. At June 30, 2018 there were no capital leases.

During the year ended June 30, 2018, the Town issued \$3,240,000 of bond anticipation notes for the purchase of a new fire truck, the construction of a road salt storage facility, and the Bethany Community School roof project. Subsequent to year end, the Town issued \$3,230,000 of bond anticipation notes to finance the Bethany Volunteer Fire Department communications system project and to refinance the \$3,240,000 notes.

The Government Other Post-Employment Benefits (OPEB) Plan is described in Note 10 to the financial statements. Actuarial information, including assumptions and methods, are disclosed in detail. At June 30, 2018, the Government's OPEB obligation is \$800,192 and is reported as a long-term liability in the Statement of Net Position.

More detailed information about the Town's long-term obligations is presented in Note 7 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. One of those factors is the economy. The unemployment rate for the Town was 3.9% as of June 30, 2018, which is a decrease from a rate of 4.1% twelve months ago. This compares favorably to the state's average unemployment rate of 3.9% and the national average rate of 4.1% (not seasonally adjusted). Inflationary trends in the region compare favorably to the national indices.

Overall, the Town's budget increased \$229,537 (1.0%) between fiscal year 2018 and fiscal year 2019 from \$23,239,410 to \$23,468,947, as follows:

<u>Budget</u>	<u>FY 2018-2019</u>	<u>FY 2017-2018</u>	<u>\$ Change</u>	<u>%Change</u>
General Government	\$ 7,327,648	\$ 7,088,845	\$ 238,803	3.4%
Amity Regional School District #5	9,357,454	9,495,632	(138,178)	-1.5%
Elementary School	<u>6,783,845</u>	<u>6,654,933</u>	<u>128,912</u>	1.9%
Total	<u>\$ 23,468,947</u>	<u>\$ 23,239,410</u>	<u>\$ 229,537</u>	1.0%

The total fiscal year 2018 budget of Amity Regional School District #5 increased 1.26% from \$48,439,163 to \$49,345,625. The Town of Bethany's share based on the average daily membership (ADM), decreased from 19.68% FY 2017-2018 to 18.96% FY 2018-2019.

The tax levy for fiscal year 2019 increased budgeted revenue \$13,792 (.07%) from \$20,796,684 to \$20,782,892. The net taxable grand list increased .72% and the mil rate increased 2.61% from 35.96 to 36.90.

Except as noted below, municipal revenue and expenditure changes from the fiscal 2018 budget were modest adjustments.

#### Revenues

- \$368,873 decrease in Education Cost Sharing in anticipation of a reduction due to the State of Connecticut's fiscal crisis;
- \$80,000 decrease in municipal revenue sharing and \$71,000 in school building grant in 2018-2019 budget;
- \$283,592 decrease in 2018-2019 budgeted Local Capital Improvement (LOCIP) grant

#### Expenditures

- An increase of \$60,000 in Highway and Public works contracted services for extensive drainage work;
- A decrease of approximately \$200,000 in the regional high school budget
- An increase of approximately \$129,000 in the elementary educational budget

### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Board of Finance at Bethany Town Hall, 40 Peck Road, Bethany, Connecticut 06524.

**Town of Bethany, Connecticut**

**Basic Financial Statements**

**June 30, 2018**

**TOWN OF BETHANY  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

**ASSETS**

Cash and equivalents	\$ 5,314,988
Investments	1,620,973
Due from other funds	210,698
Receivables:	
Taxes, net of allowance	145,892
Accounts	61,035
Loans	89,988
Interest	484
Intergovernmental	102,902
Prepaid expenses	24,132
Inventories	38,988
Capital assets:	
Capital assets, not being depreciated	8,406,096
Capital assets. Net of the accumulated depreciation	<u>19,265,701</u>
<b>Total assets</b>	<b><u>\$ 35,281,877</u></b>

**DEFERRED OUT FLOWS OF RESOURCES**

Pension related - deferred outflows	27,828
Pension contributions subsequent to measurement date	<u>40,853</u>
<b>Total deferred outflows of resources</b>	<b><u>\$ 68,681</u></b>

**LIABILITIES**

Accounts payable	\$ 327,559
Accrued expenses	65,167
Unearned revenue	43,310
Noncurrent liabilities	
Due within one year	3,816,089
Due in more than one year	<u>3,682,126</u>
<b>Total liabilities</b>	<b><u>\$ 7,934,251</u></b>

**DEFERRED INFLOWS OF RESOURCES**

Pension related deferred inflows	<u>\$ 13,175</u>
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**NET POSITION**

Net investment in capital assets	\$ 21,723,460
Unrestricted	<u>5,679,672</u>
<b>Total net position</b>	<b><u>\$ 27,403,132</u></b>

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

**TOWN OF BETHANY, CONNECTICUT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities					
General government	\$ (1,347,299)	\$ 314,278	\$ -	\$ -	(1,033,021)
Public safety	(1,076,477)	168,585	19,678	-	(888,214)
Highway and public works	(2,106,814)	-	300,150	-	(1,806,664)
Health and Human Services	(743,142)	4,979	25,830	-	(712,333)
Community services	(399,591)	175,935	4,000	-	(219,656)
Insurance and benefits	(1,005,612)	-	-	-	(1,005,612)
Education	(18,000,189)	91,116	3,320,551	-	(14,588,522)
Interest on long term debt	(71,692)	-	-	-	(71,692)
Capital outlay	(222,568)	-	-	56,814	(165,754)
<b>Total governmental activities</b>	<u>(24,973,384)</u>	<u>754,893</u>	<u>3,670,209</u>	<u>56,814</u>	(20,491,468)
General Revenues					
Property taxes, interest, and lien fees					20,506,302
Grants and contributions not restricted to specific programs					807,976
Interest and investment earnings					24,096
Other					77,294
<b>Total general revenues</b>					<u>21,415,668</u>
<b>Change in net position</b>					924,200
<b>Net position - beginning of year, as restated ( Note 13)</b>					<u>26,478,932</u>
<b>Net position - end of year</b>					<u>\$ 27,403,132</u>

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

**TOWN OF BETHANY, CONNECTICUT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>Assets</b>				
Cash and equivalents	\$ 4,460,924	\$ 317,391	\$ 536,673	\$ 5,314,988
Investments	1,620,973	-	-	1,620,973
Receivables:				
Taxes, net of allowance of \$72,685	145,892	-	-	145,892
Accounts	61,035	-	-	61,035
Loans	-	-	89,988	89,988
Interest	484	-	-	484
Intergovernmental	98,244	-	4,658	102,902
Due from other funds	218,503	1,241,957	173,835	1,634,295
Prepaid expenses	24,132	-	-	24,132
Inventories	36,761	-	2,227	38,988
<b>Total assets</b>	<b>\$ 6,666,948</b>	<b>\$ 1,559,348</b>	<b>\$ 807,381</b>	<b>\$ 9,033,677</b>
<b>Liabilities</b>				
Accounts payable	\$ 322,421	\$ -	\$ 5,141	\$ 327,562
Accrued expenses	29,705	-	-	29,705
Due to other funds	1,416,307	-	6,169	1,422,476
Unearned revenue	25,592	-	17,512	43,104
<b>Total liabilities</b>	<b>1,794,025</b>	<b>-</b>	<b>28,822</b>	<b>1,822,847</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue- taxes	82,944	-	-	82,944
Unavailable revenue- long-term loans receivable	-	-	91,315	91,315
<b>Total liabilities deferred inflows of resources</b>	<b>82,944</b>	<b>-</b>	<b>91,315</b>	<b>174,259</b>
<b>Fund Balances</b>				
Nonspendable	60,893	-	2,227	63,120
Restricted	3,300	-	105,279	108,579
Committed	-	1,363,150	-	1,363,150
Assigned	342,927	336,853	579,738	1,259,518
Unassigned	4,382,859	(140,655)	-	4,242,204
<b>Total fund balances</b>	<b>4,789,979</b>	<b>1,559,348</b>	<b>687,244</b>	<b>7,036,571</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,666,948</b>	<b>\$ 1,559,348</b>	<b>\$ 807,381</b>	

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	27,671,797
Taxes and long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	172,932
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds, loans, and capital lease obligations	(6,059,786)
Pension, OPEB, and compensated absences	(1,438,429)
Accrued interest payable	(35,462)
Net deferred outflows of resource	55,509
Net position	<u>\$ 27,403,132</u>

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

**TOWN OF BETHANY, CONNECTICUT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Reserve Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
<b>REVENUES:</b>				
Property taxes	\$ 20,501,304	\$ -	\$ -	\$ 20,501,304
Intergovernmental	3,513,836	-	289,766	3,803,602
Local	377,321	-	264,680	642,001
Other	857,698	-	30,105	887,803
Interest earnings	<u>145,830</u>	<u>4,343</u>	<u>4,502</u>	<u>154,675</u>
<b>Total revenues</b>	<u>25,395,989</u>	<u>4,343</u>	<u>589,053</u>	<u>25,989,385</u>
<b>EXPENDITURES</b>				
Current				
General government	1,240,021	46,630	1,986	1,288,637
Public safety	737,910	-	149,640	887,550
Public Works	2,106,813	-	365,758	2,472,571
Health	632,685	-	-	632,685
Human services	84,431	-	-	84,431
Community services	443,834	12,000	-	455,834
Insurance and benefits	933,291	-	-	933,291
Education	17,215,700	46,845	-	17,262,545
Debt service	333,559	46,512	-	380,071
Capital outlay	-	1,288,196	3,800	1,291,996
<b>Total expenditures</b>	<u>23,728,244</u>	<u>1,440,183</u>	<u>521,184</u>	<u>25,689,611</u>
<b>Excess of revenues over (under) expenditures</b>	1,667,745	(1,435,840)	67,869	299,774
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	3,240,000	-	-	3,240,000
Payments to escrow agent	(2,064,101)	-	-	(2,064,101)
Transfers in (out)	<u>(2,144,667)</u>	<u>2,044,667</u>	<u>100,000</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(968,768)</u>	<u>2,044,667</u>	<u>100,000</u>	<u>1,175,899</u>
Net change in fund balance	698,977	608,827	167,869	1,475,673
Fund balances - beginning of year	<u>4,091,002</u>	<u>950,521</u>	<u>519,375</u>	<u>5,560,898</u>
Fund balances - end of year	<u>\$ 4,789,979</u>	<u>\$ 1,559,348</u>	<u>\$ 687,244</u>	<u>\$ 7,036,571</u>

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

**TOWN OF BETHANY, CONNECTICUT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds	\$ 1,475,673
<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 lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.</p>	
Capital outlay	1,870,725
Depreciation expense	(1,585,377)
	285,348

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

Debt issued or incurred:

Issuance of debt	(3,240,000)
Principal repayments:	
General obligation bonds	515,000
Repayment of notes	2,045,000
Capital lease payments	44,243
Loan payments	24,996
Premium on bonds	5,972
	\$ (604,789)

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

Revenues:

Taxes, interest and liens	(91,803)
Change in deferred outflows related to pension contributions	(68,823)

Expenses:

Pension-Firemen	(72,321)
Pension-CMERS	49,171
OPEB	(42,434)
Compesated absences	(5,822)
	(232,032)

Change in Net Position	\$ 924,200
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The notes to financial statements are an integral part of this statement.

**TOWN OF BETHANY, CONNECTICUT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<u>Firemen's Retention Plan Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,892	\$ 262,930
Investments	308,811	-
Due from other funds	-	514
	<u>\$ 310,703</u>	<u>\$ 263,444</u>
<b>LIABILITIES</b>		
Due to others	-	193,298
Due to other funds	141,066	70,146
Total Liabilities	<u>141,066</u>	<u>263,444</u>
Net Position		
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>		
	<u>169,637</u>	<u>-</u>
Total net position	<u>\$ 169,637</u>	<u>\$ -</u>

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

**TOWN OF BETHANY, CONNECTICUT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2018**

**ADDITIONS**

Employer contributions	\$ 20,000
Interest and dividends	20,094
Net appreciation(depreciation) in fair value of investments	<u>(11,941)</u>
	<u>\$ 28,153</u>

**DEDUCTIONS**

Benefits paid	\$ 45,081
Fees and expenses	<u>-</u>
	<u>45,081</u>

Change in net position	(16,928)
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Net position - beginning of year	<u>186,565</u>
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Net position - ending of year	<u><u>\$ 169,637</u></u>
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The notes to financial statements are an integral part of this statement.

**TOWN OF BETHANY, CONNECTICUT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 20,796,684	\$ 20,796,684	\$ 20,501,304	\$ (295,380)
Intergovernmental	1,386,387	1,386,387	2,225,839	839,452
Local	105,000	105,000	145,830	40,830
Other	383,939	383,939	377,321	(6,618)
Interest earnings	567,400	567,400	857,698	290,298
<b>Total revenues</b>	<u>23,239,410</u>	<u>23,239,410</u>	24,107,992	868,582
<b>EXPENDITURES</b>				
Current				
General government	1,279,039	1,279,039	1,240,021	39,018
Public safety	772,820	772,820	737,910	34,910
Public Works	2,117,343	2,117,343	2,106,813	10,530
Health	636,461	636,461	632,685	3,776
Human services	101,592	101,592	84,431	17,161
Community services	739,523	739,523	822,846	(83,323)
Insurance and benefits	1,015,150	1,015,150	933,291	81,859
Debt service	426,917	426,917	333,559	93,358
Regional High School	9,495,632	9,495,632	9,341,182	154,450
Elementary High School	6,654,933	6,654,933	6,586,521	68,412
<b>Total expenditures</b>	<u>23,239,410</u>	<u>23,239,410</u>	<u>22,819,259</u>	<u>420,151</u>
<b>Excess of revenues over (under) expenditures</b>	-	-	1,288,733	1,288,733
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of debt	-	-	3,240,000	3,240,000
Payments to escrow agent	-	-	(2,064,101)	(2,064,101)
Transfers in (out)	-	-	(1,765,655)	(1,765,655)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(589,756)</u>	<u>(589,756)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	698,977	<u>\$ 698,977</u>
Fund balances - beginning of year, as restated			<u>4,091,002</u>	
Fund balances - end of year			<u>\$ 4,789,979</u>	

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

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NOTES TO FINANCIAL STATEMENTS  
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**Note 1 – Summary of Significant Accounting Policies**

The Town of Bethany, Connecticut (the “Town”), is a municipal corporation governed by a selectmen/ town meeting form of government. Under this form of government, the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes, and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The Selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. An elected Board of Finance is the budget making authority and supervises the Town's financial matters.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies.

**Reporting Entity**

The financial reporting entity consists of: 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 as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with the Town.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government as a whole. For the most part, the effects of interfund activity have been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from 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 requirement of a particular function

**TOWN OF BETHANY, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
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or segment, and 3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported 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 which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures. 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 Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with nonmajor funds aggregated and presented in a single column. The Town maintains fiduciary funds, which are reported by type.

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

The Town's resources are reflected in the fund financial statements in two broad fund categories in accordance with generally accepted accounting principles as follows:

**Governmental Funds** – Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds.

The following are the Town's major governmental funds:

*General Fund* – the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

*Capital Reserve Fund* – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

The Town also reports the following nonmajor governmental funds:

**Special Revenue Funds** – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purpose other than debt service or capital projects. The nonmajor special revenue funds of the Town are:

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*Education Grants Fund* – used to account for and report the proceeds of State and Federal grants that are restricted to expenditures for education.

*School Lunch Program Fund* – used to account for and report the proceeds of State and Federal grants and fees that are restricted or assigned to expenditures for the school lunch program.

*Cemetery Fund* – used to collect fees and make expenditures for the care of the grounds.

*Historic Preservation PA 00-146* – established under the named public act concerning service charges applied to real estate filings to fund the historic preservation of Town records.

*Housing Rehabilitation Fund* – established with a Federal grant to lend home improvement money to citizens that otherwise would not be able to afford to bring their homes up to the current safety codes.

*Playhouse Group Fund* – used for establishing a theater troop in Bethany.

*Preschool Fund* – collects fees and related costs for preschool.

*Connecticut Clean Energy Fund* – accounts for a grant for the same purpose.

*Police Fund* – used for the revenue and expenditures for police overtime and special events.

The following are the Town's nonmajor capital project funds:

*Land Acquisition Fund* – used to accumulate money for future land purchases.

*Agriculture Grant Fund* – used to account for a grant for the same purpose.

*Airport Property Improvement Fund* – used for capital expenditures and repairs to the former airport.

**Fiduciary Funds** (not included in the government-wide financial statements) – The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. The Agency Funds are primarily utilized to account for monies held as custodian for outside groups.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

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The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The Agency Funds have no measurement focus but utilize 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.

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 GASB guidance.

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.

Property taxes and certain other revenues are considered to be available if collected within 60 days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues, are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, other post employment benefit obligations, and certain pension obligations are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Cash, Cash Equivalents, and Investments**

Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds, and treasury bills with original maturities of less than three months.

*Custodial Credit Risk* – Custodial credit risk is the risk that, in the event of a bank failure, the Town deposits may not be returned to it. The Town's policy for custodial credit risk is to allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

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*Investments* – The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution brokers/dealers and advisors. The Town policy allows investments in the following: 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open-end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

Investments are stated at fair value, based on quoted market prices.

*Interest Rate Risk* – Interest rate risk is the risk that the Town will incur losses in fair value caused by changing interest rates. 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. Generally, the Town does not invest in any long-term investment obligations.

*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's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

*Concentration of Credit Risk* – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

### **Fair Value Measurements**

The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. GAAP establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (“observable inputs”) and the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (“unobservable inputs”) and requires that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets the

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Town has the ability to access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation of these assets does not entail significant judgment.

- Level 2 - Valuation based on quoted prices for similar assets in active markets; quoted prices for similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Town's own assumptions about assumptions that market participants might use.

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

### **Taxes Receivables**

Property taxes are assessed on property values as of October 1<sup>st</sup>. The tax levy is divided into two billings; the following July 1<sup>st</sup> and January 1<sup>st</sup>. This is used to finance the fiscal year from the first billing

(July 1<sup>st</sup>) to June 30<sup>th</sup> of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1<sup>st</sup> and February 1<sup>st</sup>), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under Connecticut State Statutes, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of 15 years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due. The Town establishes allowances for uncollectible taxes and interest based on historical collection experience and other factors. As of June 30, 2018, the Town has established an allowance for uncollectible taxes and interest of \$72,685.

### **Other Receivables**

Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

### **Prepaid Expenses**

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

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**Loans Receivable**

The Town administers a loan program for individuals and families in need. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2018, loans receivable totaled \$89,988 under this program.

**Inventory**

Inventory is valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory.

**Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in appropriate governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Land and construction-in-progress is not depreciated. Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

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<u>Assets</u>	<u>Years</u>	<u>Threshold</u>
Buildings and systems	25-50	\$ 5,000
Machinery and equipment		
Vehicles	10-20	\$ 5,000
Equipment	5-10	\$ 5,000
Infrastructure	40	\$ 5,000

**Unearned Revenue**

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred outflow of resources in the government-wide Statement of Net Position related to pension contributions made subsequent to the measurement date. These amounts are deferred and included in pension expense in the subsequent year. Also, the Town reports a deferred outflow of resources in the government-wide Statement of Net Position related to pension results from differences between expected and actual experience in the government-wide Statement of Net Position. These amounts are deferred and included in pension expense in a systematic and rational manner.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The unavailable revenues from property taxes and long-term loans are reported in the governmental funds Balance Sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Compensated Absences**

Employees are paid by prescribed formula for absence due to vacation or sickness. Vacation pay is generally not available beyond the fiscal year it is earned. Unused sick leave may be accumulated to be used for future absences or is payable upon termination. Sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts 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.

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**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, or other commitments for expenditures are recorded to reserve a portion of an applicable appropriation, is utilized in governmental funds, primarily the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance as they do not constitute expenditures or liabilities. There were no of encumbrances at year end June 30, 2018.

**Net Pension Liability**

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

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

**Net Position and Fund Balance**

In the government-wide financial statements, net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes net investment in capital assets and restricted net position. The balance is classified as unrestricted.

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

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Nonspendable – fund balance amounts that cannot be spent because they are either not in spendable form (inventories, prepaids, and long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted – fund balance amounts to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments, or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the State of Connecticut Statutes.

Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the Town’s highest level of decision-making authority, which is a motion at a Town Meeting. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the entity's governing boards.

Assigned – fund balance amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. Currently, this is done by the Board of Finance. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund.

Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted, or committed fund balance amounts.

Unassigned – fund balance amounts not classified as nonspendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance.

For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted, and committed would exceed the fund's assets and deferred outflows.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the Town considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

**TOWN OF BETHANY, CONNECTICUT**  
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amounts of assets, liabilities, deferred inflows/outflows, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 15, 2019.

**Note 2 - Budgeting and Budgetary Accounting**

**General Fund**

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- Teachers' Retirement – The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 68 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.
- Encumbrances – Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- The Boards of Selectmen and Education submit requests for appropriations to the Board of Finance. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations of the next fiscal year.
- The Board of Finance holds a public hearing at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing, and prior to the annual meeting. The Board of Finance prepares the proposed budget.
- The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.
- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by Connecticut State Statutes, appropriated as one department.

**TOWN OF BETHANY, CONNECTICUT  
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- The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any department appropriation. A Town Meeting must be called to make appropriations over \$20,000 or additional changes to previously adjusted appropriations.
- A reconciliation of General Fund operations presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) to the amounts presented on the budgetary basis is as follows:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (uses)</u>
Budgetary basis	\$ 24,107,992	\$ 22,819,259	\$ (589,756)
State Teachers' Retirement on be-half payment, not recognized for budgetary purposes	1,287,997	1,287,997	-
Reclassification	<u>-</u>	<u>(379,012)</u>	<u>(379,012)</u>
GAAP basis	<u>\$ 25,395,989</u>	<u>\$ 23,728,244</u>	<u>\$ (968,768)</u>

**Special Revenue Funds**

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

**Capital Project Funds**

Legal authorization for expenditures of the Capital Project Funds is provided by the Town ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

**TOWN OF BETHANY, CONNECTICUT  
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**Note 3 - Cash, Cash Equivalents and Investments**

**Cash and Cash Equivalents**

The following is a summary of cash and cash equivalents at June 30, 2018:

<u>Governmental Funds</u>	
Cash and cash equivalents	\$ 4,382,801
Connecticut Short Term Investment Fund	<u>932,187</u>
	5,314,988
 <u>Fiduciary Funds</u>	
Cash and cash equivalents	<u>\$ 264,822</u>
 Total Cash and Investments	 <u>\$ 5,579,810</u>

**Custodial Credit Risk on Deposits**

As of June 30, 2018, the carrying amount of the Town's deposits with financial institutions was \$4,647,623. The bank balance of the deposits was \$5,018,219 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 265,873
Uninsured and collateralized	475,235
Uninsured and uncollateralized	<u>4,277,111</u>
	<u>\$ 5,018,219</u>

**Investments**

Investments are summarized as follows at June 30, 2018:

	Fair Market Value	Maturity not Applicable	Investment Maturity (in Years)			
			Less Than 1	1yr-5yr	5yr-10yr	10yr-30yr
<u>General Fund</u>						
Fixed income	<u>\$ 1,620,974</u>	<u>\$ -</u>	<u>\$ 5,325</u>	<u>\$ 1,615,649</u>	<u>\$ -</u>	<u>\$ -</u>
 <u>Pension Trust Fund</u>						
U.S. Government agencies	\$ 37,101	\$ -	\$ -	\$ -	\$ -	\$ 37,101
Mutual funds	132,656	132,656	-	-	-	-
REIT	51,057	51,057	-	-	-	-
Other	87,997	87,997	-	-	-	-
Total pension trust fund	<u>\$ 308,811</u>	<u>\$ 271,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,101</u>

**TOWN OF BETHANY, CONNECTICUT  
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**Note 6 - Capital Assets**

Capital asset activities for the year ended June 30, 2018 was as follows:

	<u>Balance at July 01, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 4,372,624	\$ -	\$ -	\$ 4,372,624
Construction in progress	<u>2,952,232</u>	<u>1,081,240</u>	<u>-</u>	<u>4,033,472</u>
Total capital assets not being depreciated	<u>7,324,856</u>	<u>1,081,240</u>	<u>-</u>	<u>8,406,096</u>
Capital assets being depreciated:				
Buildings and systems	17,841,823	96,175	-	17,937,998
Machinery and equipment	7,843,606	44,000	-	7,887,606
Infrastructure	<u>22,707,063</u>	<u>649,310</u>	<u>-</u>	<u>23,356,373</u>
Total capital assets being depreciated	<u>48,392,492</u>	<u>789,485</u>	<u>-</u>	<u>49,181,977</u>
Less accumulated depreciaton:	<u>(28,330,899)</u>	<u>(1,585,377)</u>	<u>-</u>	<u>(29,916,276)</u>
Total depreciable capital assets, net	<u>20,061,593</u>	<u>(795,892)</u>	<u>-</u>	<u>19,265,701</u>
Capital assets, net	<u>\$ 27,386,449</u>	<u>\$ 285,348</u>	<u>\$ -</u>	<u>\$ 27,671,797</u>

Depreciation expense was charged to governmental activities-function/programs as follows:

General government	\$ 105,292
Public works	894,657
Public safety	188,927
Health and welfare	26,026
Education	<u>370,475</u>
Total depreciation expense	<u>\$ 1,585,377</u>

**TOWN OF BETHANY, CONNECTICUT**  
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**Note 7 - Long-Term Liabilities**

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,165,000	\$ -	\$ 515,000	\$ 2,650,000	\$ 515,000
Bond premiums	117,421	-	5,972	111,449	5,972
Bond anticipation notes	2,045,000	3,240,000	2,045,000	3,240,000	3,240,000
Loan payable- Eversource	83,333	-	24,996	58,337	24,996
Capital leases	44,243	-	44,243	-	-
Compensated absences	83,074	5,822	-	88,896	30,121
Other post employment benefits*	757,758	104,947	62,513	800,192	-
Firemen's pension*	214,628	72,321	-	286,949	-
Net pension liability(CMERS)	311,563	-	49,171	262,392	-
	<u>\$ 6,822,020</u>	<u>\$ 3,423,090</u>	<u>\$ 2,746,895</u>	<u>\$ 7,498,215</u>	<u>\$ 3,816,089</u>

\* restated (see Note 13)

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interests on these obligations are expensed to the respective fund, primarily the General Fund.

**General Obligation Bonds**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2018, consisted of the following:

<u>Purpose</u>	<u>Year of Issue</u>	<u>Original Amount</u>	<u>Matures in Year Ending</u>	<u>Average Interest</u>	<u>Current Amount</u>
Education/Public Safety	2012	\$ 5,505,000	2027	1%-3%	\$ 2,100,000
Transportation	2012	2,060,000	2020	1%-3%	550,000
					<u>\$ 2,650,000</u>

**TOWN OF BETHANY, CONNECTICUT  
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Payments to maturity on the general obligation bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 515,000	\$ 58,049
2020	525,000	47,649
2021	240,000	38,799
2022	235,000	32,555
2023	235,000	27,268
2024	230,000	21,634
2025	225,000	15,718
2026	225,000	9,559
2027	220,000	3,131
	<u>\$ 2,650,000</u>	<u>\$ 254,362</u>

**Bond Anticipation Notes**

On November 8, 2016, the Town issued \$2,045,000 of bond anticipation notes due August 7, 2017, with an annual interest rate of 1.25% to fund these projects. This bond anticipation note was repaid during the year ended June 30, 2018 with a new bond anticipation note on August 7, 2017 in the amount of \$3,240,000 at a rate of 1.35% per annum due August 6, 2018.

**Loan Payable - Eversource**

In November 2016, the Town financed certain lighting improvements with a loan for \$100,000. The loan matures serially from December 2016 to November 2020 with monthly principal payments of \$2,083 and bears interest of zero percent.

**Bonds Authorized and Unissued**

At June 30, 2018, there were \$129,096 authorized and unissued bonds for general purposes.

**Capital Leases Payable**

The Town enters into various lease agreements as a lessee for financing the acquisition of equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date in the government-wide financial statements. There were no capital lease obligations outstanding at year end.

**TOWN OF BETHANY, CONNECTICUT  
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**Prior Years Advance Refundings**

In prior years, the Town has defeased a bond issue by creating a separate irrevocable trust. New debt has been issued, and the proceeds have been used, to purchase U.S. Government securities that were placed in the trust. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Town's financial statements.

**Statutory Debt Limitation**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2018.

**Note 8 - Fund Balances**

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	General Fund	Capital Reserve Fund	Other Governmental Funds
Nonspendable:			
Prepaid expenses	\$ 24,132	\$ -	\$ -
Inventories	<u>36,761</u>	<u>-</u>	<u>2,227</u>
	<u>60,893</u>	<u>-</u>	<u>2,227</u>
Restricted:			
Capital projects	-	-	89,862
Culture and recreation	-	-	15,417
Community service	<u>-</u>	<u>-</u>	<u>36,644</u>
	<u>-</u>	<u>-</u>	<u>141,923.00</u>
Committed:			
Capital Projects	<u>-</u>	<u>1,363,150</u>	<u>-</u>
Assigned:			
Subsequent year's budget	-	-	-
General government	-	-	51,477
Education	-	-	130,943
Public safety	-	-	68,479
Culture and recreation	-	-	2,113
Community service	-	-	4,686
Capital projects	<u>-</u>	<u>336,853</u>	<u>285,396</u>
	<u>-</u>	<u>336,853</u>	<u>543,094</u>
Unassigned:			
	<u>4,729,086</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,789,979</u>	<u>\$ 1,700,003</u>	<u>\$ 687,244</u>

**TOWN OF BETHANY, CONNECTICUT  
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**Note 9 - Pension Plans**

**Connecticut Teachers' Retirement System**

Description of System

Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing multiple employer defined benefit pension system with a special funding situation.

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Summary of Significant Accounting Policies

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about the System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Benefits Provided

The benefits provided to participants by the System are as follows:

**Normal Benefit:** A member 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, is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

**Prorated Benefit:** A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

**Minimum Benefit:** Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

**TOWN OF BETHANY, CONNECTICUT  
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Contribution Requirements

The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Participants are required to contribute 7.25% until December 2018 then 8.25% thereafter of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2017-2018 school year, \$247,730 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$3,151,744. The Town had 47 active participants in the System at June 30, 2018.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following key actuarial assumptions:

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of position investment expense, including inflation	8.00 Percent

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.

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

The long-term expected rate of return on pension 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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<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%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	<u>6.0%</u>	0.4%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Sensitivity of the system's proportionate share of the net pension liability related to the Town	\$ 13,937,684	\$ 11,134,958	\$ 8,765,429

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$11,134,958.

**TOWN OF BETHANY, CONNECTICUT  
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The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$1,287,997 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

**Connecticut Municipal Employees Retirement System**

Description of Retirement System

The Town is a participating municipality of the Connecticut's Municipal Employees Retirement System ("CMERS"), which is the public pension plan offered by the State of Connecticut for municipal employees in participating municipalities. The plan was established in 1947 and is governed by Connecticut General Statute Title 7, Chapter 113. CMERS is a multiemployer pension plan administered by the Connecticut State Retirement Commission. The State Retirement Commission is responsible for the administration of CMERS. The State Treasurer is responsible for investing CMERS funds for the exclusive benefit of CMERS members. The Town had 6 active participants in CMERS at June 30, 2018.

CMERS is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

Summary of Significant Accounting Policies

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

Benefits Provided

The benefits provided to participants by CMERS include retirement, disability, and death benefits as follows:

General Employees – Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service.

Policemen and Firemen – Compulsory retirement age for police and fire members is age 65.

Normal Retirement – For members not covered by social security, the benefit is 2% of average final compensation times years of service.

For members covered by social security, the benefit is 1% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

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If any member covered by social security retires before age 62, the benefit until age 62 or until a social security disability award is received, is computed as if the member is not under social security.

Early Retirement – Employees are eligible after 5 years of continuous service or 15 years of active aggregate service. The benefit is calculated based on average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement – Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

Pre-Retirement Death Benefit – The plan also offers a lump sum return of contributions with interest or surviving spouse benefit depending on length of service.

#### Contribution Requirements

Employer – As a participating municipality, the Town makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability, and a prior service amortization payment, which covers the liabilities of CMERS not met by member contributions.

Employees – For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2.25% of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

The Town's required contribution to CMERS is currently 11.38% of covered payroll. Such contribution was \$43,001 for the year ended June 30, 2018, related to covered payroll of \$377,864.

#### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases, including inflation	4.25-11.0 Percent
Long-term investment rate of return, net of position investment expense, including inflation	8.00 Percent

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and nonannuitants (set forward one year for males and set back one year for females).

**TOWN OF BETHANY, CONNECTICUT  
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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, 2005 - June 30, 2010.

Future Cost-of-Living adjustments for members who retire on or after January 1, 2002, are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, the maximum is 6%.

The long-term expected rate of return on pension 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, 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	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (non-U.S.)	7.0%	8.3%
Core Fixed Income	8.0%	1.3%
Inflation Linked Bonds	5.0%	1.0%
Emerging Market Bonds	8.0%	3.7%
High Yield Bonds	14.0%	3.9%
Real Estate	7.0%	5.1%
Private Investments	10.0%	7.6%
Alternative Investments	8.0%	4.1%
Liquidity Fund	<u>3.0%</u>	0.4%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF BETHANY, CONNECTICUT  
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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability of CMERS, calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Sensitivity of the proportionate Share of the net pension liability	\$ 448,464	\$ 262,392	\$ 104,568

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

At June 30, 2018, the Town reported a liability in the government-wide Statement of Net Position for its proportionate share (0.158736%) of the net pension liability. The amount recognized by the Town as its proportionate share of the net pension liability was \$262,392.

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. The total pension liability was calculated as of the June 30, 2017 measurement date using a standard roll-forward technique. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

The Town recognized the total proportionate share of the collective pension expense in the government-wide Statement of Activities associated with the Town of \$57,992 for the fiscal year ended June 30, 2018.

At June 30, 2018, the Town reported deferred outflows of resources related to CMERS in its government-wide Statement of Net Position from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 4,988
Change in assumptions	\$ (11,346)
Net difference between projected and actual earnings on plan investments	\$ 21,011
Town contributions subsequent to the measurement date	\$ 40,853
Total	\$ 55,506

The deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other deferred outflows and inflows are amortized over a closed five-year period. Amounts reported in deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**TOWN OF BETHANY, CONNECTICUT**  
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Fiscal year ended	
<u>June 30,</u>	
2019	\$ 4,723
2020	17,794
2021	4,179
2022	(12,043)

**Recruitment and Retention Plan - Town of Bethany Volunteer Fire Association**

Summary

Substantially all Members (as defined in the plan) of the Bethany Volunteer Firemen's Association, Inc. may participate in the plan. The plan is considered to be part of the Town's financial reporting entity, and is included in the Town's financial statements as a Pension Trust Fund. Plan benefit and contribution requirements are established by the plan, which may be amended by the Town.

Benefit Provisions

Eligibility to participate in the plan is based upon minimum age and months of service requirements. Participants are fully vested in year 20 of participation and are unvested prior to that time. Retirement benefits are paid following the participants' attainment of the longer of the age 62 and 20 years of service. Under the plan agreement, the Town is obligated to make contributions as deemed necessary by an actuary. The Town reserves the right to make any amendments to the plan and may terminate the plan at any time. The plan is administered by Volunteer Firemen's Services, Inc.

Basis of Accounting

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Investments

For the year ended June 30, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expenses, was 7.0%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested. Investments are valued at fair market value using quoted market prices.

Contributions

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that are sufficient to accumulate the assets needed to pay benefits when due. For the year ended June 30, 2018, the Town contributed \$20,000 to the plan.

**TOWN OF BETHANY, CONNECTICUT**  
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Net Pension Liability

The components of the net pension liability of the Town at June 30, 2018, were as follows:

Total pension liability	\$ 454,586
Plan fiduciary net position	<u>\$ 169,637</u>
Net pension liability	<u>\$ 284,949</u>

**Defined Contribution Plan – Town Employees**

The Town maintains a non-contributory money purchase plan for all full time regular employees (excluding Board of Education and Public Works employees, who are covered separately) upon completion of six months of service with the Town. Participants, 21 years of age and over, vest immediately and may voluntarily contribute up to 15% of gross income. The Town contributes 8% of employees' normal earnings. This year the Town contributed \$62,781 to the plan. At June 30, 2018, there were 15 active participants in the plan.

**Defined Contribution Plan – Non-Certified Board of Education Employees**

Non-certified employees of the Board of Education who have completed one year of service are eligible to participate in a non-contributory money purchase pension plan. The Town contributes 7% to 11% of employees' normal earnings and participants vest immediately. During the current year, the Town contributed \$32,985 to the plan. The plan is administered by various companies. At June 30, 2018, there were 7 active participants in the plan.

**Note 10 - Other Post-Employment Benefits (OPEB)**

Plan Description

The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town in accordance with various collective bargaining agreements. The plan does not issue separate financial statements.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2017. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net OPEB Liability (Total OPEB Liability for unfunded plans) will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Eligibility: Age 50 with 25 years of service, age 55 with 20 years of service, or age 60 with 10 years of service.

Cost Sharing: All retirees pay 100% of the premiums less the amount paid to the Town by the Teachers' Retirement Board.

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Plan of Coverage: Various medical plans depending on whether retirement is prior to age 65 or after 65 and whether eligibility for Medicare.

Funding Policy

The employer does not pre-fund benefits. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis.

Plan Participants

The plan had the following number of participants as of July 1, 2016:

Active plan members	58
Retirees	<u>2</u>
Total members	<u>60</u>

Net OPEB Liability of the Town

During the year, the Town implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (OPEB). This Statement requires the net OPEB liability to be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The components of the net OPEB liability of the Town at June 30, 2018, re as follows:

Total OPEB liability	\$ 800,192
Plan fiduciary net position	<u>-</u>
Towns net OPEB liability	<u>\$ 800,192</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0%</u>

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 74 and 75.

The Town's net OPEB liability will be required to be recorded on the government-wide financial statement of net position at June 30, 2018.

Actuarial assumptions - the total OPEB liability was determined by an actuarial valuation as of July 1, 2017 and increased by service cost and interest and decreased by benefit payments to estimate the total OPEB liability as of June 30, 2018.

**TOWN OF BETHANY, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Actuarial assumptions were as follows:

Latest Actuarial Date	July 1, 2016
Actuarial Cost Method	Projected Unit Credit
Discount Rate	3.00%
Payroll Growth Rate	3.00%
Medical Inflation	Initial rate of 5%
Amortization Method	Level dollar amount
Remaining amortization	30 years, open
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table
Turnover	Based on the experience under the Connecticut State Teachers' Retirement System
Retirement	Based on the experience under the Connecticut State Teachers' Retirement System

Discount rate - the discount rate used to measure the total OPEB liability was 3.87%. 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 the Town contributions will be made at rates equal to the actuarially determined contributions. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate - the following presents the net OPEB liability of the Town, calculated using the discount rate of 3.87%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage-point lower (2.87%) or 1- percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Net OPEB liability	<u>\$ 891,150</u>	<u>\$ 800,192</u>	<u>\$ 718,613</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate - the following presents the net OPEB liability of the Town, calculated using the healthcare cost trend rate of 4.6%, as well as what the Town's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1- percentage-point lower (3.6%) or 1- percentage-point higher (5.6%) than the current healthcare cost trend rate:

	1% Decrease (3.60%)	Current Discount Rate (4.60%)	1% Increase (5.60%)
Net OPEB liability	<u>\$ 676,127</u>	<u>\$ 800,192</u>	<u>\$ 952,018</u>

**TOWN OF BETHANY, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Annual Costs and Net OPEB Liability

The Town's annual post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Town has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers in plans with more than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed twenty-five years.

The calculation of the change in the net OPEB obligation for the year ended June 30, 2018 follows:

Net OPEB liability, beg. as restated (see note 7)	<u>757,758</u>
Service cost	\$ 52,892
Interest on net OPEB liability	28,363
Differences between expected and actual experience	23,692
Changes of benefit terms	-
Changes in assumptions	(25,375)
Benefit payments	<u>(37,138)</u>
Change in Net OPEB liability	<u>42,434</u>
Net OPEB liability, ending	<u>\$ 800,192</u>
Covered payroll	<u>\$ 3,773,197</u>
Total OPEB liability as a percentage of covered payroll	<u>21.21%</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended Town of Bethany, the Town recognized OPEB expense of \$78,374. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>          </u>	<u>          </u>
Differences between expected and actual	\$ 22,282	\$ -
Net difference between projected and actual	-	-
Changes of assumptions or other inputs	-	23,865
Total	<u>\$ 22,282</u>	<u>\$ 23,865</u>

**TOWN OF BETHANY, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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

2019	\$	100
2020		100
2021		100
2022		100
2023		100
Thereafter		<u>1,083</u>
		<u>\$ 1,583</u>

**Note 11– Contingent Liabilities**

Litigation

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

Grants

The Town participates in various Federal and State grant programs. These programs are subject to program compliance audits pursuant to the Federal and State Single Audit Acts. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, to be immaterial.

School Building Grants

Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the town abandons, sells, leases, demolishes, or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

For projects with a cost of over \$2,000,000, the contingency will be amortized over 20 years. For smaller projects, the contingency will be amortized over 10 years.

**Note 12 – Risk Management**

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes Section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate

**TOWN OF BETHANY, CONNECTICUT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

**Note 13– Prior Period Adjustment**

The City implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions during the year ended June 30, 2018. The standard requires that the beginning balance of the OPEB obligation be restated. In addition, there were errors related to the net pension liability, encumbrances and interfund activity as follows:

	OPEB Liability	Net Pension Liability	Budgetary Basis-Fund balance	Net Assets	OPEB Expense
Balance at June 30, 2017, before restatement	\$ 1,203,085	\$ 214,628	\$ 3,947,026	\$ 26,033,605	\$ -
OPEB balance (GASB 75) adjustment	(445,327)	-	-	445,327	-
Restatement of NPL	-	-	-	-	-
To correct errors related to encumbrances	-	-	190,488	-	-
To correct error related to interfund activity	-	-	(46,512)	-	-
Balance at June 30, 2017, as restated	<u>\$ 757,758</u>	<u>\$ 214,628</u>	<u>\$ 4,091,002</u>	<u>\$ 26,478,932</u>	<u>\$ -</u>

**Note 14 – Recently Issued Accounting Standards**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB Statement No. 75, which will most likely have a material impact, though the amount has not yet been determined:

GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

**TOWN OF BETHANY, CONNECTICUT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

GASB Statement No. 87, Leases. This Statement improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**Note 15 – Subsequent Events**

On August 6, 2018, the Town issued \$3,230,000 of general obligation bonds notes with an annual interest rate ranging from 3.0% to 5.0% payable at maturity. Bond payments start on February 2019 and are semiannually thereafter.

**Town of Bethany, Connecticut**  
**Required Supplementary Information**  
**June 30, 2018**

**TOWN OF BETHANY, CONNECTICUT  
CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>0.158736%</u>	<u>0.158736%</u>	<u>0.176356%</u>	<u>0.176356%</u>
Town's proportionate share of the net pension liability	<u>\$ 262,392</u>	<u>\$ 311,563</u>	<u>\$ 241,450</u>	<u>\$ 181,414</u>
Town's covered-employee payroll	<u>\$ 377,864</u>	<u>\$ 393,640</u>	<u>\$ 396,367</u>	<u>\$ 414,917</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>69.44%</u>	<u>79.15%</u>	<u>60.92%</u>	<u>43.72%</u>
System fiduciary net position as a percentage of the total pension liability	<u>91.68%</u>	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</u>

Note: The above information relates to June 30, 2016, the last actuarial valuation.

See accompanying Independent Auditors' Report

**TOWN OF BETHANY, CONNECTICUT  
CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF TOWN CONTRIBUTIONS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 40,853	\$ 44,796	\$ 45,107	\$ 49,707
Contributions in relation to the contractually required contribution	<u>(40,853)</u>	<u>(44,796)</u>	<u>(45,107)</u>	<u>(49,707)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	<u>\$ 377,864</u>	<u>\$ 393,640</u>	<u>\$ 396,367</u>	<u>\$ 414,917</u>
Contributions as a percentage of covered-employee payroll	<u>10.81%</u>	<u>11.38%</u>	<u>11.38%</u>	<u>11.98%</u>

Note: The above information relates to June 30, 2016, the last actuarial valuation.

See accompanying Independent Auditors' Report

**TOWN OF BETHANY, CONNECTICUT  
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State's proportionate share of the net liability associated with the Town	<u>11,134,958</u>	<u>11,747,532</u>	<u>9,069,208</u>	<u>8,382,665</u>
Total	<u>11,134,958</u>	<u>11,747,532</u>	<u>9,069,208</u>	<u>8,382,665</u>
Town's covered-employee payroll	<u>3,119,472</u>	<u>3,119,472</u>	<u>3,193,576</u>	<u>3,120,869</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	20.4 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.25-6.50 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense

See accompanying Independent Auditors' Report

**TOWN OF BETHANY, CONNECTICUT  
RECRUITMENT AND RETENTION PLAN  
TOWN OF BETHANY VOLUNTEER FIRE ASSOCIATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>					
Service cost	\$ -	\$ -	\$ 95,322	\$ 19,567	\$ 22,919
Difference between expected and actual results	(46,868)	(1,472)	-	-	-
Benefit payments	<u>-</u>	<u>-</u>	<u>(92,274)</u>	<u>-</u>	<u>(140,387)</u>
Net change in total pension liability	(46,868)	(1,472)	3,048	19,567	(117,468)
Total pension liability- beginning	<u>501,454</u>	<u>502,926</u>	<u>499,878</u>	<u>480,311</u>	<u>597,779</u>
Total pension liability- ending	<u>\$ 454,586</u>	<u>\$ 501,454</u>	<u>\$ 502,926</u>	<u>\$ 499,878</u>	<u>\$ 480,311</u>
<b>Plan Fiduciary Net Pension</b>					
Contributions - employer	\$ 20,000	\$ 16,000	\$ 16,000	\$ 40,000	\$ 40,000
Net investment income	\$ 8,152	20,815	\$ 30,907	\$ 17,794	\$ 14,346
Benefit payments	\$ (45,081)	(136,848)	\$ (92,274)	\$ -	\$ (140,387)
Administrative expenses	<u>-</u>	<u>(227)</u>	<u>\$ (2,456)</u>	<u>\$ (2,491)</u>	<u>\$ (4,166)</u>
Net change in plan fiduciary net position	(16,929)	(100,260)	\$ (47,823)	\$ 55,303	\$ (90,207)
Plan fiduciary net position - beginning	<u>186,566</u>	<u>286,826</u>	<u>334,649</u>	<u>279,346</u>	<u>369,553</u>
Plan fiduciary net position - ending	<u>\$ 169,637</u>	<u>\$ 186,566</u>	<u>\$ 286,826</u>	<u>\$ 334,649</u>	<u>\$ 279,346</u>
Net pension liability - ending	<u>\$ 284,949</u>	<u>\$ 314,888</u>	<u>\$ 216,100</u>	<u>\$ 165,229</u>	<u>\$ 200,965</u>
Plan fiduciary net position as a percent of the total pension liability	<u>37.32%</u>	<u>57.20%</u>	<u>57.03%</u>	<u>66.95%</u>	<u>58.16%</u>
Covered payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability as a percent of covered payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Note: For 2017, the actuarial valuation changed to a July 1 valuation date.

**TOWN OF BETHANY, CONNECTICUT  
RECRUITMENT AND RETENTION PLAN  
TOWN OF BETHANY VOLUNTEER FIRE ASSOCIATION  
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED SCHEDULE OF CONTRIBUTIONS)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 41,348	\$ 28,261	\$ 16,413	\$ 15,301	\$ 15,301
Contribution in relation to the actuarially determined Contribution	<u>20,000</u>	<u>16,000</u>	<u>16,000</u>	<u>40,000</u>	<u>40,000</u>
Contribution deficiency (excess)	<u>\$ 21,348</u>	<u>\$ 12,261</u>	<u>\$ 413</u>	<u>\$ (24,699)</u>	<u>\$ (24,699)</u>

**Notes to schedule**

Valuation Date	7/1/2016	7/1/2016	6/30/2016	6/30/2015	6/30/2014
Amortization	20 yrs				
Remaining Amortization	10 yrs	10 yrs	17 yrs	18 yrs	19 yrs
Asset Valuation Method	Market Value				
Actuarial Assumptions:					
Investment Rate of Return	3%	3%	3%	4%	4%
Projected Salary Increases	N/A	N/A	N/A	N/A	N/A

Note: For 2017, the actuarial valuation changed to a July 1 valuation date.