



January 31, 2017

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: TOWN OF BETHEL, CONNECTICUT
\$10,455,000 General Obligation Bond Anticipation Notes**

**Dated: February 17, 2017 Date of Sale: Tuesday, February 7, 2017
Due: October 17, 2017 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, February 7, 2017. 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, February 7, 2017.**

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

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Town of Bethel, Connecticut as of June 30, 2016. These excerpts are included in this package. Copies of the complete reports for June 30, 2016 are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

PHOENIX ADVISORS, LLC



BAN Sale Term Sheet
\$10,455,000
Town of Bethel, Connecticut
General Obligation Bond Anticipation Notes

Date of Sale: Tuesday, February 7, 2017 at 11:30 A.M. (Eastern Time).

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

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

Issue: \$10,455,000 General Obligation Bond Anticipation Notes (the "Notes").

Dated Date: February 17, 2017

Principal and Interest Due: At maturity on October 17, 2017

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

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

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

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

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

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

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

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

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

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

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

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

Delivery and Payment: It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about February 17, 2017. Delivery of the Notes will be made against payment in immediately available Federal Funds.

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

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

**\$10,455,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
Dated February 17, 2017 : Due October 17, 2017**

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

February 7, 2017

(the "Bid Date") for the purchase of the above-captioned **TOWN OF BETHEL** General Obligation Bond Anticipation Notes (the "Notes") which mature on October 17, 2017.

The Issue

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut General Statutes, as amended. The Notes will be dated February 17, 2017 and will be payable to the registered owners on October 17, 2017. They will be issued in minimum denominations of \$100,000 or multiples of \$1,000 in excess thereof. Denominations of less than \$100,000 will not be made available. The Notes will bear interest (computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Notes are NOT subject to redemption prior to maturity.

Bid Requirements

Telephone bids for the Notes will be received until 11:30 A.M. (Eastern Time) on behalf of the Town by Phoenix Advisors, LLC, the Town's financial advisor. All telephone bids must be made to Phoenix Advisors, LLC at 203-283-1110 and be completed by 11:30 A.M. (Eastern Time) on Tuesday, February 7, 2017. Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Town through its agent or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Town through its agent by the time required. A bid received after the time specified, as determined in the Town's sole discretion, will not be reviewed or honored by the Town.

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

Award, Delivery and Payment

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

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

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

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

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

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

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

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

It is expected that the Notes will be delivered to The Depository Trust Company on or about February 17, 2017 against payment in immediately available Federal Funds. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Notes prior to delivery and the Town will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning purchaser to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes.

Right to Reject Bids; Waiver

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

Postponement; Change of Terms

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

Book-Entry

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

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

Option for No Book Entry

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

No Continuing Disclosure or Official Statement

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

Additional Information

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

Matthew S. Knickerbocker
First Selectman

Robert V. Kozlowski
Comptroller

January 31, 2017

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

February __, 2017

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

We have acted as Bond Counsel in connection with the issuance by the Town of Bethel (the "Town"), in the State of Connecticut, of its \$10,455,000 General Obligation Bond Anticipation Notes (the "Notes") dated February 17, 2017 and maturing October 17, 2017. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated February 17, 2017 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

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

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

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

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

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and

reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

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

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

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

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

Respectfully,

PULLMAN & COMLEY, LLC

TOWN OF BETHEL, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Statements of
The Town of Bethel, Connecticut
Year Ended June 30, 2016

Independent Auditor's Report

Board of Finance
Town of Bethel, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bethel, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund and the aggregate remaining fund information of the Town of Bethel, Connecticut, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefit plans schedules on pages 6 through 15 and pages 72 through 84, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2016, on our consideration of the Town of Bethel, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bethel, Connecticut's internal control over financial reporting and compliance.

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

Hartford, Connecticut
December 29, 2016



COMPTROLLER'S OFFICE

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

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

Management's Discussion and Analysis Year Ended June 30, 2016

As management of the Town of Bethel, Connecticut, we offer readers of the Town's financial statements this narrative overview and analysis of the financial position and activities of the Town for the fiscal year ended June 30, 2016.

Financial Highlights

- On a government-wide basis, the Town's total net position increased by \$6,869,589 for the fiscal year, \$3,615,330 of which was generated by governmental activities and \$3,254,259 from business-type activities. The main reasons for the increase are positive general fund operating results of \$1,979,540 and significant capital asset additions in excess of depreciation expense. Business-type activities reported an increase in net position of \$3,254,259 due to the positive operations of the water fund of \$1,095,104 and of the sewer fund of \$2,159,155. This was due to scheduled water rate increases and additional sewer assessments billed during the year.
- The Town's combined net position totals \$118,396,844 at June 30, 2016. Of this amount, \$25,127,001 is available (unrestricted) to finance ongoing programs, \$10,068,029 in governmental activities and \$15,058,972 for business-type activities.
- At year end, the unassigned fund balance for the general fund was \$16,549,611 or 22.2% of total general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$2,660,000. This decrease was the result of scheduled debt service payments.

Overview of the Basic Financial Statements

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

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

Management's Discussion and Analysis (continued)

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

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

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

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

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

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

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

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

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

Management's Discussion and Analysis (continued)

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$118,396,844 at the close of the fiscal year.

The largest portion of the Town's net position (78.4%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$25,127,001 may be used to meet the Town's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis (continued)

**Summary Statement of Net Position
June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 32,933,467	\$28,045,300	\$16,192,787	\$16,539,796	\$ 49,126,254	\$ 44,585,096
Capital assets (net)	<u>113,868,449</u>	<u>111,874,919</u>	<u>35,294,689</u>	<u>32,932,298</u>	<u>149,163,138</u>	<u>144,807,217</u>
Total assets	<u>146,801,916</u>	<u>139,920,219</u>	<u>51,487,476</u>	<u>49,472,094</u>	<u>198,289,392</u>	<u>189,392,313</u>
Deferred outflows of resources	<u>3,115,119</u>	<u>1,205,845</u>	<u>168,700</u>	<u>71,222</u>	<u>3,283,819</u>	<u>1,277,067</u>
Long-term liabilities outstanding	47,634,730	43,280,691	14,193,959	14,913,288	61,828,689	58,193,979
Other liabilities	<u>17,924,812</u>	<u>16,368,718</u>	<u>1,876,023</u>	<u>2,289,102</u>	<u>19,800,835</u>	<u>18,657,820</u>
Total liabilities	<u>65,559,542</u>	<u>59,649,409</u>	<u>16,069,982</u>	<u>17,202,390</u>	<u>81,629,524</u>	<u>76,851,799</u>
Deferred inflows of resources	<u>1,301,473</u>	<u>2,035,965</u>	<u>245,370</u>	<u>254,361</u>	<u>1,546,843</u>	<u>2,290,326</u>
Net investment in capital assets	72,509,424	74,635,328	20,281,852	16,639,524	92,791,276	91,274,852
Restricted	478,567	404,866	-	-	478,567	404,866
Unrestricted	<u>10,068,029</u>	<u>4,400,496</u>	<u>15,058,972</u>	<u>15,447,041</u>	<u>25,127,001</u>	<u>19,847,537</u>
Total net position	<u>\$ 83,056,020</u>	<u>\$79,440,690</u>	<u>\$35,340,824</u>	<u>\$32,086,565</u>	<u>\$ 118,396,844</u>	<u>\$ 111,527,255</u>

The Town's total net position increased by \$6,869,589 during the current fiscal year. The main reasons for the increase is as follows:

Governmental activities. Already noted was the statement of activities' purpose in presenting information on how the Town's net position changed during the most recent fiscal year. For the fiscal year, net position increased \$3,615,330. The main reasons for the increase are positive general fund operating results of \$1,979,540 and significant capital asset additions in excess of depreciation expense.

Business-type activities. Business-type activities reported an increase in net position of \$3,254,259 due to the positive operations of the water fund of \$1,095,104 and positive operations of the sewer fund of \$2,159,155 during the current year.

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

Management's Discussion and Analysis (continued)

Statement of Changes in Net Position
Years Ended June 30, 2016 and 2015

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,072,842	\$ 2,898,941	\$ 7,138,614	\$ 5,108,823	\$ 10,211,456	\$ 8,007,764
Operating grants and contributions	16,042,794	15,195,753	-	-	16,042,794	15,195,753
Capital grants and contributions	1,062,045	269,407	463,891	106,069	1,525,936	375,476
General revenues:						
Property taxes	61,363,537	59,965,158	-	-	61,363,537	59,965,158
Grants and contributions not restricted to specific programs	198,285	260,452	-	-	198,285	260,452
Investment income	151,686	96,513	-	639	151,686	97,152
Miscellaneous	16,776	44,354	-	-	16,776	44,354
Total revenues	81,907,965	78,730,578	7,602,505	5,215,531	89,510,470	83,946,109
Expenses:						
General government	7,691,037	7,986,644	-	-	7,691,037	7,986,644
Public safety	8,942,567	8,758,737	-	-	8,942,567	8,758,737
Health and welfare	483,017	408,993	-	-	483,017	408,993
Public works	4,805,524	4,571,265	-	-	4,805,524	4,571,265
Library	1,445,174	1,346,956	-	-	1,445,174	1,346,956
Education	54,290,823	51,970,143	-	-	54,290,823	51,970,143
Interest expense	634,493	806,749	-	-	634,493	806,749
Water department	-	-	1,362,593	1,111,738	1,362,593	1,111,738
Sewer department	-	-	2,985,653	2,526,409	2,985,653	2,526,409
Total expenses	78,292,635	75,849,487	4,348,246	3,638,147	82,640,881	79,487,634
Change in net position	3,615,330	2,881,091	3,254,259	1,577,384	6,869,589	4,458,475
Net position - July 1	79,440,690	76,559,599	32,086,565	30,509,181	111,527,255	107,068,780
Net position - June 30	<u>\$ 83,056,020</u>	<u>\$ 79,440,690</u>	<u>\$ 35,340,824</u>	<u>\$ 32,086,565</u>	<u>\$ 118,396,844</u>	<u>\$ 111,527,255</u>

Governmental Activities - Revenues

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

- Property tax revenue increased \$1,398,379 due to the increased budget approved by the Town and related tax rate increases.
- Capital grants and contributions increased \$792,638 largely due to grant money receivable in the current year for the highway planning and construction grant for Plumtrees Bridge project.
- Operating grants and contributions increased \$847,041 due to an increase in the on-behalf amount for the Town's allocable share of the pension expense for the State Teachers' Retirement Plan offset by a decrease in state grants.

Governmental Activities - Expenses

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

- Education increased \$2,320,680 due to an increase in the budget and an increase in the on-behalf amount for the Town's allocable share of the pension expense for the State Teachers' Retirement Plan.
- Public works expenses increased by a \$234,259 due to the increase in the budget for operating expenses for road construction.

Business-Type Activities

Revenues

- Charges for services increased by \$2,029,791 substantially due to additional sewer assessments billed during the year combined with scheduled increase in the water rates.
- Capital grants and contributions increased by \$357,822 during the year due to a grant that began in the prior year related to the Eureka Water Tank project.

Expenses

Expenses increased \$710,099 substantially due to the completion of a water rate study performed during the year and contracted services for costs associated with a review of storm drains water flows.

Financial Analysis of the Town's Funds

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

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

The combined fund balances of governmental funds is \$14,545,377. Of this amount, \$633,029 relates to nonspendable advances, \$478,567 is restricted, \$2,696,941 is committed and \$1,071,156 is assigned. The balance of \$9,665,684 is unassigned fund balance.

Management's Discussion and Analysis (continued)

General Fund

The general fund is the operating fund of the Town. The fund balance of the general fund increased by \$1,979,540 for the current fiscal year. The major factors for this increase were increased property tax revenues over budget expectations of \$1,458,469.

Bonded Projects Fund

The Bonded Projects Fund's net change in fund balance was an increase of \$2,160,744 for the fiscal year. This is a result of the capital lease for the energy project.

Capital Nonrecurring Fund

The Capital Nonrecurring Fund's net change in fund balance was a decrease of \$29,536 for the fiscal year due to the timing of the funding and spending of projects.

Proprietary funds. The Town's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The Town's enterprise funds generated an increase in net position of \$3,254,259 detailed as follows:

Water Department

Net position of the water department at the end of the year amounted to \$3,498,334 an increase of \$1,095,104. This was mostly due to the scheduled increase in the water rates with expenses remaining level with the prior year.

Sewer Department

Net position of the sewer department at the end of the year amounted to \$31,842,490, an increase of \$2,159,155. This was due to new sewer assessments billed in the current year.

Management's Discussion and Analysis (continued)

General Fund Budgetary Highlights

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources				
Property taxes	\$ 59,644,278	\$ 59,644,278	\$ 61,102,747	\$ 1,458,469
Intergovernmental	9,324,132	9,324,132	9,207,623	(116,509)
Charges for services, use of money and property, and other	1,357,286	1,357,286	1,510,286	153,000
Totals	70,325,696	70,325,696	71,820,656	1,494,960
Expenditures and Other Financing Uses				
Expenditures	68,845,696	68,482,490	68,355,022	127,468
Transfers out	1,480,000	1,843,206	1,843,206	-
Totals	70,325,696	70,325,696	70,198,228	127,468
Change in Fund Balance	\$ -	\$ -	\$ 1,622,428	\$ 1,622,428

The most significant budget transfers were as follows:

- The debt service budget was increased \$351,973 due to the pay down of bond anticipation notes approved by the Board
- The budget for transfers out was increased \$363,206 for additional transfers approved during the year to the Board of Education Contingency fund as allowed by State Statutes and the Transfer Station fund to fund the deficit.

Capital Assets and Debt Administration

The Town of Bethel's investment in capital assets in both governmental and business-type activities amounted to \$149,163,138, net of depreciation. This includes land, intangible assets, buildings, equipment and infrastructure (roads and bridges). Capital assets for governmental activities increased by 1.8% and business-type capital assets increased by 7.2%.

The most significant capital asset additions were as follows:

Governmental activities:

- Construction in progress increased \$4,322,201 due to a number of projects during the year including the Ameresco energy project and various road improvements projects.
- Purchase of 3 new police vehicles totaling \$112,652.

Management's Discussion and Analysis (continued)

Capital Assets and Debt Administration (continued)

Business-type Activities:

- Construction in progress increased \$2,940,742 due to a number of projects during the year including the Eureka water tank project.

Capital Assets - Net June 30, 2016 and 2015						
	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 6,957,720	\$ 6,927,720	\$ 157,072	\$ 157,072	\$ 7,114,792	\$ 7,084,792
Construction in progress	6,026,670	1,704,469	3,943,365	1,002,623	9,970,035	2,707,092
Land improvements	1,825,383	1,688,130	-	-	1,825,383	1,688,130
Intangible assets	88,999	95,591	6,740,439	6,903,396	6,829,438	6,998,987
Buildings	67,282,885	68,471,109	585,872	648,436	67,868,757	69,119,545
Building improvements	8,211,072	8,679,835	25,168	26,766	8,236,240	8,706,601
Distribution and collection system	-	-	23,116,200	23,441,336	23,116,200	23,441,336
Machinery and equipment	4,106,597	4,331,119	694,796	716,687	4,801,393	5,047,806
Vehicles	4,180,317	4,508,439	31,777	35,982	4,212,094	4,544,421
Infrastructure	15,188,806	15,468,507	-	-	15,188,806	15,468,507
Total	\$ 113,868,449	\$ 111,874,919	\$ 35,294,689	\$ 32,932,298	\$ 149,163,138	\$ 144,807,217

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

Long-term Debt

For the year ended June 30, 2016, the Town's long-term debt decreased by \$2,660,000 due to scheduled debt service payments. At the end of the current fiscal year, the Town had total bonded and loan debt outstanding of \$38,260,000, which is backed by the full faith and credit of the Town of Bethel.

Outstanding Bonded Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General purpose bonds	\$ 4,048,500	\$ 4,507,100	\$14,210,000	\$15,115,000	\$18,258,500	\$19,622,100
School bonds	20,001,500	21,297,900	-	-	20,001,500	21,297,900
Total	\$24,050,000	\$25,805,000	\$14,210,000	\$15,115,000	\$38,260,000	\$40,920,000

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 ¼ to 4 ½ times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town is \$426,418,419, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 3.0%, which is down from 4.0% from fiscal year 2015. This is lower than both the state's average unemployment rate of 5.9% and the national average of 4.9%.
- Inflationary trends in the region compare favorably to national indices.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the state receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2017 and thereafter.

Town officials considered many factors when setting the fiscal year 2017 budget. The Town decided that it was important to adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the budget, the Town recognized the need to continue its pattern of conservative budgeting while at the same time providing excellent services to our residents and taxpayers.

The 2017 general fund budget is \$71,273,138, an increase of 1.3% over the prior year. Non-tax revenue remained relatively consistent.

Requests for Information

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

Basic Financial Statements

Town of Bethel, Connecticut

Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current assets:			
Cash	\$ 12,970,212	\$ 575,467	\$ 13,545,679
Investments	15,673,620	399,739	16,073,359
Receivables:			
Property taxes	934,502	-	934,502
Assessments	-	1,870,423	1,870,423
Intergovernmental	1,615,386	463,891	2,079,277
Other	76,712	582,310	659,022
Internal balances	1,012,806	(1,012,806)	-
Other	16,571	-	16,571
Total current assets	<u>32,299,809</u>	<u>2,879,024</u>	<u>35,178,833</u>
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash	<u>430,922</u>	<u>-</u>	<u>430,922</u>
Receivables (net):			
Property taxes	202,736	-	202,736
Assessments	<u>-</u>	<u>13,313,763</u>	<u>13,313,763</u>
Total receivables (net)	<u>202,736</u>	<u>13,313,763</u>	<u>13,516,499</u>
Capital assets (net of accumulated depreciation):			
Land	6,957,720	157,072	7,114,792
Construction in progress	6,026,670	3,943,365	9,970,035
Land improvements	1,825,383	-	1,825,383
Intangible assets	88,999	6,740,439	6,829,438
Buildings	67,282,885	585,872	67,868,757
Building improvements	8,211,072	25,168	8,236,240
Distribution and collection system	-	23,116,200	23,116,200
Machinery and equipment	4,106,597	694,796	4,801,393
Vehicles	4,180,317	31,777	4,212,094
Infrastructure	<u>15,188,806</u>	<u>-</u>	<u>15,188,806</u>
Total capital assets (net of accumulated depreciation)	<u>113,868,449</u>	<u>35,294,689</u>	<u>149,163,138</u>
Total noncurrent assets	<u>114,502,107</u>	<u>48,608,452</u>	<u>163,110,559</u>
Total assets	<u>146,801,916</u>	<u>51,487,476</u>	<u>198,289,392</u>
<u>Deferred Outflows of Resources</u>			
Pension related	<u>3,115,119</u>	<u>168,700</u>	<u>3,283,819</u>

(Continued)

Town of Bethel, Connecticut

Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 2,099,624	\$ 601,444	\$ 2,701,068
Accrued payroll and related liabilities	238,153	16,086	254,239
Accrued interest payable	304,195	73,493	377,688
Unearned revenue	78,958	-	78,958
Bond anticipation notes	11,380,000	400,000	11,780,000
Performance bonds	430,922	-	430,922
Bonds and notes payable	1,785,000	785,000	2,570,000
Capital lease payable	866,804	-	866,804
Compensated absences	459,817	-	459,817
Other liabilities	281,339	-	281,339
	<u>17,924,812</u>	<u>1,876,023</u>	<u>19,800,835</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	22,939,983	13,583,257	36,523,240
Capital lease payable	4,102,177	-	4,102,177
Compensated absences	3,849,718	17,598	3,867,316
Net pension liability	10,611,774	326,092	10,937,866
Net OPEB obligation	6,131,078	267,012	6,398,090
	<u>47,634,730</u>	<u>14,193,959</u>	<u>61,828,689</u>
Total noncurrent liabilities			
Total liabilities	<u>65,559,542</u>	<u>16,069,982</u>	<u>81,629,524</u>
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	1,005,921	-	1,005,921
Deferred charge on refunding	285,061	244,580	529,641
Pension related	10,491	790	11,281
	<u>1,301,473</u>	<u>245,370</u>	<u>1,546,843</u>
Total deferred inflows of resources			
<u>Net Position</u>			
Net investment in capital assets	72,509,424	20,281,852	92,791,276
Restricted for:			
General government	305,485	-	305,485
Education	79,025	-	79,025
Other	94,057	-	94,057
Unrestricted	10,068,029	15,058,972	25,127,001
	<u>\$ 83,056,020</u>	<u>\$ 35,340,824</u>	<u>\$ 118,396,844</u>
Total net position			

(Concluded)

Town of Bethel, Connecticut
 Statement of Activities
 Year Ended June 30, 2016

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,691,037	\$ 1,309,875	\$ 115,048	\$ 89,032	\$ (6,177,082)	\$ -	\$ (6,177,082)
Public safety	8,942,567	232,101	300	75,238	(8,634,928)	-	(8,634,928)
Health and welfare	483,017	52,071	57,382	-	(373,564)	-	(373,564)
Public works	4,805,524	184,563	602,012	897,775	(3,121,174)	-	(3,121,174)
Library	1,445,174	27,441	20,706	-	(1,397,027)	-	(1,397,027)
Education	54,290,823	1,266,791	15,247,346	-	(37,776,686)	-	(37,776,686)
Interest expense	634,493	-	-	-	(634,493)	-	(634,493)
Total governmental activities	78,292,635	3,072,842	16,042,794	1,062,045	(58,114,954)	-	(58,114,954)
Business-type activities:							
Water department	1,362,593	1,993,806	-	463,891	-	1,095,104	1,095,104
Sewer department	2,985,653	5,144,808	-	-	-	2,159,155	2,159,155
Total business-type activities	4,348,246	7,138,614	-	463,891	-	3,254,259	3,254,259
Total	\$ 82,640,881	\$ 10,211,456	\$ 16,042,794	\$ 1,525,936	\$ (58,114,954)	\$ 3,254,259	\$ (54,860,695)
General revenues:							
Property taxes					\$ 61,363,537	\$ -	\$ 61,363,537
Grants and contributions not restricted to specific programs					198,285	-	198,285
Investment income					151,686	-	151,686
Miscellaneous					16,776	-	16,776
Total general revenues					61,730,284	-	61,730,284
Change in net position					3,615,330	3,254,259	6,869,589
Net position - July 1, 2015					79,440,690	32,086,565	111,527,255
Net position - June 30, 2016					\$ 83,056,020	\$ 35,340,824	\$ 118,396,844

Town of Bethel, Connecticut

Balance Sheet
Governmental Funds
June 30, 2016

	General	Bonded Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 8,962,788	\$ 2,109,765	\$ 547,603	\$ 514,648	\$ 12,134,804
Restricted cash	430,922	-	-	-	430,922
Investments	13,774,368	-	762,855	24,873	14,562,096
Receivables, net:					
Property taxes	1,096,422	-	-	-	1,096,422
Intergovernmental	580,656	-	962,051	72,679	1,615,386
Other	50,085	-	-	26,627	76,712
Due from other funds	3,664,141	3,587,993	355,711	2,028,629	9,636,474
Advance to other funds	633,029	-	-	-	633,029
Other	-	-	-	16,571	16,571
Total assets	\$ 29,192,411	\$ 5,697,758	\$ 2,628,220	\$ 2,684,027	\$ 40,202,416
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ 1,005,622	\$ 49,343	\$ 584,951	\$ 44,862	\$ 1,684,778
Accrued payroll	235,390	-	-	2,763	238,153
Due to other funds	7,713,613	43,374	684,891	528,236	8,970,114
Unearned revenue	2,332	-	-	76,626	78,958
Bond anticipation notes	-	11,380,000	-	-	11,380,000
Performance bonds	430,922	-	-	-	430,922
Other liabilities	281,339	-	-	-	281,339
Advance from other funds	-	-	-	633,029	633,029
Total liabilities	9,669,218	11,472,717	1,269,842	1,285,516	23,697,293
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
Property taxes	953,825	-	-	-	953,825
Advance property tax collections	1,005,921	-	-	-	1,005,921
Total deferred inflows of resources	1,959,746	-	-	-	1,959,746
<u>Fund Balances</u>					
Nonspendable	633,029	-	-	-	633,029
Restricted	-	-	-	478,567	478,567
Committed	380,807	-	1,358,378	957,756	2,696,941
Assigned	-	-	-	1,071,156	1,071,156
Unassigned	16,549,611	(5,774,959)	-	(1,108,968)	9,665,684
Total fund balances	17,563,447	(5,774,959)	1,358,378	1,398,511	14,545,377
Total liabilities, deferred inflows of resources and fund balances	\$ 29,192,411	\$ 5,697,758	\$ 2,628,220	\$ 2,684,027	\$ 40,202,416

(Continued)

Town of Bethel, Connecticut

Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2016

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

Total fund balance (Exhibit C, Page 1 of 2)	\$ 14,545,377
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Beginning capital assets	111,874,919
Capital assets additions (net of construction in progress)	5,597,639
Depreciation expense	(3,418,015)
Disposal of capital assets	(186,094)

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

Property tax interest and lien accrual	290,816
Allowance for doubtful accounts	(250,000)

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

Property tax receivable - accrual basis change	953,825
Deferred outflows related to pensions	3,115,119

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

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	1,878,532
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Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(24,050,000)
Bond premium	(674,983)
Deferred charge on refunding	(285,061)
Capital lease payable	(4,968,981)
Compensated absences	(4,309,535)
Net pension liability	(10,611,774)
Net OPEB obligation	(6,131,078)
Accrued interest payable	(304,195)
Deferred inflows related to pensions	(10,491)

Net position of governmental activities	<u>\$ 83,056,020</u>
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(Concluded)

Town of Bethel, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	Bonded Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 61,102,747	\$ -	\$ -	\$ -	\$ 61,102,747
Intergovernmental	13,962,715	89,032	897,775	2,231,453	17,180,975
Charges for services	1,360,750	-	5,777	1,706,315	3,072,842
Use of money and property	132,760	-	2,268	16,658	151,686
Contributions	-	-	112,046	10,103	122,149
Other	16,776	-	-	-	16,776
Total revenues	76,575,748	89,032	1,017,866	3,964,529	81,647,175
Expenditures:					
Current:					
General government	13,204,698	-	-	58,215	13,262,913
Public safety	4,669,257	-	-	245,747	4,915,004
Health and welfare	256,294	-	-	71,818	328,112
Public works	2,878,160	-	-	203,111	3,081,271
Library	833,388	-	-	40,066	873,454
Education	48,105,825	-	-	3,379,067	51,484,892
Debt service	2,968,586	-	-	-	2,968,586
Capital outlay	-	3,706,312	1,272,402	57,779	5,036,493
Total expenditures	72,916,208	3,706,312	1,272,402	4,055,803	81,950,725
Excess (deficiency) of revenues over expenditures	3,659,540	(3,617,280)	(254,536)	(91,274)	(303,550)
Other financing sources (uses):					
BAN premium	-	190,332	-	-	190,332
Sale of capital assets	-	27,200	-	-	27,200
Capital lease	-	4,305,492	-	57,779	4,363,271
Transfers in	-	1,255,000	225,000	200,000	1,680,000
Transfers out	(1,680,000)	-	-	-	(1,680,000)
Net other financing sources (uses)	(1,680,000)	5,778,024	225,000	257,779	4,580,803
Net change in fund balances	1,979,540	2,160,744	(29,536)	166,505	4,277,253
Fund balances - July 1, 2015	15,583,907	(7,935,703)	1,387,914	1,232,006	10,268,124
Fund Balances - June 30, 2016	\$ 17,563,447	\$ (5,774,959)	\$ 1,358,378	\$ 1,398,511	\$ 14,545,377

Town of Bethel, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2016**

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

Net change in fund balances - total governmental funds (Exhibit D) \$ 4,277,253

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

Capital outlay	5,597,639
Depreciation expense	<u>(3,418,015)</u>
Total	<u>2,179,624</u>

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

Loss on disposal of assets	<u>(186,094)</u>
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	208,880
Change in property tax interest and lien revenue	71,910
Change in property tax allowance for doubtful accounts	<u>(20,000)</u>
Total	<u>260,790</u>

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

Debt issued or incurred:	
Capital lease	(4,363,271)
Principal repayments:	
General obligation bonds	1,755,000
Capital lease	267,194
Bond premium	97,219
Deferred charges	<u>(19,036)</u>
Total	<u>(2,262,894)</u>

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

Compensated absences	(536,327)
Pension expense	784,529
Net OPEB obligation	(1,100,434)
Accrued interest payable	<u>77,509</u>
Total	<u>(774,723)</u>

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

The net revenue of the activities of the internal service funds is reported with governmental activities	<u>121,374</u>
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Change in net position of governmental activities (Exhibit B)	<u><u>\$ 3,615,330</u></u>
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Town of Bethel, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 59,644,278	\$ 59,644,278	\$ 61,102,747	\$ 1,458,469
Intergovernmental	9,324,132	9,324,132	9,207,623	(116,509)
Charges for services	1,287,286	1,287,286	1,360,750	73,464
Use of money and property	70,000	70,000	132,760	62,760
Other	-	-	16,776	16,776
Total revenues	<u>70,325,696</u>	<u>70,325,696</u>	<u>71,820,656</u>	<u>1,494,960</u>
Expenditures:				
Current:				
General government	14,008,859	13,346,808	13,219,340	127,468
Public safety	4,812,988	4,839,398	4,839,398	-
Health and welfare	319,045	281,186	281,186	-
Public works	2,775,656	2,901,588	2,901,588	-
Library	830,000	840,709	840,709	-
Education	43,482,535	43,304,215	43,304,215	-
Debt service	2,616,613	2,968,586	2,968,586	-
Total expenditures	<u>68,845,696</u>	<u>68,482,490</u>	<u>68,355,022</u>	<u>127,468</u>
Excess (deficiency) of revenues over expenditures	1,480,000	1,843,206	3,465,634	1,622,428
Other financing sources (uses):				
Transfers out	<u>(1,480,000)</u>	<u>(1,843,206)</u>	<u>(1,843,206)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,622,428	<u>\$ 1,622,428</u>
Fund balance, July 1, 2015			<u>15,701,601</u>	
Fund balance, June 30, 2016			<u>\$ 17,324,029</u>	

Town of Bethel, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
<u>Assets</u>				
Current assets:				
Cash	\$ -	\$ 575,467	\$ 575,467	\$ 835,408
Investments	-	399,739	399,739	1,111,524
Receivables (net):				
Assessments	-	1,870,423	1,870,423	-
Intergovernmental	463,891	-	463,891	-
Other	206,886	375,424	582,310	-
Due from other funds	-	1,695,298	1,695,298	-
Total current assets	<u>670,777</u>	<u>4,916,351</u>	<u>5,587,128</u>	<u>1,946,932</u>
Noncurrent assets:				
Receivables:				
Assessments	-	13,313,763	13,313,763	-
Capital assets (net):				
Land	24,123	132,949	157,072	-
Construction in progress	3,932,390	10,975	3,943,365	-
Intangible assets	5,476	6,734,963	6,740,439	-
Buildings	223,136	362,736	585,872	-
Building improvements	20,390	4,778	25,168	-
Distribution and collection system	2,051,655	21,064,545	23,116,200	-
Machinery and equipment	44,004	650,792	694,796	-
Vehicles	31,777	-	31,777	-
Total capital assets (net)	<u>6,332,951</u>	<u>28,961,738</u>	<u>35,294,689</u>	<u>-</u>
Total noncurrent assets	<u>6,332,951</u>	<u>42,275,501</u>	<u>48,608,452</u>	<u>-</u>
Total assets	<u>7,003,728</u>	<u>47,191,852</u>	<u>54,195,580</u>	<u>1,946,932</u>
<u>Deferred Outflows of Resources</u>				
Pension related	<u>96,400</u>	<u>72,300</u>	<u>168,700</u>	<u>-</u>

(Continued)

Town of Bethel, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2016

Business-type Activities
Enterprise Funds

Liabilities	Major Funds			Internal Service Funds
	Water Department	Sewer Department	Totals	
Current liabilities:				
Accounts payable	\$ 538,981	\$ 62,463	\$ 601,444	\$ -
Accrued payroll and benefits	10,122	5,964	16,086	-
Accrued interest payable	-	73,493	73,493	-
Due to other funds	2,708,104	-	2,708,104	-
Claims payable	-	-	-	68,400
Bond anticipation notes payable	-	400,000	400,000	-
Bonds, notes and loans payable	-	785,000	785,000	-
Total current liabilities	<u>3,257,207</u>	<u>1,326,920</u>	<u>4,584,127</u>	<u>68,400</u>
Noncurrent liabilities:				
Bonds, notes and related liabilities	-	13,583,257	13,583,257	-
Compensated absences	8,986	8,612	17,598	-
Net pension liability	186,338	139,754	326,092	-
Net OPEB obligation	148,812	118,200	267,012	-
Total noncurrent liabilities	<u>344,136</u>	<u>13,849,823</u>	<u>14,193,959</u>	<u>-</u>
Total liabilities	<u>3,601,343</u>	<u>15,176,743</u>	<u>18,778,086</u>	<u>68,400</u>
Deferred Inflows of Resources				
Deferred charge on refunding	-	244,580	244,580	-
Pension related	451	339	790	-
Total deferred inflows of resources	<u>451</u>	<u>244,919</u>	<u>245,370</u>	<u>-</u>
Net Position				
Net investment in capital assets	6,332,951	13,948,901	20,281,852	-
Unrestricted	(2,834,617)	17,893,589	15,058,972	1,878,532
Total net position	<u>\$ 3,498,334</u>	<u>\$ 31,842,490</u>	<u>\$ 35,340,824</u>	<u>\$ 1,878,532</u>

(Concluded)

Town of Bethel, Connecticut

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2016**

Business-type Activities
Enterprise Funds

	Major Funds			Internal Service Funds
	Water Department	Sewer Department	Totals	
Operating revenues:				
Charges for services	\$ 1,993,806	\$ 2,679,846	\$ 4,673,652	\$ 1,091,380
Operating expenses:				
Personnel services	613,469	398,021	1,011,490	-
Repairs and maintenance	19,085	65,769	84,854	-
Contracted services	284,418	1,384,007	1,668,425	-
Materials and supplies	12,592	19,803	32,395	-
Utilities	65,766	56,356	122,122	-
Insurance	68,805	48,382	117,187	-
Claims incurred	-	-	-	980,839
Administration	-	-	-	-
Capital improvement	195,144	-	195,144	-
Depreciation and amortization	102,399	489,465	591,864	-
Total operating expenses	1,361,678	2,461,803	3,823,481	980,839
Operating income (loss)	632,128	218,043	850,171	110,541
Nonoperating revenues (expenses):				
Capital grant	463,891	-	463,891	-
Investment income	-	-	-	10,833
Assessments	-	1,842,760	1,842,760	-
Assessment bond interest	-	622,202	622,202	-
Premium	-	8,455	8,455	-
Interest expense	(915)	(532,305)	(533,220)	-
Net nonoperating revenues (expenses)	462,976	1,941,112	2,404,088	10,833
Change in net position	1,095,104	2,159,155	3,254,259	121,374
Total net position - July 1, 2015	2,403,230	29,683,335	32,086,565	1,757,158
Total net position - June 30, 2016	\$ 3,498,334	\$ 31,842,490	\$ 35,340,824	\$ 1,878,532

Town of Bethel, Connecticut

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 2,044,051	\$ 2,728,956	\$ 4,773,007	\$ 1,091,380
Receipts (payments) on due to/from balances	2,011,797	(536,765)	1,475,032	-
Payments to suppliers	(325,624)	(1,806,039)	(2,131,663)	-
Payments to employees	(613,469)	(398,021)	(1,011,490)	-
Claims paid	-	-	-	(967,639)
Net cash provided by (used in) operating activities	<u>3,116,755</u>	<u>(11,869)</u>	<u>3,104,886</u>	<u>123,741</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(3,004,173)	(10,975)	(3,015,148)	-
Assessments	-	1,080,225	1,080,225	-
Assessment bond interest	-	622,202	622,202	-
Principal payments (bonds and bond anticipation notes)	(111,540)	(1,145,000)	(1,256,540)	-
Interest payments, net	(1,042)	(533,631)	(534,673)	-
Net cash provided by (used in) capital and related financing activities	<u>(3,116,755)</u>	<u>12,821</u>	<u>(3,103,934)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income	-	-	-	10,833
Increase (decrease) in cash and cash equivalents	-	952	952	134,574
Cash and cash equivalents - July 1, 2015	-	974,254	974,254	1,812,358
Cash and cash equivalents - June 30, 2016	<u>\$ -</u>	<u>\$ 975,206</u>	<u>\$ 975,206</u>	<u>\$ 1,946,932</u>
Reconciliation to Exhibit G - Cash:				
Cash and cash equivalents per above	\$ -	\$ 975,206	\$ 975,206	\$ 1,946,932
Cash and cash equivalents reported as investments	-	(399,739)	(399,739)	(1,111,524)
Cash - Exhibit G	<u>\$ -</u>	<u>\$ 575,467</u>	<u>\$ 575,467</u>	<u>\$ 835,408</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 632,128	\$ 218,043	\$ 850,171	\$ 110,541
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	102,399	489,465	591,864	-
(Increase) decrease in:				
Receivables	50,245	49,110	99,355	-
Due from other funds	-	(536,765)	(536,765)	-
Increase (decrease) in:				
Accounts and other payables	320,186	(231,722)	88,464	13,200
Due to other funds	2,011,797	-	2,011,797	-
Net cash provided by (used in) operating activities	<u>\$ 3,116,755</u>	<u>\$ (11,869)</u>	<u>\$ 3,104,886</u>	<u>\$ 123,741</u>

See Notes to Financial Statements.

Town of Bethel, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Pension Trust Funds</u>	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>Assets</u>			
Cash	\$ -	\$ 31,826	\$ 124,786
Investments:			
Mutual funds:			
Equity	-	31,610	-
Bond	8,633,960	103,569	-
Money market	2,029,388	-	-
Certificates of deposit	458,270	-	669,445
Bank money market accounts	731,372	2,274	-
U.S. government obligations	6,461,608	-	-
U.S. government agency securities	719,525	173,881	-
Common stock	15,476,382	-	-
Corporate bonds	1,016,516	-	-
Total investments	<u>35,527,021</u>	<u>311,334</u>	<u>669,445</u>
Prepaid benefits and fees	449,637	-	-
Due from other funds	<u>346,446</u>	<u>-</u>	<u>-</u>
Total assets	<u>36,323,104</u>	<u>343,160</u>	<u>794,231</u>
<u>Liability</u>			
Accounts payable	<u>-</u>	<u>-</u>	<u>794,231</u>
<u>Net Position</u>			
Restricted for pension benefits and other purposes	<u>\$ 36,323,104</u>	<u>\$ 343,160</u>	<u>\$ -</u>

See Notes to Financial Statements.

Town of Bethel, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2016

	<u>Pension Trust Funds</u>	<u>Private - Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 3,264,446	\$ -
Plan members	539,947	-
Private contributions	-	40,777
	<u>3,804,393</u>	<u>40,777</u>
Total contributions		
	<u>3,804,393</u>	<u>40,777</u>
Investment income (loss):		
Change in fair value of investments	(855,318)	8,315
Interest and dividends	756,710	14,180
	<u>(98,608)</u>	<u>22,495</u>
Total investment income (loss)		
	<u>(98,608)</u>	<u>22,495</u>
Less investment expenses	258,104	-
	<u>258,104</u>	<u>-</u>
Net investment income (loss)		
	<u>(356,712)</u>	<u>22,495</u>
Total additions		
	<u>3,447,681</u>	<u>63,272</u>
Deductions:		
Benefits	1,843,044	-
Administration	69,310	105
Scholarships awarded	-	57,075
	<u>1,912,354</u>	<u>57,180</u>
Total deductions		
	<u>1,912,354</u>	<u>57,180</u>
Change in net position	1,535,327	6,092
Net position - July 1, 2015	<u>34,787,777</u>	<u>337,068</u>
Net position - June 30, 2016	<u>\$ 36,323,104</u>	<u>\$ 343,160</u>

See Notes to Financial Statements.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**History and organization**

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

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

B. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

Property taxes, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's sewer, water and transfer station operations and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water department enterprise fund and sewer department enterprise fund and of the Town's internal service funds are charges to customers for sales and services. The sewer department also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

1. Deposits and investments

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

The investment guidelines are as follows:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Preferred</u>
Equities	20%	60%	40%
Fixed income	50%	90%	55%
Cash equivalents	2%	20%	5%

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

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

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

2. Receivables and payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

b. Property taxes and other receivables

In the government-wide financial statements, all trade, property tax and water and sewer use are shown net of an allowance for uncollectibles. Allowance percentages range from 2 to 34% of outstanding receivable balances and are calculated based upon prior collection history.

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

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

Town of Bethel, Connecticut

Notes to Basic Financial Statements
June 30, 2016

3. **Restricted assets**

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

4. **Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer departments during the current fiscal year was \$915 and \$532,305, respectively. None of this amount was capitalized.

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**5. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions for differences between expected and actual experience and the net difference between projected and actual earnings on pension plan investments. The deferred outflow related to the differences between expected and actual experience will be amortized over the average remaining service life of all plan members. The deferred outflow for the net difference between projected and actual earnings of the pension plan investments will be amortized over a five year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow related to pensions for the differences between expected and actual experience. These deferred inflows will be amortized over the remaining service life of all plan members. The Town also reports the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

6. Net position flow assumption

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

7. Compensated absences

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

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

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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

9. Fund equity and net position

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

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

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

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

Nonspendable

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

Restricted

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016Committed

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

Assigned

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

Unassigned

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

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

Minimum Fund Balance Policy

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

10. Use of estimates

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

11. Reclassifications

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

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

- 2. The Board of Finance submits its proposed budget to the annual Town Meeting, which is held on one of the first seven days in May. Those in attendance at the annual Town Meeting may, by majority vote, decrease any appropriations or approve the appropriations as presented. Appropriations may not be increased. The final budget is then automatically referred to a machine vote for approval. The date of the machine vote is also established by the annual Town Meeting, which must be held not less than seven nor more than fourteen days from the date of the annual Town Meeting. Those citizens registered to vote or who have property assessments in excess of \$1,000 are eligible to vote.
3. The Board of Finance, in accordance with the provisions of the Charter and the Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another, with the exception of the wage contingency account. Authority to transfer budgeted funds is vested in the Comptroller for settlement of union contracts and general salary increases approved by the First Selectman only. Management may not authorize any additional appropriations. All additional appropriations less than \$50,000 require Board of Selectmen and Board of Finance approval. Those in excess of \$50,000 require full legislative approval (Town Meeting). There were no additional appropriations during the year.
4. Formal budgetary integration is employed as a management control device during the year.
5. The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level.
6. The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion.
7. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, aside from the Capital Projects Fund, all unencumbered appropriations lapse at year end. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Budget - GAAP reconciliation

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

Table with 4 columns: Description, Revenues, Expenditures, Fund Balance. Rows include: Balance, budgetary basis, Exhibit F; Accrued payroll; BOE contingency fund; State Teachers' Retirement on-behalf amount; Balance, GAAP basis, Exhibit D.

Transfers out differs from budget to GAAP due to the current year transfer of \$163,206 eliminated for GAAP purposes.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**C. Donor-restricted endowments**

The Town has received certain endowments for various scholarship purposes. The amounts are reflected in net position as restricted for endowments. Investment income, including appreciation of \$29,491 for the Hennessy Scholarship fund, \$73,882 for the Menegay Scholarship fund and \$0 for the Education Scholarship fund, is approved for expenditure by the individual Boards of the benefiting activities and is included in restricted net position.

D. Capital projects authorizations

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Road Construction 2015	\$ 1,500,000	\$ 1,500,000	\$ -
Road Construction 2016	1,038,808	189,016	849,792
Police Station	13,492,000	-	13,492,000
Energy Contract	<u>4,305,492</u>	<u>2,195,727</u>	<u>2,109,765</u>
Totals	<u>\$ 20,336,300</u>	<u>\$ 3,884,743</u>	<u>\$ 16,451,557</u>

E. Deficit fund balances

The following individual funds had a deficit fund balance at June 30, 2016:

Bennett Property	\$ 34,900
Paramedic Intercept	443,292
Transfer Station	630,776

The deficits should be reduced or eliminated in future years as amounts are received for charges for services and transfers from the general fund.

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

Deposits - custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2016, \$30,703,148 of the Town's bank balance of \$32,353,438 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 28,062,187
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,640,961</u>
Total amount subject to custodial credit risk	<u>\$ 30,703,148</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

The Town's investments consisted of the following:

Type of Investment	Fair value	Investment Maturities (in Years)				
		N/A	Less than 1	1-5 Years	6-10 Years	Over 10 Years
Mutual funds and ETFs:						
Equity	\$ 31,610	\$ 31,610	\$ -	\$ -	\$ -	\$ -
Bond	8,737,529	-	-	4,686,988	1,251,359	2,799,182
Money market	2,031,459	-	2,031,459	-	-	-
Certificates of deposit	6,519,342	-	6,519,342	-	-	-
Bank money market accounts	11,257,931	-	11,257,931	-	-	-
U.S. government obligations	6,461,608	-	3,534,932	2,926,676	-	-
U.S. government agency securities	1,048,782	-	-	759,558	115,343	173,881
Common stock	15,476,382	15,476,382	-	-	-	-
Corporate bonds	1,016,516	-	-	1,016,516	-	-
Total	\$ 52,581,159	\$ 15,507,992	\$ 23,343,664	\$ 9,389,738	\$ 1,366,702	\$ 2,973,063

Fair Value of Investments

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

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

The Town had the following recurring fair value measurements:

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

	Amount	Quoted Market	Significant	Significant
		Prices in Active Markets Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investments by Fair Value Level				
<u>Mutual Funds:</u>				
Equity	\$ 31,610	\$ 31,610	\$ -	\$ -
Bond	8,737,529	8,737,529	-	-
Money market	2,031,459	2,031,459	-	-
Common stock	15,476,382	15,476,382	-	-
U.S. government obligations	6,461,608	-	6,461,608	-
U.S. government agency obligations	1,048,782	-	1,048,782	-
Corporate bonds	1,016,516	-	1,016,516	-
Total Investments by Fair Value Level	34,803,886	\$ 26,276,980	\$ 8,526,906	\$ -
<u>Other Investments</u>				
Certificates of deposit	6,519,342			
Bank money market accounts	11,257,931			
Total Other investments	17,777,273			
Total Investments	\$ 52,581,159			

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

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

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

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

Average Rating	Money Market Mutual Funds	Bond Mutual Funds	U.S. Government Agency Obligations	Corporate Bonds
AAA	\$ -	\$ -	\$ 1,048,782	\$ 290,094
AA	2,031,459	-	-	288,127
A	-	2,237,995	-	144,595
BB	-	876,567	-	-
BBB	-	4,154,931	-	293,700
Unrated	-	1,468,036	-	-
Total	\$ 2,031,459	\$ 8,737,529	\$ 1,048,782	\$ 1,016,516

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

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

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

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject to Custodial Credit Risk</u>
U.S. government obligations	\$ 6,461,608	\$ 1,000,000	\$ 5,461,608
U.S. government agency securities	1,048,782	673,882	374,900
Common stock	15,476,382	-	15,476,382
Corporate bonds	1,016,516	-	1,016,516
Total	<u>\$ 24,003,288</u>	<u>\$ 1,673,882</u>	<u>\$ 22,329,406</u>

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town's government-wide financial statements with allowances for uncollectible accounts are presented below.

	<u>Property Taxes</u>		
	<u>Taxes</u>	<u>Interest & Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 789,094</u>	<u>\$ 145,408</u>	<u>\$ 934,502</u>
Long-term portion	\$ 307,328	\$ 145,408	\$ 452,736
Less allowance for uncollectibles	<u>(150,000)</u>	<u>(100,000)</u>	<u>(250,000)</u>
Net long-term portion	<u>\$ 157,328</u>	<u>\$ 45,408</u>	<u>\$ 202,736</u>
Total receivable	<u>\$ 946,422</u>	<u>\$ 190,816</u>	<u>\$ 1,137,238</u>

	<u>Use Charge Receivables</u>	
	<u>Water Department</u>	<u>Sewer Department</u>
Gross receivable	\$ 211,886	\$ 382,924
Less allowance for uncollectibles	<u>(5,000)</u>	<u>(7,500)</u>
Net receivable	<u>\$ 206,886</u>	<u>\$ 375,424</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**C. Capital assets**

Capital asset activity for the fiscal year was as follows:

	Balance <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,927,720	\$ 30,000	\$ -	\$ 6,957,720
Construction in progress	1,704,469	4,459,992	137,791	6,026,670
Total capital assets, not being depreciated	<u>8,632,189</u>	<u>4,489,992</u>	<u>137,791</u>	<u>12,984,390</u>
Capital assets, being depreciated:				
Land improvements	2,375,129	240,947	-	2,616,076
Buildings	88,929,745	-	-	88,929,745
Building improvements	14,222,894	-	-	14,222,894
Machinery and equipment	8,077,265	891,839	175,203	8,793,901
Intangible assets	131,849	-	-	131,849
Vehicles	7,275,578	112,652	393,533	6,994,697
Infrastructure	19,007,931	-	-	19,007,931
Total capital assets, being depreciated	<u>140,020,391</u>	<u>1,245,438</u>	<u>568,736</u>	<u>140,697,093</u>
Total capital assets	<u>148,652,580</u>	<u>5,735,430</u>	<u>706,527</u>	<u>153,681,483</u>
Less accumulated depreciation for:				
Land improvements	686,999	103,694	-	790,693
Buildings	20,458,636	1,188,224	-	21,646,860
Building improvements	5,543,059	468,763	-	6,011,822
Machinery and equipment	3,746,146	1,073,243	132,085	4,687,304
Intangible assets	36,258	6,592	-	42,850
Vehicles	2,767,139	297,798	250,557	2,814,380
Infrastructure	3,539,424	279,701	-	3,819,125
Total accumulated depreciation	<u>36,777,661</u>	<u>3,418,015</u>	<u>382,642</u>	<u>39,813,034</u>
Total capital assets, being depreciated, net	<u>103,242,730</u>	<u>(2,172,577)</u>	<u>186,094</u>	<u>100,884,059</u>
Governmental activities capital assets, net	<u>\$ 111,874,919</u>	<u>\$ 2,317,415</u>	<u>\$ 323,885</u>	<u>\$ 113,868,449</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

	Balance <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 157,072	\$ -	\$ -	\$ 157,072
Construction in progress	<u>1,002,623</u>	<u>3,001,635</u>	<u>60,893</u>	<u>3,943,365</u>
Total capital assets, not being depreciated	<u>1,159,695</u>	<u>3,001,635</u>	<u>60,893</u>	<u>4,100,437</u>
Capital assets, being depreciated:				
Intangible assets	12,144,524	-	-	12,144,524
Buildings	4,272,636	-	-	4,272,636
Building improvements	78,674	-	-	78,674
Distribution and collection system	29,403,400	-	-	29,403,400
Machinery and equipment	1,544,957	13,513	-	1,558,470
Vehicles	<u>144,875</u>	<u>-</u>	<u>-</u>	<u>144,875</u>
Total capital assets, being depreciated	<u>47,589,066</u>	<u>13,513</u>	<u>-</u>	<u>47,602,579</u>
Total capital assets	<u>48,748,761</u>	<u>3,015,148</u>	<u>60,893</u>	<u>51,703,016</u>
Less accumulated depreciation for:				
Intangible assets	5,241,128	162,957	-	5,404,085
Buildings	3,624,200	62,564	-	3,686,764
Building improvements	51,908	1,598	-	53,506
Distribution and collection system	5,962,064	325,136	-	6,287,200
Machinery and equipment	828,270	35,404	-	863,674
Vehicles	<u>108,893</u>	<u>4,205</u>	<u>-</u>	<u>113,098</u>
Total accumulated depreciation	<u>15,816,463</u>	<u>591,864</u>	<u>-</u>	<u>16,408,327</u>
Total capital assets, being depreciated, net	<u>31,772,603</u>	<u>(578,351)</u>	<u>-</u>	<u>31,194,252</u>
Business-type capital assets, net	<u>\$ 32,932,298</u>	<u>\$ 2,423,284</u>	<u>\$ 60,893</u>	<u>\$ 35,294,689</u>

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

Governmental activities:	
General government	\$ 171,928
Public safety	352,875
Public works	429,062
Library	204,694
Health and welfare	43,302
Education	<u>2,216,154</u>
Total depreciation expense - governmental activities	<u>\$3,418,015</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

Business-type activities:	
Water	\$ 102,399
Sewer	<u>489,465</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 591,864</u>

Construction commitments

The Town has the following commitments:

Plumtrees Road Bridge	\$1,820,266
-----------------------	-------------

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

A summary of interfund balances as of June 30, 2016 is as follows:

	Corresponding Fund	Due From	Due To
<u>Major funds:</u>			
General fund:			
Health department grants	N/A	\$ 8,190	\$ 42,820
Public safety grants	N/A	-	32,285
Education grants	N/A	-	775,682
Railroad station	N/A	-	30,104
Railroad station renovation	N/A	-	4,678
Paramedic intercept	N/A	442,786	-
General government	N/A	17,362	16,530
Debt service fund	N/A	-	1,083,156
Capital nonrecurring	N/A	684,891	144,144
Bonded projects	N/A	-	3,587,993
Water department	N/A	2,510,912	-
Sewer department	N/A	-	1,649,775
Town pension fund	N/A	-	<u>346,446</u>
Total general fund		<u>3,664,141</u>	<u>7,713,613</u>
Bonded projects:			
General fund	N/A	3,587,993	-
Debt service	N/A	-	<u>43,374</u>
Total bonded projects		<u>3,587,993</u>	<u>43,374</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

	Corresponding Fund	Due From	Due To
Capital nonrecurring:			
General fund	N/A	\$ 144,144	\$ 684,891
Debt service	N/A	59,898	-
Water	N/A	151,669	-
Total capital nonrecurring		<u>355,711</u>	<u>684,891</u>
Water department:			
Capital nonrecurring	N/A	-	151,669
Sewer department	N/A	-	45,523
General fund	N/A	-	2,510,912
Total water department		<u>-</u>	<u>2,708,104</u>
Sewer department:			
Water department	N/A	45,523	-
General fund	N/A	1,649,775	-
Total sewer department		<u>1,695,298</u>	<u>-</u>
<u>Nonmajor governmental funds:</u>			
Health department grants	General Fund	42,820	8,190
Public safety grants	General Fund	32,285	-
Education grants	General Fund	775,682	-
Railroad station	General Fund	30,104	-
Railroad station renovation	General Fund	4,678	-
Paramedic intercept	General Fund	-	442,786
General government	General Fund	16,530	17,362
Debt service fund	General Fund	1,083,156	-
Debt service fund	Capital Nonrecurring	-	59,898
Debt service fund	Bonded Projects	43,374	-
Total nonmajor governmental funds		<u>2,028,629</u>	<u>528,236</u>
Fiduciary funds:			
Town pension fund	General Fund	<u>346,446</u>	<u>-</u>
Grand total		<u>\$11,678,218</u>	<u>\$11,678,218</u>

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

Town of Bethel, Connecticut
Notes to Financial Statements
June 30, 2016

2. Advance payable and receivable

	<u>Corresponding Fund</u>	<u>Advances To</u>	<u>Advances From</u>
General fund:			
Bennett property	N/A	\$ 34,000	\$ -
Transfer station	N/A	<u>599,029</u>	<u>-</u>
Total general fund		<u>633,029</u>	<u>-</u>
Nonmajor governmental funds:			
Bennett property	General Fund	-	34,000
Transfer station	General Fund	<u>-</u>	<u>599,029</u>
Total nonmajor governmental funds		<u>-</u>	<u>633,029</u>
Grand total		<u>\$ 633,029</u>	<u>\$ 633,029</u>

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

3. Interfund transfers

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

	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:			
Capital nonrecurring	N/A	\$ -	\$ 225,000
Bonded projects	N/A	-	1,255,000
Transfer station	N/A	<u>-</u>	<u>200,000</u>
Total general fund		<u>-</u>	<u>1,680,000</u>
Major – bonded projects:			
General fund	N/A	<u>1,255,000</u>	<u>-</u>
Major – capital nonrecurring:			
General fund	N/A	<u>225,000</u>	<u>-</u>
Nonmajor governmental funds:			
Transfer station	General Fund	<u>200,000</u>	<u>-</u>
Grand total		<u>\$1,680,000</u>	<u>\$1,680,000</u>

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

E. Short-term obligations - bond anticipation notes

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

Short-term obligation activity for the fiscal year was as follows:

Governmental activities:

Project	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
General purpose - capital	\$5,928,730	\$8,890,270	\$5,928,730	\$8,890,270
Bethel firehouse renovations	100,000	-	100,000	-
Road paving	1,760,000	1,660,000	1,760,000	1,660,000
Public works equipment	579,730	479,730	579,730	479,730
Franc property	655,000	-	655,000	-
High school renovation	500,000	350,000	500,000	350,000
Total governmental activities	<u>\$9,523,460</u>	<u>\$11,380,000</u>	<u>\$9,523,460</u>	<u>\$11,380,000</u>

The BANs carry an interest rate of 2.00% and mature in February 2017.

Business-type activities:

The Town also issued BANS for certain enterprise fund projects.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Water department	\$ 111,540	\$ -	\$ 111,540	\$ -
Sewer department	640,000	400,000	640,000	400,000
Total business-type activities	<u>\$ 751,540</u>	<u>\$ 400,000</u>	<u>\$ 751,540</u>	<u>\$ 400,000</u>

The BANs carry an interest rate of 2.00% and mature in February 2017.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

F. Changes in long-term obligations

1. Summary of changes

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Current Portion
General purpose:									
Refunding bonds	\$ 1,785,000	04/28/10	07/15/20	4.00-5.00%	\$ 1,580,000	\$ -	\$ 310,000	\$ 1,270,000	\$ 315,000
Refunding bonds	1,992,000	04/28/10	07/15/20	3.00-5.00%	1,297,100	-	148,600	1,148,500	158,500
Refunding bonds	1,630,000	05/14/14	08/01/31	2.00-3.00%	1,630,000	-	-	1,630,000	-
Total general purpose					4,507,100	-	458,600	4,048,500	473,500
School:									
Refunding bonds	4,648,000	04/28/10	07/15/20	3.00-5.00%	2,892,900	-	371,400	2,521,500	361,500
Refunding bonds	18,405,000	04/28/15	11/15/34	1.00-5.00%	18,405,000	-	925,000	17,480,000	950,000
Total school					21,297,900	-	1,296,400	20,001,500	1,311,500
Total bonds					25,805,000	-	1,755,000	24,050,000	1,785,000
Premium					772,202	-	97,219	674,983	-
Total bonds and notes and related liabilities					26,577,202	-	1,852,219	24,724,983	1,785,000
Capital lease payable					872,904	4,363,271	267,194	4,968,981	866,804
Compensated absences					3,773,208	1,167,283	630,956	4,309,535	459,817
Net pension liability					9,497,520	4,297,828	3,183,574	10,611,774	-
Net OPEB obligation					5,030,644	1,676,556	576,122	6,131,078	-
Total long-term obligations					\$45,751,478	\$11,504,938	\$ 6,510,065	\$50,746,351	\$3,111,621

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016Enterprise funds (1):

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Current Portion
Refunding bonds	\$ 625,000	04/28/10	07/15/20	3.00-5.00%	\$ 130,000	\$ -	\$ 130,000	\$ -	\$ -
Refunding bonds	2,975,000	05/14/14	08/01/31	2.00-3.25%	2,975,000	-	205,000	2,770,000	200,000
Refunding bonds	12,010,000	04/07/15	11/15/34	1.00-5.00%	12,010,000	-	570,000	11,440,000	585,000
Total bonds					15,115,000	-	905,000	14,210,000	785,000
Premium					171,873	-	13,616	158,257	-
Total bonds and related liabilities					15,286,873	-	918,616	14,368,257	785,000
Compensated absences					-	17,598	-	17,598	-
Net pension liability					319,888	201,001	194,797	326,092	-
Net OPEB obligation					211,527	55,485	-	267,012	-
Total enterprise funds					\$ 15,818,288	\$ 274,084	\$ 1,113,413	\$ 14,978,959	\$ 785,000

- (1) The sewer improvement bonds are supported by means of an assessment program. All obligations are backed by the full faith and credit of the Town.

The following is a summary of debt maturities:

Year Ending June 30,	Debt Maturities			
	Bonds	General Purpose Interest	Sewer Bonds	Sewer Interest
2017	\$ 1,785,000	\$ 931,887	\$ 785,000	\$ 505,032
2018	1,595,000	864,438	770,000	483,657
2019	1,740,000	788,613	775,000	456,532
2020	1,760,000	701,113	780,000	423,282
2021	1,790,000	615,713	790,000	388,657
2022	1,795,000	532,738	795,000	352,682
2023	1,800,000	451,038	800,000	317,307
2024	1,285,000	383,257	800,000	282,413
2025	1,275,000	337,458	800,000	253,350
2026	950,000	305,069	620,000	230,031
2027	940,000	276,719	615,000	206,481
2028	930,000	244,019	1,100,000	180,281
2029	930,000	206,819	605,000	151,281
2030	930,000	169,619	920,000	122,356
2031	925,000	137,144	600,000	96,413
2032	915,000	108,972	900,000	73,160
2033	910,000	78,750	590,000	51,100
2034	900,000	47,075	585,000	30,538
2035	895,000	15,658	580,000	10,145
TOTALS	\$ 24,050,000	\$ 7,196,099	\$ 14,210,000	\$ 4,614,698

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

2. Statutory debt limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 137,063,063	\$ 15,078,500	\$ 121,984,563
Schools	274,126,127	20,351,500	253,774,627
Sewers	228,438,439	-	228,438,439
Urban renewal	197,979,980	-	197,979,980
Pension deficit	182,750,751	-	182,750,751

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$426,418,419.

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

3. Capital leases

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

Computers, equipment and vehicles totaling \$1,350,927, net of accumulated depreciation of \$904,318, are recorded under the capital lease. This year, \$364,816 was included in depreciation expense.

Capital assets for the energy lease totaled \$2,195,727 are included in construction in progress at year end.

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments as of June 30, 2016:

Year Ending <u>June 30,</u>	
2017	\$ 1,101,361
2018	503,892
2019	495,479
2020	272,527
2021	281,164
2022-2026	1,634,246
2027-2030	1,738,494
Less amount representing interest	<u>(1,058,182)</u>
Present value of minimum lease payments	<u>\$ 4,968,981</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

4. Authorized/unissued bonds

The amounts of authorized, unissued bonds are as follows:

General purpose	\$ 22,902,398
Schools	<u>168,225</u>
Total	<u>\$ 23,070,623</u>

5. Prior year advance refunding

In prior years, the Town defeased certain general obligation and sewer bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the Town’s financial statements. The outstanding balance at fiscal year end of general obligation and sewer bonds outstanding that are considered defeased was \$28,180,000.

6. Conduit debt

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

The outstanding balance of the capital lease was \$98,495. The Town has no obligation to pay the lease beyond the payment received from the lease payment received from the Association.

G. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$95,281.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

H. Fund balance classifications

Fund balance components are as follows:

Fund Balance Component	General Fund	Bonded Projects	Capital Nonrecurring	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Advance to other funds	\$ 633,029	\$ -	\$ -	\$ -	\$ 633,029
<u>Restricted:</u>					
Health and welfare:					
Small Cities grant	-	-	-	27,142	27,142
Health grants	-	-	-	34,630	34,630
Public safety:					
Police equipment	-	-	-	32,285	32,285
School lunch program	-	-	-	79,025	79,025
General government:					
Railroad station operations	-	-	-	289,229	289,229
Historic documents preservation	-	-	-	16,256	16,256
Total restricted	-	-	-	478,567	478,567
<u>Committed:</u>					
General government:					
Railroad station improvements	-	-	-	38,479	38,479
Planning and Zoning commission	-	-	-	73,263	73,263
Library operations	-	-	-	49,301	49,301
Education grant programs	-	-	-	796,713	796,713
Education (general)	380,807	-	-	-	380,807
Approved CNR projects	-	-	1,358,378	-	1,358,378
Total committed	380,807	-	1,358,378	957,756	2,696,941
<u>Assigned:</u>					
Future debt service payments	-	-	-	1,071,156	1,071,156
<u>Unassigned</u>	16,549,611	(5,774,959)	-	(1,108,968)	9,665,684
Total	\$ 17,563,447	\$ (5,774,959)	\$ 1,358,378	\$ 1,398,511	\$ 14,545,377

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

IV. Other information

A. Risk management

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

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

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

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

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

<u>Fiscal year</u>	<u>Claims Payable July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable June 30</u>
2014-2015	\$ 79,000	\$ 797,772	\$ 821,572	\$ 55,200
2015-2016	55,200	980,839	967,639	68,400

B. Commitments and litigation

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**C. Pension plans****1. Plan description****Plan administration**

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

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

Plan membership

As of July 1, 2015, the plans' membership consists of the following:

	<u>Town</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	105	13
Terminated employees entitled to benefits but not yet receiving them	8	2
Active plan members	<u>130</u>	<u>34</u>
Totals	<u>243</u>	<u>49</u>

2. Benefit provisionsTown

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

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

Police

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

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

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

3. Contributions

Town

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

Police

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

The Town's contributions are actuarially determined on an annual basis using the entry age normal method for the Town plan and the Police plan. For the year ended June 30, 2016, The Town's contributions were 36.17% and 21.31% of covered payroll, respectively, for the Town and Police plans. Administration costs are financed from investment earnings.

4. Investment policy

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

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	40%
Fixed income	55%
Cash	<u>5%</u>
Total	<u>100%</u>

5. Concentrations

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

6. Rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (1.11)% for the Town and Police plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**7. Net pension liability**

The components of the net pension liability were as follows:

	<u>Town</u>	<u>Police</u>
Total pension liability	\$ 31,810,462	\$ 15,450,508
Plan fiduciary net position	<u>(27,152,011)</u>	<u>(9,171,093)</u>
Net pension liability (asset)	<u>\$ 4,658,451</u>	<u>\$ 6,279,415</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.36%</u>	<u>59.36%</u>

8. Actuarial assumptions

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

	<u>Town</u>	<u>Police</u>
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value
Amortization method	Level percent, closed	Level percent, closed
Remaining amortization period	19 years	19 years
Inflation	2.70%	2.70%
Salary increase	3.00%	4.00%, average
Investment rate of return	6.75%, net of pension plan investment expense, including inflation	6.75%, net of pension plan investment expense, including inflation
Mortality rates	Based on the RP-2000 Mortality Table for Employees, Healthy and Disabled Annuitants with generational projection per Scale BB	Based on the RP-2000 Mortality Table for Employees, Healthy and Disabled Annuitants with generational projection per Scale BB.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	Town and Police Plans' <u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	2.69%
Broad U.S. Equities	5.40%

The total weighted average expected rate of return is 4.31% (excludes inflation).

9. Discount rate

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016**10. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The changes in net pension liability for each plan for the fiscal year were as follows:

Town Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2015	\$ 30,307,889	\$ 25,738,059	\$ 4,569,830
Service cost	822,302	-	822,302
Interest	2,063,282	-	2,063,282
Change of benefit terms	33	-	33
Differences between expected and actual experience	(14,173)	-	(14,173)
Contributions - employer	-	2,751,446	(2,751,446)
Contributions - member	-	341,395	(341,395)
Net investment income	-	(265,630)	265,630
Benefit payments, including refunds of member contributions	(1,368,871)	(1,368,871)	-
Administrative expenses	-	(44,388)	44,388
Net change	1,502,573	1,413,952	88,621
Balance at June 30, 2016	\$ 31,810,462	\$ 27,152,011	\$ 4,658,451
Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2015	\$ 14,297,296	\$ 9,049,718	\$ 5,247,578
Service cost	506,137	-	506,137
Interest	998,784	-	998,784
Differences between expected and actual experience	122,464	-	122,464
Contributions - employer	-	513,000	(513,000)
Contributions - member	-	198,552	(198,552)
Net investment income	-	(91,082)	91,082
Benefit payments, including refunds of member contributions	(474,173)	(474,173)	-
Administrative expenses	-	(24,922)	24,922
Net change	1,153,212	121,375	1,031,837
Balance at June 30, 2016	\$ 15,450,508	\$ 9,171,093	\$ 6,279,415

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

The following presents the net pension liability, calculated using the discount rate of 6.75% for the Town and Police Plans as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Town

	1% Decrease <u>(5.75%)</u>	Current Discount <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability	\$ 8,338,329	\$ 4,658,451	\$ 1,746,466

Police

	1% Decrease <u>(5.75%)</u>	Current Discount <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability	\$ 8,681,506	\$ 6,279,415	\$ 4,507,370

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

For the fiscal year the Town recognized pension expense of \$2,389,433. The Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,436	\$ 11,281
Net difference between projected and actual earnings on pension plan investments	<u>3,174,383</u>	<u>-</u>
Total	<u>\$ 3,283,819</u>	<u>\$ 11,281</u>

Net amount of deferred inflow and outflow excluding Town contributions subsequent to measurement date \$ 3,272,538

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

Year Ending June 30,		
2017	\$	883,549
2018		883,549
2019		883,548
2020		564,568
2021		13,028
Thereafter		<u>44,296</u>
Total	\$	<u>3,272,538</u>

13. Defined contribution retirement savings plan

As of July 1, 2013, Town employees and certain Board of Education employees not covered by the Town's defined benefit plan are eligible to participate in the Town of Bethel Money Purchase Defined Contribution Plan administered by the Town. The Board of Selectmen has the authority to establish and amend the plan. At year end, there were 10 employees eligible to participate in the plan. The Town and employees are both required to contribute 5% of earnings. During the year, the Town recognized pension expense of \$19,975 and employee contributions totaled \$19,938.

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

14. Plan Statements

Combining Statement of Fiduciary Net Position
Pension Trust Funds

	Town Pension Fund	Police Pension Fund	Total
<u>Assets</u>			
Investments:			
Bond mutual funds	\$ 6,365,915	\$ 2,268,045	\$ 8,633,960
Money market mutual funds	1,740,315	289,073	2,029,388
Certificates of deposit	245,004	213,266	458,270
Bank money market accounts	731,372	-	731,372
U.S. government obligations	4,701,100	1,760,508	6,461,608
U.S. government agency securities	522,918	196,607	719,525
Common stock	11,436,737	4,039,645	15,476,382
Corporate bonds	740,769	275,747	1,016,516
Total investments	26,484,130	9,042,891	35,527,021
Prepaid benefits and fees	321,435	128,202	449,637
Due from other funds	346,446	-	346,446
Total assets	27,152,011	9,171,093	36,323,104
<u>Net Position</u>			
Restricted for pension benefits	\$ 27,152,011	\$ 9,171,093	\$ 36,323,104

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

Combining Statement of Changes In Fiduciary Net Position
Pension Trust Funds

	Town Pension Fund	Police Pension Fund	Total
Additions:			
Contributions:			
Employer	\$ 2,751,446	\$ 513,000	\$ 3,264,446
Plan members	341,395	198,552	539,947
Total contributions	3,092,841	711,552	3,804,393
Investment income (loss):			
Change in fair value of investments	(632,129)	(223,189)	(855,318)
Interest and dividends	557,332	199,378	756,710
Total investment income (loss)	(74,797)	(23,811)	(98,608)
Less investment expenses	190,833	67,271	258,104
Net investment income (loss)	(265,630)	(91,082)	(356,712)
Total additions	2,827,211	620,470	3,447,681
Deductions:			
Benefits	1,368,871	474,173	1,843,044
Administration	44,388	24,922	69,310
Total deductions	1,413,259	499,095	1,912,354
Change in net position	1,413,952	121,375	1,535,327
Net position - July 1, 2015	25,738,059	9,049,718	34,787,777
Net position - June 30, 2016	\$ 27,152,011	\$ 9,171,093	\$ 36,323,104

Town of Bethel, Connecticut

Notes to Financial Statements

June 30, 2016

D. Pension plans - Connecticut State Teachers' Retirement System**1. Plan description**

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

2. Benefit provisions

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

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

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

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

3. ContributionsState of Connecticut

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

Employer (School Districts)

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

Employees

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>59,345,782</u>
Total	<u>\$59,345,782</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At fiscal year end the Town has no proportionate share of the net pension liability.

For the fiscal year, the Town recognized pension expense and revenue of \$4,755,092 for on-behalf amounts for the benefits provided by the State.

5. Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increase	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

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

Town of Bethel, Connecticut

Notes to Financial Statements

June 30, 2016

6. Discount rate

The discount rate used to measure the total pension liability was 8.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement System Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2015.

E. Other post-employment benefit plans

1. Plan description

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

2. Classes of employees covered

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

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

3. Benefit provisions and contributions

a. Benefit provisions

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

b. Employer contributions

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town, Police and Board of Education's total plan contribution was \$576,122.

c. Employee contributions

There are no employee contributions to the plan.

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

4. Funded status and funding progress

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

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

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

5. Actuarial methods and assumptions

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

Town of Bethel, Connecticut

Notes to Financial Statements

June 30, 2016

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

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Remaining amortization period:	
Town	23 years closed
Police	23 years closed
Board of Education	23 years closed

Actuarial assumptions:

Investment rate of return - all plans	4.00%
Healthcare inflation rate:	
Initial	7.70%
Ultimate	4.40%
Inflation rate	2.75%

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

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

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

The changes in the NOO were as follows:

	<u>Town</u>	<u>Police</u>	<u>Board of Education</u>
Annual required contribution	\$ 580,811	\$ 563,103	\$ 605,601
Interest on net OPEB obligation	68,331	1,565	139,791
Adjustment to annual required contribution	<u>(91,504)</u>	<u>75,386</u>	<u>(211,043)</u>
Annual OPEB cost	557,638	640,054	534,349
Contributions made	<u>187,742</u>	<u>4,299</u>	<u>384,081</u>
Change in net OPEB obligation	369,896	635,755	150,268
Net OPEB obligation - July 1, 2015	<u>1,677,494</u>	<u>2,883,195</u>	<u>681,482</u>
Net OPEB obligation - June 30, 2016	<u>\$2,047,390</u>	<u>\$ 3,518,950</u>	<u>\$ 831,750</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2016

7. Three year trend information

<u>Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
<u>Town Plan</u>			
2016	\$ 557,638	33.7%	\$2,047,390
2015	523,398	30.1%	1,677,494
2014	482,799	34.1%	1,315,632
<u>Police Plan</u>			
2016	\$ 640,054	0.7%	\$3,518,950
2015	625,650	0.6%%	2,883,195
2014	550,309	0.7%	2,261,244
<u>Board of Education Plan</u>			
2016	\$ 534,349	71.9%	\$ 831,750
2015	477,475	69.2%	681,482
2014	466,359	38.3%	534,475

**Required
Supplementary
Information**

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Last Three Years

Schedule of Changes in Net Pension Liability

	2016	2015	2014
Total pension liability:			
Service cost	\$ 822,302	\$ 824,737	\$ 1,132,089
Interest	2,063,282	1,958,065	829,900
Change of benefit terms	33	-	-
Differences between expected and actual experience	(14,173)	-	-
Benefit payments, including refunds of member contributions	<u>(1,368,871)</u>	<u>(1,295,920)</u>	<u>(1,200,025)</u>
Net change in total pension liability	1,502,573	1,486,882	761,964
Total pension liability - July 1	<u>30,307,889</u>	<u>28,821,007</u>	<u>28,059,043</u>
Total pension liability - June 30 (a)	<u>\$ 31,810,462</u>	<u>\$ 30,307,889</u>	<u>\$ 28,821,007</u>
Plan fiduciary net position:			
Contributions - employer	\$ 2,751,446	\$ 3,083,429	\$ 2,559,953
Contributions - member	341,395	285,418	307,290
Net investment income	(265,630)	369,456	1,941,532
Benefit payments, including refunds of member contributions	(1,368,871)	(1,295,920)	(1,200,025)
Administrative expense	<u>(44,388)</u>	<u>-</u>	<u>(39,913)</u>
Net change in plan fiduciary net position	1,413,952	2,442,383	3,568,837
Plan fiduciary net position - July 1	<u>25,738,059</u>	<u>23,295,676</u>	<u>19,726,839</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 27,152,011</u>	<u>\$ 25,738,059</u>	<u>\$ 23,295,676</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 4,658,451</u>	<u>\$ 4,569,830</u>	<u>\$ 5,525,331</u>

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

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Last Three Years

Schedule of Changes in Net Pension Liability

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

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

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Last Three Years

Schedule of Net Pension Liability

	2016	2015	2014
Total pension liability	\$ 31,810,462	\$ 30,307,889	\$ 28,821,007
Plan fiduciary net position	<u>(27,152,011)</u>	<u>(25,738,059)</u>	<u>(23,295,676)</u>
Net pension liability	<u>\$ 4,658,451</u>	<u>\$ 4,569,830</u>	<u>\$ 5,525,331</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.36%</u>	<u>84.92%</u>	<u>80.83%</u>
Covered-employee payroll	<u>\$ 7,607,181</u>	<u>\$ 7,607,181</u>	<u>\$ 7,739,426</u>
Net pension liability as a percentage of covered-employee payroll	<u>61.24%</u>	<u>60.07%</u>	<u>71.39%</u>

Schedule of Investment Returns

	2016	2015	2014
Annual money weighted rate of return, net investment expense	<u>- (1.11%)</u>	<u>2.40%</u>	<u>9.61%</u>

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

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Last Three Years

Schedule of Net Pension Liability

	2016	2015	2014
Total pension liability	\$ 15,450,508	\$ 14,297,296	\$ 13,363,089
Plan fiduciary net position	<u>(9,171,093)</u>	<u>(9,049,718)</u>	<u>(8,526,588)</u>
Net pension liability (asset)	<u>\$ 6,279,415</u>	<u>\$ 5,247,578</u>	<u>\$ 4,836,501</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>59.36%</u>	<u>63.30%</u>	<u>63.81%</u>
Covered-employee payroll	<u>\$ 2,407,527</u>	<u>\$ 2,407,527</u>	<u>\$ 2,337,955</u>
Net pension liability (asset) as a percentage of covered-employee payroll	<u>260.82%</u>	<u>217.97%</u>	<u>206.87%</u>

Schedule of Investment Returns

	2016	2015	2014
Annual money weighted rate of return, net investment expense	<u>- (1.11%)</u>	<u>2.67%</u>	<u>9.40%</u>

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

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Last Ten Years

Schedule of Contributions

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2016	\$ 2,013,334	\$ 2,751,446	\$ (738,112)	\$ 7,607,181	36.17%
2015	2,013,334	3,083,429	(1,070,095)	7,607,181	40.53%
2014	1,986,076	2,559,953	(573,877)	7,739,426	33.08%
2013	2,086,345	1,859,681	226,664	7,678,530	24.22%
2012	1,918,557	1,736,824	181,733	7,711,696	22.52%
2011	2,029,673	1,356,000	673,673	7,503,503	18.07%
2010	2,173,082	1,300,000	873,082	7,219,991	18.01%
2009	1,901,896	1,300,000	601,896	6,925,811	18.77%
2008	1,747,968	1,318,052	429,916	6,633,769	19.87%
2007	1,607,110	875,000	732,110	6,320,397	13.84%

**Town of Bethel, Connecticut
Police Plan**

**Required Supplementary Information
Last Ten Years**

Schedule of Contributions

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2016	\$ 612,450	\$ 513,000	\$ 99,450	\$ 2,407,527	21.31%
2015	612,450	472,000	140,450	2,407,527	19.61%
2014	593,686	375,000	218,686	2,337,955	16.04%
2013	579,931	340,319	239,612	2,337,478	14.56%
2012	566,342	385,084	181,258	2,357,269	16.34%
2011	621,153	369,028	252,125	2,180,272	16.93%
2010	600,090	255,777	344,313	2,242,755	11.40%
2009	415,392	235,628	179,764	2,116,480	11.13%
2008	395,519	200,659	194,860	1,983,690	10.12%
2007	267,643	212,985	54,658	2,011,476	10.59%

Town of Bethel, Connecticut

Town Plan

Notes to Required Supplementary Information
June 30, 2016

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2014, two years prior to the end of the fiscal year in which contributions are reported

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

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

Town of Bethel, Connecticut

Police Plan

Notes to Required Supplementary Information

June 30, 2016

Changes of benefit terms	None
Changes of assumptions	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of July 1, 2014, two years prior to the end of the fiscal year in which contributions are reported

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

Actuarial cost method	Entry Age Normal
Amortization method	Level percent, closed
Remaining amortization period	20 years
Asset valuation method	Fair value
Inflation	2.70%
Salary increases	4.00%, average
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut
Other Post-Employment Benefit Plans
Required Supplementary Information
Last Eight Years
Schedules of Employer Contributions

Town Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 580,811	\$ 187,742	32.3%
2015	542,163	161,536	29.8%
2014	497,799	164,815	33.1%
2013	466,455	156,155	33.5%
2012	369,498	178,903	48.4%
2011	348,251	169,453	48.7%
2010	328,000	159,677	48.7%
2009	328,000	131,000	39.9%

Police Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 563,103	\$ 4,299	0.8%
2015	525,634	3,699	0.7%
2014	482,622	3,774	0.8%
2013	452,234	3,576	0.8%
2012	358,233	4,097	1.1%
2011	337,634	3,881	1.1%
2010	318,000	3,657	1.2%
2009	318,000	3,000	0.9%

Board of Education Plan

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
2016	\$ 605,601	\$ 384,081	63.4%
2015	565,304	330,468	58.5%
2014	519,046	337,178	65.0%
2013	486,365	319,460	65.7%
2012	385,269	366,000	95.0%
2011	363,115	346,667	95.5%
2010	342,000	326,667	95.5%
2009	342,000	268,000	78.4%

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

Town of Bethel, Connecticut

Other Post-Employment Benefit Plans

Notes to Required Supplementary Information
June 30, 2016

Changes of benefit terms	<p>2014: Retiree medical insurance supplemental fund no longer applies to dispatchers</p> <p>This decreased the accrued liability by about \$110,000 and decreased the annual required contribution by about \$5,000.</p>
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Changes of assumptions	<p>2014: Healthcare inflation rate was revised to 7.7%, grading down to an ultimate inflation rate of 4.40%</p> <p>2014: There were assumption changes for medical age curves, medical inflation, and demographic assumptions for teachers and administrator.</p> <p>The combined effect of the above changes increased the accrued liability by about \$560,000 and increased the annual required contribution by about \$35,000.</p>
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The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent
Remaining amortization period	23 years, closed
Asset Valuation Method	Fair Value
Investment Rate of Return	4.00%
Healthcare inflation rate - Initial	7.70%
Healthcare inflation rate - Ultimate	4.40%
Inflation rate	2.75%

Town of Bethel, Connecticut
Connecticut State Teachers' Retirement System
Required Supplementary Information
Last Two Years

Schedule of Proportionate Share of the Net Pension Liability

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

Schedule of Contributions

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

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

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

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

Town of Bethel, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information
June 30, 2016

Changes of benefit terms

None

In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted more closely to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.

Actuarial Cost Method

Entry age

Amortization Method

Level percent of salary, closed

Remaining Amortization Period

21.4 years

Asset Valuation Method

4 year smoothed market

Inflation

3.00%

Salary Increases

3.75%-7.00%, average, including inflation

Investment Rate of Return

8.50%, net of pension plan investment expense, including inflation