

Town of New Fairfield, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2014

Town of New Fairfield, Connecticut

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Independent Auditors' Report

**The Board of Finance
Town of New Fairfield, 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 New Fairfield, Connecticut ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 Management's Discussion and Analysis, the budgetary comparison information and pension and other post-employment benefit schedules 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 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.

Supplementary and Other Information

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

The combining fund financial statements and supplementary 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. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015 on our consideration of the Town's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

O'Connor Davies, LLP

February 17, 2015

Town of New Fairfield, Connecticut

Management's Discussion and Analysis
June 30, 2014

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

Our discussion and analysis of the Town of New Fairfield, Connecticut's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Town's long-term financial health (as shown in Exhibits 1 and 2) increased by \$2,953,732.
- The Town's short-term financial health (as shown in Exhibit 3 and 4) increased by \$1,385,198.
- The Town had an excess of revenues over expenses of \$670,802 (RSI-1).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Exhibits 8. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$2,953,732 from a year ago—*increasing* from \$82,534,114 to \$85,487,846. Last year net position *increased* by \$4,125,557. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

**Table 1
Change in Net Position (on Exhibit 1)**

	2014	Change During Year		2013
		Dollars	Percent	
Current and other assets	\$ 20,705,646	\$ 2,069,006	11.10%	\$ 18,636,640
Capital assets	98,231,509	(1,394,902)	-1.40%	99,626,411
Total assets	<u>118,937,155</u>	<u>674,104</u>	<u>0.57%</u>	<u>118,263,051</u>
Long-term debt outstanding	28,696,910	(2,794,077)	-8.87%	31,490,987
Other liabilities	2,867,422	334,771	13.22%	2,532,651
Total liabilities	<u>31,564,332</u>	<u>(2,459,306)</u>	<u>-7.23%</u>	<u>34,023,638</u>
Deferred Inflows of Resources	<u>1,884,977</u>	<u>179,681</u>	<u>10.54%</u>	<u>1,705,296</u>
Net position				
Net investment in capital assets	71,171,509	640,098	0.91%	70,531,411
Restricted - Expendable	1,474,439	284,367	23.89%	1,190,072
Restricted - Nonexpendable	321,467	-	0.00%	321,467
Unrestricted	<u>12,520,431</u>	<u>2,029,267</u>	<u>19.34%</u>	<u>10,491,164</u>
Total net position	<u>\$ 85,487,846</u>	<u>\$ 2,953,732</u>	<u>3.58%</u>	<u>\$ 82,534,114</u>

The unrestricted portion, increased in FY2014 by \$2,029,267 bringing it to a total amount of \$12,520,431. This portion of the net position is what may be used to meet the government's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements

Capital assets went down by \$1,394,902. This is due to current year's net addition to capital assets in the amount of \$1,547,820 which consists of the following: Construction in progress increased by a net amount of \$541,268, Land improvement increased by \$734,037, Machinery and Equipment increased by a net amount of \$272,515. The accumulated depreciation for this current year came to a net amount of \$2,942,722.

Long-term debt outstanding was lower than prior year by \$2,794,077. This is due to:

- A principal payment against General Obligation Bonds \$2,035,000.
- Payment against OPEB obligation \$1,594,036.
- Payment against pension obligation \$97,475.

An addition to the following obligations:

- Pension obligation \$281,803.
- OPEB obligations \$625,905.
- Compensated absences \$24,726.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

**Table 2
Change in Net Position (on Exhibit 2)**

	2014	Change During Year		2013
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 4,805,910	\$ (93,390)	-1.91%	\$ 4,899,300
Operating grants and contributions	10,882,201	630,155	6.15%	10,252,046
Capital grants and contributions	380,293	(2,784,794)	-87.98%	3,165,087
General revenues:				
Property taxes	43,464,282	1,489,414	3.55%	41,974,868
Grants and contributions	47,617	(48,917)	-50.67%	96,534
Interest and investment earnings	174,370	(28,214)	-13.93%	202,584
Gain on disposal of equipment	-	(19,125)	-100.00%	19,125
Other general revenues	255,134	(1,764)	-0.69%	256,898
Total revenues	<u>60,009,807</u>	<u>(856,635)</u>	-1.41%	<u>60,866,442</u>
Program expenses				
General government	4,393,427	(624,750)	-12.45%	5,018,177
Public safety	2,791,277	(88,966)	-3.09%	2,880,243
Public works	2,941,497	1,170,164	66.06%	1,771,333
Health and welfare	520,461	32,972	6.76%	487,489
Culture and recreation	1,187,676	333,088	38.98%	854,588
Education	44,257,071	(435,853)	-0.98%	44,692,924
Interest on long-term debt	964,666	(71,465)	-6.90%	1,036,131
Total expenses	<u>57,056,075</u>	<u>315,190</u>	0.56%	<u>56,740,885</u>
Increase (decrease) in net position	<u>\$ 2,953,732</u>	<u>\$ (1,171,825)</u>	-28.40%	<u>\$ 4,125,557</u>

Program revenues were lower from prior year by 12.27%. This is due to the following:

- In FY2013 FEMA revenue was \$382,734, in FY2014 it was \$12,093.
- Employee contributions in the Insurance reserve fund decreased by \$265,025. In FY2013 employee contributions were \$1,604,068, FY2014 it was \$1,339,043.
- ECS grant increased by \$546,049.
- MHHS/HS renovations - the town received \$2,998,091 in FY2013, and \$266,561 in FY2014.

General revenues increased by 3.27%. This is mainly due to an increase in tax collections, licenses & permits, and intergovernmental revenues.

Expenses increased by .56%. This is due to the following:

- Current year's pension and OPEB expense increased from \$202,309 FY2013 to \$823,362 in FY2014.
- \$1,239,021 of expenditures were capitalized, and only \$225,690 in FY2014.
- Education expenditures increased \$984,664 partially due to \$584,776 increase in payments for teachers' retirement.
- Insurance Fund expenditures decreased by \$1,843,979 due to FY2013 transfer out to OPEB fund of \$726,412, none in FY2014.
- A decrease of \$1,141,783 in medical claims.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

Governmental Activities

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions.

**Table 3
Governmental Type Activities**

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2014	2013		2014	2013	
Governmental Activities						
General government	\$ 4,393,427	\$ 5,018,177	-12.45%	\$ 3,322,520	\$ 4,110,285	23.71%
Public safety	2,791,277	2,880,243	-3.09%	2,570,100	2,642,612	2.82%
Public works	2,941,497	1,771,333	66.06%	2,203,113	693,099	-68.54%
Health and welfare	520,461	487,489	6.76%	261,265	239,396	-8.37%
Culture and recreation	1,187,676	854,588	38.98%	613,083	342,763	-44.09%
Education	44,257,071	44,692,924	-0.98%	31,052,924	29,360,166	-5.45%
Interest on long-term debt	964,666	1,036,131	-6.90%	964,666	1,036,131	7.41%
Totals	\$ 57,056,075	\$ 56,740,885	0.56%	\$ 40,987,671	\$ 38,424,452	-6.25%

The above presents the total costs of each of the Town's largest programs as well as the net costs after deducting the program revenues.

The total net costs of these programs increased by \$2,563,219 in FY2014. The net expenses of \$40,987,671, is the financial burden that was placed on the Town's taxpayers, by each of these functions.

THE GOVERNMENT'S FUNDS

The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Town's governmental fund is to focus on short 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. (Exhibit 3 & 4)

While the government wide financial statements showed a \$2,953,732 increase in the full accrual based equity, the fund financial statements showed a \$1,385,198 increase in the modified-accrual based equity during the same period.

Much of this is due to the treatment of investment in capital assets, and long-term debt. The fund financial statements treat additions to capital assets and long term debt as expenditures, and do not capitalize and depreciate them. In other words, the difference between the two statements is: Principal payments on long term debt and purchases of capital assets, are a reduction in the combined government wide financial statements (exhibit 2), but are not a direct reduction in the net position in the fund government statements (exhibit 3 & 4).

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriations up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

**Table 4
General Fund - Budget Summary**

	Final		
Revenues	Budget	Actual	Variance
Property Taxes	\$ 42,998,564	\$ 43,312,416	\$ 313,852
Intergovernmental	5,345,381	5,369,919	24,538
Licenses and Permits	212,500	300,975	88,475
Local Revenue	1,475,500	1,562,470	86,970
Total Revenues	50,031,945	50,545,780	513,835
Expenditures			
General Government	3,136,232	2,967,477	168,755
Public Safety	2,366,748	2,359,761	6,987
Public Works	2,150,920	2,123,839	27,081
Health and Welfare	468,144	449,330	18,814
Recreation	536,967	523,029	13,938
Debt Service	3,012,260	3,012,259	1
Education	31,050,269	31,026,007	24,262
Capital Nonrecurring	979,196	979,196	-
Health Insurance	6,434,080	6,434,080	-
Total Expenditures	50,134,816	49,874,978	259,838
Increase (Decrease) in Fund Balance	\$ (102,871)	\$ 670,802	\$ 773,673

The General Fund is the chief operating fund of the Town. In table 4, the fund balance of the Town increased by \$670,802 on the budgetary basis.

Key factors contributing to this surplus in budgeted revenues were:

- Tax collections (61.08%).
- Intergovernmental (4.78%).
- Licenses and permits (17.22%).
- Local Revenues (16.93%).

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2014**

Other factors that contributed to this surplus:

- Revenue items received that were not budgeted for such as: Pilot-State Owned Property \$18,427, Pequot revenue \$22,908, FEMA's \$12,093, Video Trust Grant \$3,701, Municipal Aid Funding \$1,309, Transportation \$46,436, Settlement Revenue \$2,500.

On the expenditures side the Town had a favorable variance, where actual spending was below what was budgeted for by \$305,183. The following contributed to the surplus in expenditures:

- General government 64.94% of surplus, or 5.38% below department's budget.
- Public safety 2.69% of surplus, or .30% below department's budget.
- Public works 10.42% of surplus, or 1.26% below department's budget.
- Health & welfare 7.24% of surplus, or 4.02% below department's budget.
- Recreation 5.36% or surplus, or 2.60% below department's budget.

The surplus in expenditures was due to the efforts of the First Selectman and the Town's staff, who worked hard as a team to accomplish this goal.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$98,231,509 invested government activity capital assets. This amount represents a net decrease (including additions and deductions) of \$1,394,902 from last year. This is primarily due to net additions of \$1,547,820, and net accumulated depreciation of \$2,942,722. More detailed information about the Government's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Government had \$27,060,000 in bonds and notes outstanding. This is a decrease of \$2,035,000 from last year. The Government's general obligation bond rating continues to carry an AAA rating. More detailed information about the Government's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2015 budget and tax rates. The budgeted expenditures for the general government increased by 2.09%. The budgeted expenditures for the education budget increased by 2.43%.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of New Fairfield, 3 Brush Hill Road, New Fairfield, CT 06812.

Town of New Fairfield, Connecticut

Basic Financial Statements
June 30, 2014

Town of New Fairfield, Connecticut

Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 2,910,526
Investments	13,603,259
Receivables	
Taxes, net	554,653
Accounts	491,985
Loans	1,108,796
Intergovernmental	1,223,989
Prepaid expenses	223,881
Inventory	16,518
Pension assets	572,039
Capital assets	
Nondepreciable	7,074,057
Depreciable, net of accumulated depreciation	<u>91,157,452</u>
Total Assets	<u>118,937,155</u>
LIABILITIES	
Accounts payable	2,027,380
Accrued payroll and related	340,496
Accrued interest payable	376,244
Unearned revenues	123,302
Non-current liabilities	
Due within one year	2,055,975
Due in more than one year	<u>26,640,935</u>
Total Liabilities	<u>31,564,332</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenues - collected in advance	<u>1,884,977</u>
NET POSITION	
Net investment in capital assets	71,171,509
Restricted	
Expendable	1,474,439
Nonexpendable	321,467
Unrestricted	<u>12,520,431</u>
Total Net Position	<u>\$ 85,487,846</u>

Town of New Fairfield, Connecticut

Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ (4,393,427)	\$ 835,404	\$ 130,046	\$ 105,457	\$ (3,322,520)
Public safety	(2,791,277)	209,376	11,801	-	(2,570,100)
Public works	(2,941,497)	369,294	369,090	-	(2,203,113)
Health and welfare	(520,461)	72,027	187,169	-	(261,265)
Culture and recreation	(1,187,676)	556,716	17,877	-	(613,083)
Education	(44,257,071)	2,763,093	10,166,218	274,836	(31,052,924)
Interest on long-term debt	(964,666)	-	-	-	(964,666)
	<u>\$ (57,056,075)</u>	<u>\$ 4,805,910</u>	<u>\$ 10,882,201</u>	<u>\$ 380,293</u>	<u>(40,987,671)</u>
General Revenues					
					43,464,282
					47,617
					174,370
					255,134
					<u>43,941,403</u>
					2,953,732
					<u>82,534,114</u>
					<u>\$ 85,487,846</u>

Town of New Fairfield, Connecticut

Balance Sheet
 Governmental Funds
 June 30, 2014

	General	Capital Non Recurring Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 1,675,848	\$ 17,723	\$ 1,075,926	\$ 2,769,497
Investments	13,279,053	-	324,206	13,603,259
Taxes receivable, net of allowance for uncollectible amounts	554,653	-	-	554,653
Other receivables				
Accounts	87,358	113,958	203,894	405,210
Loans	-	-	1,108,796	1,108,796
Intergovernmental	515,093	-	708,896	1,223,989
Due from other funds	556,424	2,843,497	1,071,726	4,471,647
Prepaid expenditures	1,227	-	18,904	20,131
Inventories	-	-	16,518	16,518
Total Assets	<u>\$ 16,669,656</u>	<u>\$ 2,975,178</u>	<u>\$ 4,528,866</u>	<u>\$ 24,173,700</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,287,108	\$ 39,628	\$ 132,742	\$ 1,459,478
Accrued payroll and related	310,621	-	29,875	340,496
Due to other funds	5,021,763	464,589	854,636	6,340,988
Unearned revenues - performance	-	-	123,302	123,302
Total Liabilities	<u>6,619,492</u>	<u>504,217</u>	<u>1,140,555</u>	<u>8,264,264</u>
Deferred inflows of resources				
Unearned revenues - collected in advance	1,884,977	-	-	1,884,977
Deferred revenues - unavailable	918,806	56,961	761,906	1,737,673
	<u>2,803,783</u>	<u>56,961</u>	<u>761,906</u>	<u>3,622,650</u>
Fund balances (deficits)				
Nonspendable	1,227	-	356,889	358,116
Restricted	-	-	1,427,542	1,427,542
Committed	-	2,414,000	883,372	3,297,372
Assigned	984,066	-	94,591	1,078,657
Unassigned	6,261,088	-	(135,989)	6,125,099
Total Fund Balances	<u>7,246,381</u>	<u>2,414,000</u>	<u>2,626,405</u>	<u>12,286,786</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,669,656</u>	<u>\$ 2,975,178</u>	<u>\$ 4,528,866</u>	<u>\$ 24,173,700</u>

Town of New Fairfield, Connecticut

Reconciliation of Governmental Funds Balance Sheet
to the Government Wide Statement of Net Position - Governmental Activities
June 30, 2014

Fund Balances - Total Governmental Funds	\$ 12,286,786
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	98,231,509
Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,732,993
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,737,673
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(27,060,000)
Compensated absences	(419,506)
Pension obligations	(387,209)
Pension assets	572,039
OPEB obligations	(830,195)
Accrued Interest	<u>(376,244)</u>
	<u>\$ 85,487,846</u>

Town of New Fairfield, Connecticut

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

	General	Capital Non Recurring Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$43,312,416	\$ -	\$ -	\$ 43,312,416
Intergovernmental	9,952,002	62,148	1,603,008	11,617,158
Interest income	166,778	596	6,996	174,370
Charges for services	1,215,969	-	1,054,581	2,270,550
Other revenues	1,402,763	6,441	256,681	1,665,885
Total Revenues	<u>56,049,928</u>	<u>69,185</u>	<u>2,921,266</u>	<u>59,040,379</u>
EXPENDITURES				
Current				
General government	2,997,015	-	40,716	3,037,731
Public safety	2,359,761	-	1,099	2,360,860
Public works	2,255,780	-	40,193	2,295,973
Health and welfare	449,330	-	116,619	565,949
Culture and recreation	1,019,621	-	22,669	1,042,290
Health insurance	6,434,080	-	-	6,434,080
Education	35,664,277	-	1,810,984	37,475,261
Debt service				
Principal	2,035,000	-	-	2,035,000
Interest	977,259	-	-	977,259
Capital outlay	-	578,494	852,284	1,430,778
Total Expenditures	<u>54,192,123</u>	<u>578,494</u>	<u>2,884,564</u>	<u>57,655,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,857,805</u>	<u>(509,309)</u>	<u>36,702</u>	<u>1,385,198</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,888,215	623,866	2,512,081
Transfers out	(1,762,822)	(554,259)	(195,000)	(2,512,081)
Total Other Financing Sources (Uses)	<u>(1,762,822)</u>	<u>1,333,956</u>	<u>428,866</u>	<u>-</u>
Net Change in Fund Balances	94,983	824,647	465,568	1,385,198
Fund Balances - Beginning of Year	<u>7,151,398</u>	<u>1,589,353</u>	<u>2,160,837</u>	<u>10,901,588</u>
Fund Balances - End of Year	<u>\$ 7,246,381</u>	<u>\$ 2,414,000</u>	<u>\$ 2,626,405</u>	<u>\$ 12,286,786</u>

Town of New Fairfield, Connecticut

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

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,385,198
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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 depreciation expense exceeded capital outlay in the current period.

Capital outlay expenditures	1,695,873
Depreciation expense	(3,090,775)
	(1,394,902)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Real property taxes and other revenues in the General Fund	(119,208)
Revenues in the Capital Nonrecurring Fund	55,086
Revenues in the Capital Projects Fund	(282,050)
Revenues in the School Capital Project Fund	(39,680)
Revenues in the School Lunch Fund	(2,005)
Revenues in the Education Grants Fund	(3,643)
Revenues in the Communications Tower Fund	(6,359)
Revenues in the Miscellaneous Grants Fund	(3,418)
Revenues in the Senior Center Fund	(8,018)
	(409,295)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

Principal payments on long-term debt	2,035,000
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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, including the change in

Accrued interest	12,593
Compensated absences	(24,726)
Pension and other post employment benefits asset/liability	825,872
	813,739

Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

	523,992
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Change in Net Position of Governmental Activities	\$ 2,953,732
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Town of New Fairfield, Connecticut

Statement of Net Position
 Proprietary Funds
 June 30, 2014

	Internal Service Fund - Medical Fund
ASSETS	
Current Assets	
Cash and equivalents	\$ 141,029
Receivables	
Accounts, net	86,775
Due from other funds	1,869,341
Prepaid expense	<u>203,750</u>
Total Current Assets	<u>2,300,895</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>567,902</u>
NET POSITION	
Unrestricted	<u>\$ 1,732,993</u>

Town of New Fairfield, Connecticut

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

	<u>Internal Service Fund - Medical Fund</u>
Operating Revenues	
Premiums	<u>\$ 7,773,123</u>
Operating Expenses	
Administration and insurance	1,417,630
Claims incurred	<u>5,831,501</u>
Total Operating Expenses	<u>7,249,131</u>
Change in Net Position	523,992
Net Position - Beginning of Year	<u>1,209,001</u>
Net Position - End of Year	<u>\$ 1,732,993</u>

Town of New Fairfield, Connecticut

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

	Internal Service Fund - Medical Fund
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 7,774,917
Cash payments to employees	(1,409,304)
Cash payments for benefits and claims	(5,831,501)
Advance payment on subsequent year benefits	<u>(203,750)</u>
Net Cash From Operating Activities	330,362
Cash Flows From Non-Capital Financing Activities	
Advances from other funds	<u>(352,623)</u>
Transfers in	
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(352,623)</u>
Net Decrease in Cash and Equivalents	(22,261)
Cash and Equivalents - Beginning of Year	<u>163,290</u>
Cash and Equivalents - End of Year	<u><u>\$ 141,029</u></u>
Reconciliation of Income from Operations to Net Cash From Operating Activities	
Income from operations	\$ 523,992
Changes in operating assets and liabilities	
Accounts receivable	1,794
Prepaid expenses	(203,750)
Accounts payable	<u>8,326</u>
Net Cash From Operating Activities	<u><u>\$ 330,362</u></u>

Town of New Fairfield, Connecticut

Statement of Net Position
 Fiduciary Funds
 June 30, 2014

	Pension/ OPEB Trust Funds	Agency Funds
ASSETS		
Cash	\$ -	\$ 505,854
Investments, at fair value	14,821,803	106,088
Employer contributions receivable	<u>160,140</u>	<u>-</u>
Total Assets	<u>14,981,943</u>	<u>611,942</u>
LIABILITIES		
Due to others	<u>-</u>	<u>611,942</u>
NET POSITION		
Held in trust for pension/OPEB benefits	<u>\$ 14,981,943</u>	<u>\$ -</u>

Town of New Fairfield, Connecticut

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

	Pension/ OPEB Trust Funds
	<u> </u>
ADDITIONS	
Contributions	
Employer	\$ 807,280
Investment Income	
Interest and dividends	<u>1,842,357</u>
Total Additions	<u>2,649,637</u>
DEDUCTIONS	
Pension benefits	215,951
Administrative fees	<u>82,229</u>
Total Deductions	<u>298,180</u>
Change in Net Position	2,351,457
Net Position - Beginning of Year	<u>12,630,486</u>
Net Position - End of Year	<u>\$ 14,981,943</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

The financial reporting entity consists of: a) the primary government; b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete as set forth by GASB.

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

B. Government-Wide Financial Statements

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

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and (3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

C. Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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 are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Internal Service funds are charges to the Town for health insurance. Operating expenses for the Internal Service funds include the cost of insurance, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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

Fund Categories

- a. Governmental Funds - Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund - The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund.

Capital Nonrecurring Fund – This fund was set up under the Connecticut General Statutes as a municipal reserve fund for capital projects.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

The Town also reports the following non-major governmental funds:

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

- School Lunch Fund is used for the cafeteria programs at the schools.
- Education Grants Fund is used to record federal, state and local grants for education.
- Drug Enforcement Fund is used for grants and contributions for that purpose.
- Small Cities Fund is used for the federal community development block grants.
- Dog Registration Fund is used to account for the dog licenses and fees.
- Library Fund is used for grants and contributions for the library.
- Social Services Fund is used to account for grants and contributions for the needy.
- Scholarship Fund is used to account for contributions for scholarships.
- Groovin' in New Fairfield is a fund used for fees and contributions for this music venue at the New Fairfield Senior Center.
- Communications Tower Fund accounts for charges and expenses for the tower.
- Miscellaneous Grants Fund records transaction of small non-education grants.
- Municipal Water System Fund is used for fees and expenses for this purpose.
- Beaver Bog Cemetery Fund is used to account for revenues and expenses of the cemetery.
- Senior Center Fund is used to account for charges and expenses for senior activities.
- Revaluation Fund is used for the periodic revaluation in the assessor's office.
- Commission for the Youth Fund records the revenues and the expenditures for the Youth Commission which was formed to be an advocate for the youth in Town.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

The following are the Town's non-major capital projects funds:

- Capital Projects Fund is used to account for miscellaneous capital projects funded by federal state and private grants.
- Fire Company Reserve Fund is used to accumulate money for capital projects for the Fire Company.
- BOE Technology Fund is used to accumulate money for capital projects for Education technology.
- School Capital Project is used to accumulate money for education capital projects.
- MHHS Septic Fund is used for transactions for the Meeting House Hill School septic project.
- Town Center Beautification is used to implement the beautification study
- MHHS/HS Renovation Fund – is used to renovate the Meeting House Hill School and the New Fairfield High School.

The Town has one non-major permanent fund, the Sons of New Fairfield. The original principal is held as an endowment and the interest earnings are used for the New Fairfield Public Library.

- b. Proprietary Funds - Proprietary funds consist of internal service funds. Internal Service funds are used to account for those operations that provide services to the Town. The following are the Town's major proprietary funds:

Internal Service Funds – The Internal Service Funds account for risk financing for medical insurance benefits for the general government and the Board of Education.

- c. Fiduciary Funds (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension/OPEB Trust Funds and an Agency Fund. The Pension/OPEB Trust Funds are provided to account for the activities of the Town's four defined benefit pension plans and the Other Post Employment Benefit Trust Fund, which accumulate resources for pension and health benefit payments to qualified employees upon retirement. The Agency Fund is primarily utilized to account for monies held as custodian for outside student groups.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and pension/OPEB trust funds. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances

Deposits, Investments and Risk Disclosure

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

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

1. Summary of Significant Accounting Policies (Continued)

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

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

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships, infrastructure limited partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

The Short-Term Investment Fund ("STIF"), is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes ("CGS"). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

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

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

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

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

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

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 Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of 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.

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual, regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

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.

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town is depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land Improvements	15-30	\$20,000
Buildings and improvements	50	\$20,000
Furniture and equipment	5-20	\$5,000
Infrastructure:	50	\$100,000

1. Summary of Significant Accounting Policies (Continued)

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

Long-Term Liabilities - In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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, and debt payments, are reported as expenditures.

Compensated Absences - Town employees accumulate vacation hours for subsequent use or for payment upon termination or retirement. Vacation expenses to be paid in future periods are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

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

1. Summary of Significant Accounting Policies (Continued)

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).
- Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.
- Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority. A motion at a Town Meeting is the highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.
- Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balancing the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.
- Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

1. Summary of Significant Accounting Policies (Continued)

In order to calculate the amounts to report as restricted and unrestricted fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town's policy to use fund balance in the following order: committed, assigned, and unassigned.

F. Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 17, 2015.

2. Stewardship, Compliance and Accountability

A. Budget Basis

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

- **Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (Continued)

- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.
- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as a revenue.
- **Other Funds** – The income and expenditures from certain recreation and drop off center activities are not included in the General Fund budget, but are included in the General Fund reporting under Generally Accepted Accounting Principles.
- **Magnet School Grant** – The revenue from the Magnet School Grant is net with the expenditures in the General Fund.
- **Transfers to Other Funds** – Annually, the Board of Finance, in conjunction with a Town Meeting when required, consider transferring budget surpluses to other funds.

B. Budget Calendar

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

2. Stewardship, Compliance and Accountability (Continued)

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.

D. Expenditures in Excess of Budget

During the year \$240,095 of additional appropriations were made and no expenditures were in excess of the budget.

E. Application of Accounting Standards

For the year ended June 30, 2014, the Town implemented:

- GASB Statement 66 – *Technical Corrections - 2012* – This statement resolves conflicting guidance.
- GASB Statement 67, 68 and 71 – *Financial Reporting for Pension Plans* – These statements amend GASB Statement 25 and 27. This resulted in a restatement the beginning balances. The net pension obligation decreased and net assets increased in the amount \$570,590.
- GASB Statement 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* – This statement improves the accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

F. Fund Deficit

The Education Grants Fund, School Capital Projects Fund, and MHHS Septic Fund have unassigned deficits of \$16,767, \$28,657, and \$90,565 at June 30, 2014. The Town plans to address these deficits in the subsequent year.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds

A. Cash, Cash Equivalents and Investments

Cash and investments of the Town consist of the following at June 30, 2014:

Statement of Net Assets	
Cash and equivalents	\$ 2,910,526
Investments	<u>13,603,259</u>
	<u>16,513,785</u>
Fiduciary Funds	
Cash and equivalents	505,854
Investments	<u>14,927,891</u>
	<u>15,433,745</u>
Total Cash and Investments	<u><u>\$ 31,947,530</u></u>

Cash and Cash Equivalents - As of June 30, 2014 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 17,019,639
Less Certificates of deposits (in investments)	<u>(13,603,259)</u>
	<u><u>\$ 3,416,380</u></u>

The bank balance of the deposits was \$17,654,315 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 3,781,226
Uninsured and uncollateralized	<u>13,873,089</u>
	<u><u>\$ 17,654,315</u></u>

Investments – Investments are summarized as follows at June 30, 2014

Investment reported in Governmental Funds:

	General Fund	Other Governmental Funds	Total Investments
Certificates of deposit	<u>\$ 13,279,053</u>	<u>\$ 324,206</u>	<u>\$ 13,603,259</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Investments reported in Fiduciary Funds:

	Student Activity	Pension/OPEB Trust Funds	Total Investments
Certificates of deposit	\$ 99,079	\$ -	\$ 99,079
Mutual funds - equity	-	14,821,803	14,821,803
Mutual funds - money market	7,009	-	7,009
	<u>\$ 106,088</u>	<u>\$ 14,821,803</u>	<u>\$ 14,927,891</u>

Below is a summary of the interest rate risk and credit risk as of June 30, 2014:

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)	
			Less Than 1 Year	1-5 Years
Certificates of deposit	*	\$ 13,702,338	\$ 1,951,404	\$ 11,750,934
Mutual funds - equity	NA	14,821,803	14,821,803	-
Mutual funds - money market	NA	7,009	7,009	-
Total		<u>\$ 28,531,150</u>	<u>\$ 16,780,216</u>	<u>\$ 11,750,934</u>

B. Receivables, Deferred Revenue and Unearned Revenue

The following receivables are not expected to be collected within one year:

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as *deferred revenue* because they were not received within 60 days of the year end

	General Fund	Capital Non Recurring Fund	Other Governmental Funds
Property taxes	\$ 472,864	\$ -	\$ -
Grant revenue	445,942	56,961	761,906
	<u>\$ 918,806</u>	<u>\$ 56,961</u>	<u>\$ 761,906</u>

Governmental funds also defer revenue recognition in connection with taxes that have been received in advance of the period for which they were levied.

	General Fund
Taxes collected in advance	\$ 1,730,135
Fees collected in advance	154,842
	<u>\$ 1,884,977</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

C. Interfund Transactions

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2014 these were summarized as follows

Receivable fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 556,424
Capital Non Recurring Fund	General Fund	2,619,840
Capital Non Recurring Fund	Other Governmental Funds	223,657
Other Governmental Funds	General Fund	532,582
Other Governmental Funds	Capital Non Recurring Fund	464,589
Other Governmental Funds	Other Governmental Funds	74,555
Internal Service Fund	General Fund	1,869,341
		\$ 6,340,988

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2014 were as follows

	Transfers into:		
	Capital Non Recurring Fund	Other Governmental Funds	Total
Transfers out of:			
General Fund	\$ 1,693,215	\$ 69,607	\$ 1,762,822
Capital Non Recurring Fund	-	554,259	554,259
Other governmental funds	195,000	-	195,000
	\$ 1,888,215	\$ 623,866	\$ 2,512,081

D. Capital Assets

Changes in the Town's capital assets used in the governmental activities are as follows

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 6,328,376	\$ -	\$ -	\$ 6,328,376
Construction in progress	204,413	594,742	(53,474)	745,681
	6,532,789	594,742	(53,474)	7,074,057
Capital assets being depreciated				
Land improvements	11,164,986	734,037	-	11,899,023
Buildings and systems	73,509,328	-	-	73,509,328
Machinery and equipment	8,671,738	420,568	(148,053)	8,944,253
Software	171,095	-	-	171,095
Infrastructure	44,134,600	-	-	44,134,600
	137,651,747	1,154,605	(148,053)	138,658,299
Less accumulated depreciation	(44,558,125)	(3,090,775)	148,053	(47,500,847)
	\$ 99,626,411	\$ (1,341,428)	\$ (53,474)	\$ 98,231,509

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Depreciation and amortization expense was charged to functions/programs of the governmental activities as follows:

General Government	\$ 752,415
Public Safety	445,003
Public Works	648,287
Health and Welfare	3,534
Culture and Recreation	145,386
Education	1,096,150
	<u>\$ 3,090,775</u>

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 29,095,000	\$ -	\$ (2,035,000)	\$ 27,060,000	\$ 2,035,000
Compensated absences	394,780	24,726	-	419,506	20,975
Pension obligation	202,881	281,803	(97,475)	387,209	-
OPEB obligations	1,798,326	625,905	(1,594,036)	830,195	-
	<u>\$ 31,490,987</u>	<u>\$ 932,434</u>	<u>\$ (3,726,511)</u>	<u>\$ 28,696,910</u>	<u>\$ 2,055,975</u>

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

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2014 consisted of the following:

Purpose	Year of Issue	Original Amount	Final Maturity	Interest Rates	Amount Outstanding
School Bonds	1999	\$ 2,110,000	2019	3.4 / 4.95	\$ 262,500
Refunding General Purpose	1999	3,990,000	2019	3.4 / 4.95	237,500
School Bonds	1999	5,095,000	2019	4.25 / 6.25	1,590,000
School Bonds	2006	3,170,000	2021	4.0 / 5.0	1,379,000
General Purpose	2006	1,030,000	2021	4.0 / 5.0	581,000
School Bonds	2011	12,000,000	2030	2.0 / 4.0	10,000,000
General Purpose	2010	2,075,000	2030	2.0 / 4.0	1,675,000
School Bonds	2010	12,000,000	2030	2.25 / 4.12	11,335,000
					<u>\$ 27,060,000</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

Payments to maturity on the general obligation bonds are as follows

Year End	Governmental Activities General Obligation Bonds		Year End	Governmental Activities General Obligation Bonds	
	Principal	Interest		Principal	Interest
2015	2,035,000	913,533	2024	1,395,000	376,122
2016	2,040,000	849,011	2025	1,395,000	327,713
2017	2,040,000	784,993	2026	1,400,000	277,051
2018	2,040,000	719,849	2027	1,400,000	223,658
2019	2,040,000	651,181	2028	1,400,000	168,475
2020	1,940,000	583,274	2029	1,400,000	112,475
2021	1,675,000	522,884	2030	1,400,000	56,047
2022	1,395,000	468,206	2031	670,000	13,819
2023	1,395,000	423,244		<u>\$ 27,060,000</u>	<u>\$ 7,471,535</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2014 totaled \$964,666.

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of New Fairfield, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year - primary government	\$ 43,312,416
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	<u>85,632</u>
Debt limitation base	<u>\$ 43,398,048</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 97,645,608	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	195,291,216	-	-	-
3 3/4 times base	-	-	162,742,680	-	-
3 1/4 times base	-	-	-	141,043,656	-
3 times base	-	-	-	-	130,194,144
Total debt limitation	<u>97,645,608</u>	<u>195,291,216</u>	<u>162,742,680</u>	<u>141,043,656</u>	<u>130,194,144</u>
Indebtedness					
Bonds payable	<u>2,493,500</u>	<u>24,566,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 95,152,108</u>	<u>\$ 170,724,716</u>	<u>\$ 162,742,680</u>	<u>\$ 141,043,656</u>	<u>\$ 130,194,144</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$ 303,786,336</u>

F. Net Position

The components of net position are detailed below:

Net Investment in Capital Assets - the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position - Nonexpendable - the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of \$417,293 of trust fund principal.

Restricted Net Position – Expendable - the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of:

General Government	\$ 1,342,034
Education	44,752
Public Safety	17,011
Culture and Recreation	22,546
	<u>\$ 1,426,343</u>

Unrestricted - all other amounts that do not meet the definition of "restricted" or "net investment in capital assets."

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

G. Fund Balances

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

	General Fund	Capital Non Recurring Fund	Other Governmental Funds
Nonspendable			
Not in spendable form			
Prepaid expenditures	\$ 1,227	\$ -	\$ 18,904
Inventories	-	-	16,518
Required to be maintained			
Trust principal	-	-	321,467
	<u>\$ 1,227</u>	<u>\$ -</u>	<u>\$ 356,889</u>
Restricted			
General Government	\$ -	\$ -	\$ 1,332,311
Education	-	-	4,160
Public Safety	-	-	17,011
Culture and Recreation	-	-	22,546
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,376,028</u>
Committed			
General Government	\$ -	\$ -	\$ 30,065
Public Works	-	-	106,694
Culture and Recreation	-	-	120,468
Capital Projects	-	2,414,000	626,145
	<u>\$ -</u>	<u>\$ 2,414,000</u>	<u>\$ 883,372</u>
Assigned			
General Government	\$ 810,632	\$ -	\$ -
Education	173,434	-	82,811
Public Safety	-	-	11,780
	<u>\$ 984,066</u>	<u>\$ -</u>	<u>\$ 94,591</u>

H. The Funded Retirement Plan of the Town of New Fairfield, Connecticut

Plan Description - The Town is the administrator of two single employer public employee retirement system (“PERS”) established and administered by the Town to provide pension benefits for its regular and former employees (excluding teachers covered under the CT State Teachers’ Retirement System). The PERS is considered to be part of the Town of New Fairfield’s financial reporting entity and is included in the Town’s financial statement as a pension trust fund. The plan does not issue a separate report. The Plan provides retirement benefits through a single employer noncontributory defined benefit plan.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Management of the plan rests with the Town Treasurer. There is an advisory committee that provides input and consists of one member from each of the Boards of Finance, Selectmen and Education, the Finance Director and one member of the general public.

Town – The Plan covers full-time employees, other than police officers, firefighters, Board of Education employees, and elected officials, who are at least 21 years of age who have completed one year of service.

Board of Education – The Plan covers custodians, supervisors of building and grounds, business managers, secretaries, and paraprofessionals who are at least 25 years of age and have one year of service with at least 1,000 hours.

As of the date of the latest actuarial valuation (July 1, 2012), membership consisted of the following:

	Town	Board of Education
Retirees and beneficiaries receiving benefits	21	13
Terminated employees entitled to benefits, but not yet receiving them	26	43
Active members	38	115
	<u>85</u>	<u>171</u>

Funding Policy – The Town is required to contribute all amounts necessary to finance coverage as determined through biennial actuarial valuations. No employee contributions are required.

Investments

Investment Policy – The Town is in the process of developing a formal investment policy.

Long-term expected rate of return – The best estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation.

Below shows the Board's target asset class allocation and the long-term expected rate of return calculated as geometric means:

Asset Class	Index	Target Allocation	Long-term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	40.00%	1.95%
Broad US Equities	Wilshire 5000 / Russell 3000	35.00%	4.49%
Developed Foreign Equities	MSCI EAFE	25.00%	4.39%

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the changing amounts actually invested during and period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a quarterly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

The money-weighted rate of return is calculated net of investment expense as:

Net money-weighted return for the year ended June 30, 2014 15.59%

Net Pension Liability

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

	Town	Board of Education
Pension liability	\$ 7,179,425	\$ 5,915,523
Plan fiduciary net position	6,792,216	6,487,562
Net pension liability	\$ 387,209	\$ (572,039)
Plan fiduciary net position as a percentage of total pension liability	95%	110%

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2014 valuation and projected forward to June 30, 2014:

Valuation timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the beginning of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry Age Normal
Amortization method	
Level percent or level dollar	Level percent
Closed, open or layered	Closed periods
Amortization period at 07/01/13	24 years
Amortization growth rate	3.50%
Asset valuation method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary increases	Varies by age
Investment rate of return	6.75%
Cost of living adjustment	None
Retirement age	Varies by age
Turnover	Vaughn Select and Ultimate Table
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with general projection per Scale AA

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

Sensitivity Analysis – The following presents the net pension liability of the Town, calculated using the current discount rate, as well as what the Town’s net pension would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability - Town	\$ 1,430,129	\$ 387,209	\$ (495,247)
Net Pension Liability - Board of Education	\$ 373,891	\$ (572,039)	\$ (1,124,629)

Annual Pension Cost (“APC”) and Net Pension Obligation (“NPO”)

	Town	Board of Education
Actuarially required contribution (ARC)	\$ 279,785	\$ 317,946
Interest on net pension obligation (NPO)	19,104	(2,470)
Adjustment to annual required contribution	(17,086)	2,260
Annual pension cost (APC)	281,803	317,736
Contributions made	137,000	320,280
Increase (decrease) in net pension obligation	144,803	(2,544)
Net pension obligation (asset), beginning of year	283,026	(39,525)
Prior-period adjustment	(40,620)	(529,970)
Net pension obligation (asset), end of year	<u>\$ 387,209</u>	<u>\$ (572,039)</u>

I. Other Employee Retirement Plans

Teachers’ Retirement System

Teachers and certain other certified personnel in the Town’s Board of Education are eligible to participate in the State of Connecticut Teachers’ Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers’ Retirement Board.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

The funding of the system is provided by required member contributions (7.25 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2014, the State contributed \$3,973,907 into the pension plan on behalf of the Town. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for the fiscal year ending June 30, 2014 was \$27,808,427 of which \$18,949,007 was covered under this pension plan.

Connecticut Municipal Employee's Retirement Fund B

Plan Description – The Municipal Employees' Retirement System ("MERS") is a cost sharing multiple employer public employee retirement system ("PERS") established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating municipalities.

Any local government authority in the State of Connecticut, including towns, cities, boroughs, regional school districts, housing authorities, or other special districts, may elect to participate for one or more of its departments, including elective officers; only teachers who are covered under the Connecticut State Teachers' Retirement System are ineligible. As of July 1, 2012, there were 191 participating local governmental units (counting departments of municipalities that joined or reported separately as separate units). The MERS membership consisted of:

	<u>Number</u>
Retired participants and beneficiaries currently receiving benefits	6,095
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	
Vested	703
Non-vested	206
Active	<u>8,711</u>
	<u><u>15,715</u></u>

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Annual cost of living increases are paid to disabled members and non-disabled retirement benefits and vary based on member age and date of retirement. For members that retired prior to January 1, 2002, increases between 3.0% and 5.0% are paid to those who have reached age 65 and (effective January 1, 2002) increases of 2.5% are paid to those who have not yet reached age 65.

For members that retired after December 31, 2001, increases between 2.5% and 6.0% are paid, regardless of age. Benefits vest after 5 years of continuous service or 15 years of active aggregate service. Vested members who retire after age 55 or after 25 years of service, irrespective of age, are entitled to an annual retirement benefit, payable monthly for life, in an amount for each year of service equal to:

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2014

3. Detailed Notes on All Funds (Continued)

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.
- If covered by Social Security: 1½% of the average of earnings for the three highest paid years of service not in excess of the year’s breakpoint, plus 2% of the average of earnings for the three highest paid years of service in excess of the year’s breakpoint. The year’s breakpoint for 2013 is \$65,300.

Obtaining a Report of the Plan – MERS is considered to be a part of the State of Connecticut’s financial reporting entity and is included in the State’s financial reports as a pension trust fund. More information can be obtain by contacting the Municipal Employees’ Retirement System – Fund B, Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106 or on their website.

Funding Policy – Covered employees are required by State Statute to contribute 2¼% of earnings upon which social security tax is paid plus 5% of earnings on which no social security tax is paid. Employees not covered by Social Security are required to contribute 5% of all earnings. Each participating municipality is required to contribute the amounts necessary to finance the remaining costs of the plan.

Each covered municipality is required by State Statute to pay an actuarially determined percentage of covered payroll to provide for benefits based on current service. This percentage varies by police and fire versus general employees, and within those two groups, for populations covered by Social Security versus those not covered by Social Security. The statute also requires each municipality to pay an annual amount for benefits based on service prior to the unit’s date of participation. This amount is a level dollar amortization (including interest and principal) over varying time periods depending upon the unit’s date of participation and other factors. The required employer contribution rates for the year ended June 30, 2014 were:

General employees		
With social security		11.98%
Without social security		13.00%
Police and fire		
With social security		16.96%
Without social security		16.01%

A summary of the required employer contributions in dollars and the percentage of that amount contributed for the current year and each preceding two years is:

Year Ended June 30,	Employer Contribution	
	Required in Dollars	Made as Percent of Required
2014	\$ 262,796	100%
2013	\$ 139,112	100%
2012	\$ 134,360	100%

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

J. Other Post-Employment Benefits ("OPEB")

Plan Description - The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of New Fairfield, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Funding Policy - Retired teachers and their spouses must be allowed to continue their health insurance benefits, in the same health insurance plan offered to active teachers, through their last employing Town. The Town does not contribute to the retirees' health insurance. The retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements.

Annual OPEB Cost and Net OPEB Obligation ("NOO")

Amortization Component:

Actuarial Accrued Liability as of July 1, 2011	\$ 6,424,000
Assets at Market Value*	-
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 6,424,000</u>
Funded Ratio	<u>0.00%</u>
Covered Payroll (Active plan members)	<u>\$15,632,558</u>
UAAL as a Percentage of Covered Payroll	<u>41.09%</u>
Annual required contribution (ARC)	\$ 614,000
Interest on net OPEB obligation (NOO)	66,170
Adjustment to annual required contribution	<u>(54,265)</u>
Annual OPEB cost (AOC)	625,905
Contributions made	<u>(1,594,036)</u>
Increase in net OPEB Obligation	(968,131)
Net OPEB obligation - beginning of year	<u>1,798,326</u>
Net OPEB obligation - end of year	<u>\$ 830,195</u>

*The Trust Fund was established after the July 1, 2011 valuation and is included in the July 1, 2013 valuation for the year ended June 30, 2015.

Three year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Actual Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (NOO)
June 30, 2014	\$ 625,905	\$ 741,000	118.4%	\$ 830,195
June 30, 2013	\$ 611,067	\$ 1,524,036	249.4%	\$ 945,290
June 30, 2012	\$ 710,283	\$ 351,000	49.4%	\$ 1,858,259

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Actuarial Methods and Significant Assumptions - The Town’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees’ medical insurance. As a result, reporting of expenses and liabilities is using a per capita claims cost will be determined, which will be used to determine a “normal cost”, an “actuarial accrued liability”, and ultimately the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do 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. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members. Funding for the Plan has been established on a pay-as-you-go basis.

Other actuarial methods and significant assumptions are summarized as follows:

Latest Actuarial Date	July 1, 2013
Actuarial Cost Method	Projected Unit Credit
Discount Rate	7.00%
Payroll Growth Rate	3.50%
Medical Inflation	Initial rate of 6.7% grading down to an ultimate inflation rate of 4.6% over a 72 year period.
Amortization Method	Level percentage of projected payroll
Remaining amortization	25 years
Healthy Mortality	Teachers and Administrators – RP-2000 projected forward 19 years using scale AA, with a two year set back BOE Non-Certified – RP-2000 Mortality Tables for Employees and Healthy annuitants with separate tables for males and females, with generational projection per Scale AA. Police – RP-2000 mortality table set forward one year for males and set back one year for females.
Disabled Mortality	Teachers and Administrators – RP-2000 projected forward 19 years using scale AA, with an eight-year age set forward. BOE Non-Certified – RP-2000 Disabled Mortality Table with separate tables for males and females. Police – RP-2000 mortality table, set forward five years for males and set forward one year for females.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

3. Detailed Notes on All Funds (Continued)

Turnover	Teachers and Administrators – rates based on gender and length of service for the first ten years and gender and age thereafter. BOE Non-certified – 80% of the small plan age table.
Retirement	Teachers and Administrators – rates based on age, eligibility for pension benefits, and gender BOE Non-Certified – rates based on age. Police – 15% at age 55 with 10 years of service, 40% at any age with 25 years of service, all other rates based on age.
Disability	Teachers and Administrators – rates based on age and gender BOE Non-Certified – 1987 Commissioner’s Group Disability Table, six month elimination period. Police: rates based on age.
Future Retiree Coverage	Teachers, Administrators and Police – 100% are assumed to elect coverage at retirement BOE Non-certified – 5% are assumed to elect coverage at retirement Police – active members are assumed to elect coverage at retirement
Future Dependent Coverage	Teachers, Administrators and BOE Non-Certified - Male 65%; Female 30% with female spouses assumed to be 3 years younger than males. Police – Male and Female 90% with female spouses assumed to be 3 years younger than males.
Future Post-65 Coverage	Teachers and Administrators – 25% of current non-Medicare eligible actives hired prior to April 1, 1986 and non-Medicare eligible pre-65 retirees hired prior to April 1, 1986 are assumed either to enroll in retiree health coverage through the CT State Teachers Retirement System at age 65, or transfer to the Medicare Supplement Plan. 60% of current actives hired prior to April 1, 1986 and pre-65 retirees hired prior to April 1, 1986 are assumed to be Medicare-Eligible. All Others – N/A

Schedule of Funding Progress

As of the last valuation date, July 1, 2011, the actuarial valuation of the plan assets was \$0 (because the trust has not been established yet). The actuarial accrued liability was \$6,424,000. The schedule of funding progress 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. There is no requirement for funding and the plan has not been funded.

4. Other Information

A. Litigation

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

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2014

4. Other Information (Continued)

B. Contingencies

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

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

For projects with a cost of over of two million dollars, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

C. Risk Management

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

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

The Town and Board of Education self-insures its employees for medical and dental claims through the use of an internal service fund. Maximum liability to the Town and Board of Education per covered participant is \$200,000. The Town and Board of Education retains an insurance policy for employee claims in excess of \$200,000. A third party administers the plan for which the Town and Board of Education pays an administrative fee. The plan is funded monthly by employee contributions, as required.

The following is a summary of changes in claims liability during the year:

Year Ended	Beginning Claims Payable	Current Year Claims	Claim Payments	Ending Claims Payable
2010	\$ 415,684	\$ 5,852,299	\$ (5,834,491)	\$ 433,492
2011	433,492	6,152,950	(6,196,642)	389,800
2012	389,800	6,433,567	(7,278,367)	455,000
2013	455,000	6,104,749	(7,017,749)	458,000
2014	458,000	5,001,502	(5,874,502)	415,000

4. Other Information (Continued)

The internal service fund is substantially funded by the Town's General Fund based on estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability, reported in the internal service fund at June 30, 2014, is based on the requirements of GASB Statements number 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

D. Risks and Uncertainties

The Town invests in various securities, including commercial paper, government-sponsored enterprises, and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have had a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

E. Subsequent Debt Issues

On July 16, 2014, the Town issued \$1,930,000 of General Obligation Refunding Bonds, with interest at 2.0% (yield of .15%) to refinance bonds originally issued for school and general purpose projects. The bonds mature annually through April 2021.

F. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB Statement 69 – *Government Combinations and Disposals of Government Operations* - This statement establishes accounting and financial reporting standards related to a variety of transactions such as mergers, acquisitions, and transfers of operations. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

Town of New Fairfield, Connecticut

Required Supplementary Information
June 30, 2014

Town of New Fairfield, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Taxation Effort					
Property taxes	\$42,526,564	\$ -	\$42,526,564	\$42,790,976	\$ 264,412
Supplemental motor vehicle tax	300,000	-	300,000	327,499	27,499
Interest and lien fees	172,000	-	172,000	193,941	21,941
	<u>42,998,564</u>	<u>-</u>	<u>42,998,564</u>	<u>43,312,416</u>	<u>313,852</u>
Intergovernmental Revenue					
Town aid	275,513	-	275,513	276,121	608
Aid to elderly relief	104,000	-	104,000	85,632	(18,368)
Judicial	1,000	-	1,000	2,153	1,153
PILOT - State owned property	-	-	-	18,427	18,427
Federal emergency management	-	137,224	137,224	149,317	12,093
Veterans exemption	18,000	-	18,000	16,519	(1,481)
Public library	1,200	-	1,200	1,214	14
Local capital improvement program	105,136	-	105,136	81,111	(24,025)
Mashantucket Pequot grant	-	-	-	22,908	22,908
School construction grant	35,376	-	35,376	35,376	-
Education cost sharing	4,473,791	-	4,473,791	4,424,606	(49,185)
Transportation	-	-	-	46,436	46,436
Special education	190,000	-	190,000	205,089	15,089
Adult education	4,141	-	4,141	-	(4,141)
Video trust grant	-	-	-	3,701	3,701
Municipal aid funding	-	-	-	1,309	1,309
	<u>5,208,157</u>	<u>137,224</u>	<u>5,345,381</u>	<u>5,369,919</u>	<u>24,538</u>
Licenses and Permits					
Health	30,000	-	30,000	46,900	16,900
Zoning board of appeal	6,000	-	6,000	5,504	(496)
Zoning	21,500	-	21,500	26,749	5,249
Building	125,000	-	125,000	182,756	57,756
Inland wetlands	10,000	-	10,000	10,383	383
Planning	500	-	500	4,560	4,060
Public work fees	1,000	-	1,000	1,300	300
Environmental enforcement	6,500	-	6,500	9,648	3,148
Other licenses and permits	12,000	-	12,000	13,175	1,175
	<u>212,500</u>	<u>-</u>	<u>212,500</u>	<u>300,975</u>	<u>88,475</u>
Local Revenues					
Town ordinance fines	500	-	500	25	(475)
Interest income	250,000	-	250,000	166,778	(83,222)
Real estate conveyance	125,000	-	125,000	180,270	55,270
Town clerk receipts	115,000	-	115,000	102,034	(12,966)
Police private duty	30,000	-	30,000	8,001	(21,999)
EMS/ Paramedic billings	210,000	-	210,000	197,916	(12,084)
Student tuition	672,000	-	672,000	752,951	80,951
Telephone line access	30,000	-	30,000	25,831	(4,169)
Senior center recreation fee	34,000	-	34,000	25,127	(8,873)
Other local revenue	9,000	-	9,000	101,037	92,037
Settlement	-	-	-	2,500	2,500
	<u>1,475,500</u>	<u>-</u>	<u>1,475,500</u>	<u>1,562,470</u>	<u>86,970</u>
Total Revenues	<u>49,894,721</u>	<u>137,224</u>	<u>50,031,945</u>	<u>50,545,780</u>	<u>513,835</u>

(Continued)

Town of New Fairfield, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES					
General Government					
Board of selectmen	161,756	3,260	165,016	164,020	996
Town clerk	146,582	5,476	152,058	149,706	2,352
Probate	2,546	1	2,547	2,546	1
Registrars of voters	49,090	-	49,090	41,578	7,512
Finance	224,849	5,053	229,902	229,902	-
Board of finance	92,210	-	92,210	53,034	39,176
Treasurer	12,238	-	12,238	12,038	200
Assessor	218,118	(15,468)	202,650	141,187	61,463
Tax collector	171,683	1,027	172,710	171,298	1,412
Board of assessment appeals	1,013	-	1,013	851	162
Unclassified payroll & benefits	826,542	(53,524)	773,018	754,906	18,112
Professional services	109,000	23,138	132,138	126,139	5,999
Intergovernmental agencies	245,141	(75)	245,066	244,497	569
General insurance	204,265	(41,494)	162,771	162,771	-
Business machines	215,580	-	215,580	199,634	15,946
Human resources	30,000	(3,000)	27,000	25,342	1,658
Planning commissioner	4,206	-	4,206	1,470	2,736
Zoning commissioner	62,285	538	62,823	57,106	5,717
Zoning board of appeals	8,720	-	8,720	8,110	610
Utilities	457,300	(46,674)	410,626	409,719	907
Permanent building committee	2,200	-	2,200	1,059	1,141
General land use	9,584	195	9,779	9,779	-
Historical properties commissioner	250	(250)	-	-	-
Commission of the youth	2,871	-	2,871	785	2,086
Total general government	3,258,029	(121,797)	3,136,232	2,967,477	168,755
Public Safety and Protector					
Police	1,337,382	11,673	1,349,055	1,348,577	478
Communications center	243,596	7,414	251,010	251,010	-
Fire companies	596,900	14,099	610,999	610,477	522
Fire marshal	22,088	-	22,088	21,388	700
Building inspector	116,062	1,186	117,248	117,248	-
Office of emergency management	16,348	-	16,348	11,061	5,287
Total public safety and protector	2,332,376	34,372	2,366,748	2,359,761	6,987
Public Works					
Highway	1,930,351	220,569	2,150,920	2,123,839	27,081
Health and Welfare					
Health department	239,732	1,181	240,913	239,323	1,590
Inland/wetlands	4,319	-	4,319	2,579	1,740
WPCA	1,412	(300)	1,112	500	612
Social services	61,126	544	61,670	61,540	130
Senior services	152,059	544	152,603	138,455	14,148
Ball pond advisory committee	3,845	49	3,894	3,894	-
Commission on aging	3,633	-	3,633	3,039	594
Total health and welfare	466,126	2,018	468,144	449,330	18,814
Recreation					
Recreation salaries	51,709	494	52,203	51,590	613
Library	484,764	-	484,764	471,439	13,325
Total recreation	536,473	494	536,967	523,029	13,938

(Continued)

Town of New Fairfield, Connecticut

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Debt Service					
Town	163,669	1	163,670	163,670	-
School	2,848,589	1	2,848,590	2,848,589	1
Total debt service	<u>3,012,258</u>	<u>2</u>	<u>3,012,260</u>	<u>3,012,259</u>	<u>1</u>
Board of Education	<u>31,050,269</u>	<u>-</u>	<u>31,050,269</u>	<u>31,026,007</u>	<u>24,262</u>
Capital Nonrecurring	<u>874,759</u>	<u>104,437</u>	<u>979,196</u>	<u>979,196</u>	<u>-</u>
Health Insurance	<u>6,434,080</u>	<u>-</u>	<u>6,434,080</u>	<u>6,434,080</u>	<u>-</u>
Total Expenditures	<u>49,894,721</u>	<u>240,095</u>	<u>50,134,816</u>	<u>49,874,978</u>	<u>259,838</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	\$ -	\$ (102,871)	\$ (102,871)	670,802	\$ <u>773,673</u>
Adjustments to Generally Accepted Accounting Principles (GAAP)					
Net Income from General Funds Not Included in the Budget					
Recreation				29,640	
Drop off center				(9,013)	
Surpluses Transferred to Other Funds					
Board of Education to School Capital Projects Fund				(69,607)	
Town Government to Capital Nonrecurring Fund				(615,019)	
To Fire Company Reserve Fund				-	
Payments on Behalf of the Town Not Recorded on a Budgetary Basis					
Revenues from Connecticut for the teachers' retirement				4,558,683	
Expenditures for the teachers' retirement				(4,558,683)	
Revenue and Expenditures from Magnet School Grant Not Included in the Budget					
Revenue				23,400	
Expenditures				(23,400)	
Encumbrances recorded on budget basis, but not on the modified accrual basis				522,017	
Previous year encumbrance recorded on modified accrual basis, but not the budget basis				(433,837)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit A)					\$ <u>94,983</u>

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing or refunding long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Certain other revenues and transfers are net with the related expenditures. 5. Income and expenditures from the recreation and drop off center activities are not included in the budget.

Town of New Fairfield, Connecticut

Required Supplementary Information
 Town of New Fairfield Employee Retirement Plan
 Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2014</u>
Town of New Fairfield Employee Retirement Plan	
Total Pension Liability	
Service cost	\$ 222,223
Interest on total pension liability	458,703
Effect of economic/demographic gains (losses)	6,101
Benefit payments	<u>(159,368)</u>
Net change in total pension liability	527,659
Total pension liability, beginning	<u>6,651,766</u>
Total pension liability, ending	<u>7,179,425</u>
 Fiduciary Net Position	
Employer contributions	137,000
Investment income net of investment expenses	912,653
Benefit payments	(159,368)
Administrative expenses	<u>(28,855)</u>
Net change in plan fiduciary net position	861,430
Fiduciary net position, beginning	<u>5,930,786</u>
Fiduciary net position, ending	<u>6,792,216</u>
 Net pension liability, ending	 <u>\$ 387,209</u>
 Fiduciary net position as a % of total pension liability	 94.61%
Covered payroll	\$2,445,222
Net pension liability as a % of covered payroll	15.84%

Town of New Fairfield, Connecticut

Required Supplementary Information
Town of New Fairfield Employee Retirement Plan
Schedule of Employer Contributions
Last 10 Fiscal Years or Since Inception of GASB 67/68

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 279,785	\$ 262,094	\$ 262,019	\$ 254,490	\$ 295,689	\$ 265,845	\$ 261,064	\$ 261,827	\$ 251,168	\$ 207,924
Contributions in relation to the actuarially determined contribution	\$ 137,000	\$ -	\$ 262,019	\$ 254,490	\$ 295,689	\$ 264,000	\$ 252,000	\$ 246,000	\$ 221,000	\$ 207,000
Contribution deficiency (excess)	\$ 142,785	\$ 262,094	\$ -	\$ -	\$ -	\$ 1,845	\$ 9,064	\$ 15,827	\$ 30,168	\$ 924
Covered employee payroll	\$ 2,445,222	\$ 2,445,222	\$ 2,373,697	\$ 2,391,914	\$ 2,247,343	\$ 2,205,675	\$ 2,080,207	\$ 2,080,890	\$ 2,007,324	\$ 2,054,284
Contributions as a percentage of covered employee payroll	5.60%	0.00%	11.04%	10.64%	13.16%	11.97%	12.11%	11.82%	11.01%	10.08%

Notes to the Schedule

Valuation Date Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the beginning of the fiscal year in which the

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age
Investment rate of return	6.75%
Retirement age	Varies by age
Mortality	RP-2000 Mortality for employees, healthy annuitants, and disabled annuitants

Town of New Fairfield, Connecticut

Required Supplementary Information
Town of New Fairfield Employee Retirement Plan
Annual Money-Weighted Rate of Return
Last 10 Fiscal Years or Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2014	15.59%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA
2006	NA
2005	NA

Town of New Fairfield, Connecticut

Required Supplementary Information
 Town of New Fairfield Board of Education Retirement Plan
 Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 Fiscal Years or Since Inception of GASB 67/68

	<u>2014</u>
Town of New Fairfield Employee Retirement Plan	
Total Pension Liability	
Service cost	\$ 248,397
Interest on total pension liability	357,339
Effect of economic/demographic gains (losses)	(130,516)
Benefit payments	<u>(56,583)</u>
Net change in total pension liability	418,637
Total pension liability, beginning	<u>5,496,886</u>
Total pension liability, ending	<u>5,915,523</u>
 Fiduciary Net Position	
Employer contributions	320,280
Investment income net of investment expenses	731,838
Benefit payments	(56,583)
Administrative expenses	<u>(30,885)</u>
Net change in plan fiduciary net position	964,650
Fiduciary net position, beginning	<u>5,522,912</u>
Fiduciary net position, ending	<u>6,487,562</u>
 Net pension liability, ending	 <u><u>\$ (572,039)</u></u>
 Fiduciary net position as a % of total pension liability	 109.67%
Covered payroll	\$3,548,459
Net pension liability as a % of covered payroll	-16.12%

Town of New Fairfield, Connecticut

Required Supplementary Information
Town of New Fairfield Board of Education Retirement Plan
Schedule of Employer Contributions
Last 10 Fiscal Years or Since Inception of GASB 67/68

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 317,946	\$ 299,243	\$ 400,267	\$ 356,906	\$ 331,207	\$ 248,264	\$ 230,184	\$ 219,111	\$ 178,067	\$ 178,301
Contributions in relation to the actuarially determined contribution	\$ 320,280	\$ 400,267	\$ 356,906	\$ 336,872	\$ 248,315	\$ 239,080	\$ 230,184	\$ 330,100	\$ 178,067	\$ 178,301
Contribution deficiency (excess)	\$ (2,334)	\$ (101,024)	\$ 43,361	\$ 20,034	\$ 82,892	\$ 9,184	\$ -	\$ (110,989)	\$ -	\$ -
Covered employee payroll	\$ 3,548,459	\$ 3,548,459	\$ 3,149,008	\$ 3,113,899	\$ 2,747,818	\$ 2,319,538	\$ 2,230,070	\$ 2,060,852	\$ 2,021,892	\$ 2,075,055
Contributions as a percentage of covered employee payroll	9.03%	11.28%	11.33%	10.82%	9.04%	10.31%	10.32%	16.02%	8.81%	8.59%

Notes to the Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	24 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age
Investment rate of return	6.25%
Retirement age	All members are assumed to retire at their Normal Retirement Age.
Mortality	RP-2000 Mortality for employees, healthy annuitants, and disabled annuitants with generational projection per Scale AA.

Town of New Fairfield, Connecticut

Required Supplementary Information
 Town of New Fairfield Board of Education Retirement Plan
 Annual Money-Weighted Rate of Return
 Last 10 Fiscal Years or Since Inception of GASB 67/68

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2014	12.95%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA
2006	NA
2005	NA

Town of New Fairfield, Connecticut

Required Supplementary Information - Schedule of Funding Progress
 Other Post Employment Benefits Trust Fund
 Last Three Valuations (or since inception)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Excess (Unfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	Excess AAL/ UAAL as a % of Covered Payroll
7/1/2011	\$ -	\$ 6,424,000	\$ (6,424,000)	0.00%	\$ 15,632,558	41.09%
6/30/2009	\$ -	\$ 9,155,000	\$ (9,155,000)	0.00%	\$ 14,541,914	62.96%

Town of New Fairfield, Connecticut

Required Supplementary Information - Schedule of Employer Contributions
 Other Post Employment Benefits Trust Fund
 Last Six Fiscal years (or since inception)

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2014	\$ 614,000	\$ 741,000	120.68%
6/30/2013	\$ 585,000	\$ 1,524,036	260.52%
6/30/2012	\$ 706,000	\$ 351,000	49.72%
6/30/2011	\$ 856,000	\$ 332,000	38.79%
6/30/2010	\$ 806,000	\$ 311,000	38.59%
6/30/2009	\$ 806,000	\$ 332,000	41.19%

Town of New Fairfield, Connecticut

Combining Fund Financial Statements
June 30, 2014

Town of New Fairfield, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sons of New Fairfield	Total Other Governmental Funds
ASSETS				
Cash and equivalents	\$ 595,591	\$ 377,231	\$ 103,104	\$ 1,075,926
Investments	3,267	-	320,939	324,206
Other receivables				
Accounts	16,977	186,917	-	203,894
Loans	1,108,796	-	-	1,108,796
Intergovernmental	99,232	609,664	-	708,896
Due from other funds	505,001	566,725	-	1,071,726
Prepaid expenditures	-	18,904	-	18,904
Inventories	16,518	-	-	16,518
Total Assets	<u>\$ 2,345,382</u>	<u>\$ 1,759,441</u>	<u>424,043</u>	<u>\$ 4,528,866</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 75,685	\$ 57,057	\$ -	\$ 132,742
Accrued payroll and related	29,875	-	-	29,875
Due to other funds	376,321	478,315	-	854,636
Unearned revenues	123,302	-	-	123,302
Total Liabilities	<u>605,183</u>	<u>535,372</u>	<u>-</u>	<u>1,140,555</u>
Deferred inflows of resources				
Deferred revenues - unavailable	<u>63,664</u>	<u>698,242</u>	<u>-</u>	<u>761,906</u>
Fund balances (deficits)				
Nonspendable	16,518	18,904	321,467	356,889
Restricted	1,324,966	-	102,576	1,427,542
Committed	257,227	626,145	-	883,372
Assigned	94,591	-	-	94,591
Unassigned	(16,767)	(119,222)	-	(135,989)
Total Fund Balances	<u>1,676,535</u>	<u>525,827</u>	<u>424,043</u>	<u>2,626,405</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,345,382</u>	<u>\$ 1,759,441</u>	<u>\$ 424,043</u>	<u>\$ 4,528,866</u>

Town of New Fairfield, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Other Governmental Funds
 For the Year Ended June 30, 2014

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sons of New Fairfield	Total Other Governmental Funds
REVENUES				
Intergovernmental	\$ 1,063,897	\$ 539,111	\$ -	\$ 1,603,008
Interest income	490	408	6,098	6,996
Charges for services	1,032,941	21,640	-	1,054,581
Other revenues	68,391	127,985	60,305	256,681
Total Revenues	<u>2,165,719</u>	<u>689,144</u>	<u>66,403</u>	<u>2,921,266</u>
EXPENDITURES				
Current				
General government	40,716	-	-	40,716
Public safety	1,099	-	-	1,099
Public works	40,193	-	-	40,193
Health and welfare	108,035	-	8,584	116,619
Culture and recreation	22,669	-	-	22,669
Education	1,810,984	-	-	1,810,984
Capital outlay	-	852,284	-	852,284
Total Expenditures	<u>2,023,696</u>	<u>852,284</u>	<u>8,584</u>	<u>2,884,564</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>142,023</u>	<u>(163,140)</u>	<u>57,819</u>	<u>36,702</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	623,866	-	623,866
Transfers out	(195,000)	-	-	(195,000)
Total Other Financing Sources (Uses)	<u>(195,000)</u>	<u>623,866</u>	<u>-</u>	<u>428,866</u>
Net Change in Fund Balances	(52,977)	460,726	57,819	465,568
Fund Balances - Beginning of Year	<u>1,729,512</u>	<u>65,101</u>	<u>366,224</u>	<u>2,160,837</u>
Fund Balances - End of Year	<u>\$ 1,676,535</u>	<u>\$ 525,827</u>	<u>\$ 424,043</u>	<u>\$ 2,626,405</u>

Town of New Fairfield, Connecticut

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2014

	School Lunch Fund	Education Grants Fund	Drug Enforce- ment Fund	Small Cities Fund	Dog Registration Fund	Library Fund	Social Services Fund	Scholarship Fund
ASSETS								
Cash and equivalents	\$ 113,676	\$ 131,466	\$ 17,011	\$ 100,927	\$ 26,611	\$ 119,455	\$ 15,351	\$ 893
Investments	-	-	-	-	-	-	-	3,267
Other receivables								
Accounts	2,782	11,395	-	-	-	-	-	-
Loans	-	-	-	1,108,796	-	-	-	-
Intergovernmental	23,649	75,583	-	-	-	-	-	-
Due from other funds	-	129,949	-	-	-	1,013	-	-
Inventories	16,518	-	-	-	-	-	-	-
Total Assets	<u>\$ 156,625</u>	<u>348,393</u>	<u>\$ 17,011</u>	<u>\$ 1,209,723</u>	<u>\$ 26,611</u>	<u>\$ 120,468</u>	<u>\$ 15,351</u>	<u>\$ 4,160</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ 57,296	7,164	\$ -	\$ -	\$ 6,024	\$ -	\$ -	\$ -
Accrued payroll and related	-	26,355	-	-	406	-	-	-
Due to other funds	-	167,458	-	-	8,401	-	-	-
Unearned revenues	-	106,824	-	-	-	-	-	-
Total Liabilities	<u>57,296</u>	<u>307,801</u>	<u>-</u>	<u>-</u>	<u>14,831</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources								
Deferred revenues - unavailable	-	57,359	-	-	-	-	-	-
Fund balances (deficits)								
Nonspendable	16,518	-	-	-	-	-	-	-
Restricted	-	-	17,011	1,209,723	-	-	15,351	4,160
Committed	-	-	-	-	-	120,468	-	-
Assigned	82,811	-	-	-	11,780	-	-	-
Unassigned	-	(16,767)	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>99,329</u>	<u>(16,767)</u>	<u>17,011</u>	<u>1,209,723</u>	<u>11,780</u>	<u>120,468</u>	<u>15,351</u>	<u>4,160</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 156,625</u>	<u>\$ 348,393</u>	<u>\$ 17,011</u>	<u>\$ 1,209,723</u>	<u>\$ 26,611</u>	<u>\$ 120,468</u>	<u>\$ 15,351</u>	<u>\$ 4,160</u>

(Continued)

Town of New Fairfield, Connecticut

Combining Balance Sheet
Special Revenue Funds
June 30, 2014

	Groovin' in New Fairfield Fund	Communi- cations Tower Fund	Misc. Grants Fund	Municipal Water System Fund	Beaver Bog Cemetery Fund	Senior Center Fund	Commission for the Youth Fund	Total Special Revenue Funds
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ -	\$ 57,449	\$ 12,752	\$ -	\$ -	\$ 595,591
Investments	-	-	-	-	-	-	-	3,267
Other receivables								
Accounts	-	-	2,800	-	-	-	-	16,977
Loans	-	-	-	-	-	-	-	1,108,796
Intergovernmental	-	-	-	-	-	-	-	99,232
Due from other funds	9,794	248,378	58,328	-	-	46,543	10,996	505,001
Inventories	-	-	-	-	-	-	-	16,518
Total Assets	<u>\$ 9,794</u>	<u>\$ 248,378</u>	<u>\$ 61,128</u>	<u>\$ 57,449</u>	<u>\$ 12,752</u>	<u>\$ 46,543</u>	<u>\$ 10,996</u>	<u>\$ 2,345,382</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)								
Liabilities								
Accounts payable	\$ -	\$ -	\$ 4,492	\$ 709	\$ -	\$ -	\$ -	\$ 75,685
Accrued payroll and related	-	2,910	204	-	-	-	-	29,875
Due to other funds	-	195,000	4,948	514	-	-	-	376,321
Unearned revenues	-	-	-	-	-	16,478	-	123,302
Total Liabilities	<u>-</u>	<u>197,910</u>	<u>9,644</u>	<u>1,223</u>	<u>-</u>	<u>16,478</u>	<u>-</u>	<u>605,183</u>
Deferred inflows of resources								
Deferred revenues - unavailable	<u>-</u>	<u>-</u>	<u>6,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,664</u>
Fund balances (deficits)								
Nonspendable	-	-	-	-	-	-	-	16,518
Restricted	9,794	-	45,179	-	12,752	-	10,996	1,324,966
Committed	-	50,468	-	56,226	-	30,065	-	257,227
Assigned	-	-	-	-	-	-	-	94,591
Unassigned	-	-	-	-	-	-	-	(16,767)
Total Fund Balances (Deficits)	<u>9,794</u>	<u>50,468</u>	<u>45,179</u>	<u>56,226</u>	<u>12,752</u>	<u>30,065</u>	<u>10,996</u>	<u>1,676,535</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 9,794</u>	<u>\$ 248,378</u>	<u>\$ 61,128</u>	<u>\$ 57,449</u>	<u>\$ 12,752</u>	<u>\$ 46,543</u>	<u>\$ 10,996</u>	<u>\$ 2,345,382</u>

Town of New Fairfield, Connecticut

Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2014

	School Lunch Fund	Education Grants Fund	Drug Enforce- ment Fund	Small Cities Fund	Dog Registration Fund	Library Fund	Social Services Fund	Scholar- ship Fund
REVENUES								
Intergovernmental	\$ 155,921	\$ 779,035	\$ -	\$ 80,551	\$ -	\$ 1,013	\$ -	\$ -
Interest income	99	-	-	221	-	105	-	14
Charges for services	634,675	138,438	-	-	3,459	18,784	-	-
Other revenues	-	31,639	-	-	-	11,756	22,270	-
Total Revenues	<u>790,695</u>	<u>949,112</u>	<u>-</u>	<u>80,772</u>	<u>3,459</u>	<u>31,658</u>	<u>22,270</u>	<u>14</u>
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	1,099	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	49,022	-	-	18,436	-
Culture and recreation	-	-	-	-	-	18,878	-	-
Education	804,636	1,006,348	-	-	-	-	-	-
Total	<u>804,636</u>	<u>1,006,348</u>	<u>-</u>	<u>49,022</u>	<u>1,099</u>	<u>18,878</u>	<u>18,436</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,941)</u>	<u>(57,236)</u>	<u>-</u>	<u>31,750</u>	<u>2,360</u>	<u>12,780</u>	<u>3,834</u>	<u>14</u>
OTHER FINANCING SOURCES (USES)								
Transfers out	-	-	-	-	-	-	-	-
Net Change in Fund Balances (Deficits)	(13,941)	(57,236)	-	31,750	2,360	12,780	3,834	14
Fund Balances - Beginning of Year	<u>113,270</u>	<u>40,469</u>	<u>17,011</u>	<u>1,177,973</u>	<u>9,420</u>	<u>107,688</u>	<u>11,517</u>	<u>4,146</u>
Fund Balances (Deficits) - End of Year	<u>\$ 99,329</u>	<u>\$ (16,767)</u>	<u>\$ 17,011</u>	<u>\$ 1,209,723</u>	<u>\$ 11,780</u>	<u>\$ 120,468</u>	<u>\$ 15,351</u>	<u>\$ 4,160</u>

(Continued)

Town of New Fairfield, Connecticut

Combining Statement of Revenues,
Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2014

	Groovin' in New Fairfield Fund	Communi- cations Tower Fund	Misc. Grants Fund	Municipal Water System Fund	Beaver Bog Cemetery Fund	Senior Center Fund	Revaluation Fund	Commission for the Youth Fund	Total Special Revenue Funds
REVENUES									
Intergovernmental	\$ -	\$ -	\$47,377	\$ -	\$ -	\$ -	\$ -	\$ -	\$1,063,897
Interest income	-	-	-	51	-	-	-	-	490
Charges for services	3,590	181,478	1,827	20,759	-	29,931	-	-	1,032,941
Other revenues	415	-	-	-	-	2,311	-	-	68,391
Total Revenues	<u>4,005</u>	<u>181,478</u>	<u>49,204</u>	<u>20,810</u>	<u>-</u>	<u>32,242</u>	<u>-</u>	<u>-</u>	<u>2,165,719</u>
EXPENDITURES									
Current									
General government	-	-	8,627	-	-	31,898	191	-	40,716
Public safety	-	-	-	-	-	-	-	-	1,099
Public works	-	21,370	-	18,823	-	-	-	-	40,193
Health and welfare	-	-	40,577	-	-	-	-	-	108,035
Culture and recreation	3,791	-	-	-	-	-	-	-	22,669
Education	-	-	-	-	-	-	-	-	1,810,984
Total	<u>3,791</u>	<u>21,370</u>	<u>49,204</u>	<u>18,823</u>	<u>-</u>	<u>31,898</u>	<u>191</u>	<u>-</u>	<u>2,023,696</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>214</u>	<u>160,108</u>	<u>-</u>	<u>1,987</u>	<u>-</u>	<u>344</u>	<u>(191)</u>	<u>-</u>	<u>142,023</u>
OTHER FINANCING SOURCES (USES)									
Transfers out	-	(195,000)	-	-	-	-	-	-	(195,000)
Net Change in Fund Balances (Deficits)	214	(34,892)	-	1,987	-	344	(191)	-	(52,977)
Fund Balances - Beginning of Year	<u>9,580</u>	<u>85,360</u>	<u>45,179</u>	<u>54,239</u>	<u>12,752</u>	<u>29,721</u>	<u>191</u>	<u>10,996</u>	<u>1,729,512</u>
Fund Balances (Deficits) - End of Year	<u>\$ 9,794</u>	<u>\$ 50,468</u>	<u>\$45,179</u>	<u>\$ 56,226</u>	<u>\$ 12,752</u>	<u>\$30,065</u>	<u>\$ -</u>	<u>\$ 10,996</u>	<u>\$1,676,535</u>

Town of New Fairfield, Connecticut

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2014

	Fire Company Reserve Fund	BOE Technology Fund	School Capital Project Fund	MHHS Septic Fund	Town Center Beauti- fication Fund	MHHS/HS Renova- tions	Total Capital Projects Funds
ASSETS							
Cash and equivalents	\$ 377,231	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 377,231
Other receivables							
Accounts	88,578	4,200	-	-	-	94,139	186,917
Intergovernmental	-	-	214,673	-	-	394,991	609,664
Due from other funds	-	534,196	-	-	4,089	28,440	566,725
Prepaid expenditures	-	18,904	-	-	-	-	18,904
Total Assets	<u>\$ 465,809</u>	<u>\$ 557,300</u>	<u>\$ 214,673</u>	<u>\$ -</u>	<u>\$ 4,089</u>	<u>\$ 517,570</u>	<u>\$ 1,759,441</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)							
Liabilities							
Accounts payable	\$ -	\$ 57,057	\$ -	\$ -	\$ -	\$ -	\$ 57,057
Due to other funds	26,624	332,469	28,657	90,565	-	-	478,315
Total Liabilities	<u>26,624</u>	<u>389,526</u>	<u>28,657</u>	<u>90,565</u>	<u>-</u>	<u>-</u>	<u>535,372</u>
Deferred inflows of resources							
Deferred revenues - unavailable	88,578	-	214,673	-	-	394,991	698,242
Fund balances (deficits)							
Nonspendable	-	18,904	-	-	-	-	18,904
Committed	350,607	148,870	-	-	4,089	122,579	626,145
Unassigned	-	-	(28,657)	(90,565)	-	-	(119,222)
Total Fund Balances (Deficits)	<u>350,607</u>	<u>167,774</u>	<u>(28,657)</u>	<u>(90,565)</u>	<u>4,089</u>	<u>122,579</u>	<u>525,827</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 465,809</u>	<u>\$ 557,300</u>	<u>\$ 214,673</u>	<u>\$ -</u>	<u>\$ 4,089</u>	<u>\$ 517,570</u>	<u>\$ 1,759,441</u>

Town of New Fairfield, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Funds
 For the Year Ended June 30, 2014

	Capital Projects Fund	Fire Company Reserve Fund	BOE Technology Fund	School Capital Project Fund	MHHS Septic Fund	Town Center Beauti- fication Fund	MHHS/HS Renova- tions	Total Capital Projects Funds
REVENUES								
Intergovernmental	\$272,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,561	\$ 539,111
Interest income	-	408	-	-	-	-	-	408
Charges for services	-	-	21,640	-	-	-	-	21,640
Other revenues	<u>33,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,139</u>	<u>127,985</u>
Total Revenues	<u>306,396</u>	<u>408</u>	<u>21,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,700</u>	<u>689,144</u>
EXPENDITURES								
Capital outlay	<u>26,125</u>	<u>42,916</u>	<u>416,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,658</u>	<u>852,284</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>280,271</u>	<u>(42,508)</u>	<u>(394,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,958)</u>	<u>(163,140)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	131,709	492,157	-	-	-	-	623,866
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>131,709</u>	<u>492,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,866</u>
Net Change in Fund Balance	280,271	89,201	97,212	-	-	-	(5,958)	460,726
Fund Balances (Deficits) - Beginning of Year	<u>(280,271)</u>	<u>261,406</u>	<u>70,562</u>	<u>(28,657)</u>	<u>(90,565)</u>	<u>4,089</u>	<u>128,537</u>	<u>65,101</u>
Fund Balances (Deficits) - End of Year	<u>\$ -</u>	<u>\$ 350,607</u>	<u>\$ 167,774</u>	<u>\$ (28,657)</u>	<u>\$ (90,565)</u>	<u>\$ 4,089</u>	<u>\$ 122,579</u>	<u>\$ 525,827</u>

Town of New Fairfield, Connecticut

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

	Pension Trust Fund	OPEB Trust Fund	Total
ASSETS			
Investments, at fair value	\$13,118,411	\$ 1,703,392	\$ 14,821,803
Employer contributions receivable	<u>160,140</u>	<u>-</u>	<u>160,140</u>
 Total Assets	 <u>\$13,278,551</u>	 <u>\$ 1,703,392</u>	 <u>\$ 14,981,943</u>
NET POSITION			
Held in trust for pension / OPEB benefits and other purposes	<u>\$13,278,551</u>	<u>\$ 1,703,392</u>	<u>\$ 14,981,943</u>

Town of New Fairfield, Connecticut

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

	Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS			
Contributions			
Employer	\$ 457,280	\$ 350,000	\$ 807,280
Investment income			
Interest and dividends	<u>1,644,491</u>	<u>197,866</u>	<u>1,842,357</u>
Total Additions	<u>2,101,771</u>	<u>547,866</u>	<u>2,649,637</u>
DEDUCTIONS			
Pension benefits	215,951	-	215,951
Administrative fees	<u>59,741</u>	<u>22,488</u>	<u>82,229</u>
Total Deductions	<u>275,692</u>	<u>22,488</u>	<u>298,180</u>
Change in Net Position	1,826,079	525,378	2,351,457
Net Position - Beginning of Year	<u>11,452,472</u>	<u>1,178,014</u>	<u>12,630,486</u>
Net Position - End of Year	<u>\$13,278,551</u>	<u>\$ 1,703,392</u>	<u>\$ 14,981,943</u>

Town of New Fairfield, Connecticut

Combining Statement of Net Position
 Agency Funds
 For the Year Ended June 30, 2014

	Balance Beginning	Additions	Deductions	Balance Ending
Student Activity Fund				
Assets				
Cash	\$ 407,906	\$ 633,301	\$ 642,628	\$ 398,579
Investments, at fair value	<u>107,494</u>	<u>-</u>	<u>1,406</u>	<u>106,088</u>
Total assets	<u>\$ 515,400</u>	<u>\$ 633,301</u>	<u>\$ 644,034</u>	<u>\$ 504,667</u>
Liabilities				
Due to others	<u>\$ 515,400</u>	<u>\$ 633,301</u>	<u>\$ 644,034</u>	<u>\$ 504,667</u>
Performance Bonds				
Assets				
Cash	<u>\$ 83,273</u>	<u>\$ 24,002</u>	<u>\$ -</u>	<u>\$ 107,275</u>
Liabilities				
Due to others	<u>\$ 83,273</u>	<u>\$ 24,002</u>	<u>\$ -</u>	<u>\$ 107,275</u>
Combined Total				
Assets				
Cash	\$ 491,179	\$ 657,303	\$ 642,628	\$ 505,854
Investments, at fair value	<u>107,494</u>	<u>-</u>	<u>1,406</u>	<u>106,088</u>
Total assets	<u>\$ 598,673</u>	<u>\$ 657,303</u>	<u>\$ 644,034</u>	<u>\$ 611,942</u>
Liabilities				
Due to others	<u>\$ 598,673</u>	<u>\$ 657,303</u>	<u>\$ 644,034</u>	<u>\$ 611,942</u>

Town of New Fairfield, Connecticut

Supplementary Schedules
June 30, 2014

Town of New Fairfield, Connecticut

Report of the Property Tax Collector
For the Year Ended June 30, 2014

Grand List Year	Beginning Receivable Balance, Net	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspense	Ending Receivable Balance, Net
			Additions	Deductions		Taxes	Interest	Liens	Total		
2012	\$ -	\$ 42,074,910	\$ 58,509	\$ (73,907)	\$ 42,059,512	\$ 41,774,432	\$ 126,029	\$ 5,291	\$ 41,905,752	\$ 22,114	\$ 262,966
2011	235,158	-	3,820	(6,521)	232,457	157,199	30,710	1,680	-	7,931	67,327
2010	(210,252)	-	400	-	(209,852)	(71,104)	7,209	428	(63,467)	2,893	(141,641)
2009	(98,513)	-	10,304	-	(88,209)	(98,837)	1,258	57	(97,522)	674	9,954
2008	3,004	-	7,718	-	10,722	1,060	753	25	1,838	52	9,610
2007	10,436	-	-	-	10,436	795	488	24	1,307	-	9,641
2006	6,279	-	1,700	(47)	7,932	-	-	-	-	-	7,932
2005	7,491	-	47	(47)	7,491	-	-	-	-	-	7,491
2004	7,675	-	-	-	7,675	-	-	-	-	-	7,675
2003	2,659	-	-	-	2,659	-	-	-	-	-	2,659
2002	2,527	-	-	-	2,527	-	-	-	-	-	2,527
2001	2,454	-	-	-	2,454	-	-	-	-	-	2,454
2000	2,299	-	-	-	2,299	-	-	-	-	-	2,299
1999	1,186	-	-	-	1,186	-	-	-	-	-	1,186
1998	1,055	-	-	-	1,055	-	-	-	-	-	1,055
1997	977	-	-	-	977	-	-	-	-	-	977
	<u>\$ (25,565)</u>	<u>\$ 42,074,910</u>	<u>\$ 82,498</u>	<u>\$ (80,522)</u>	<u>\$ 42,051,321</u>	<u>\$ 41,763,545</u>	<u>\$ 166,447</u>	<u>\$ 7,505</u>	<u>\$ 41,747,908</u>	<u>\$ 33,664</u>	<u>\$ 254,112</u>

Town of New Fairfield, Connecticut

Schedule of Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund - Details of Board of Education Expenditures
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Salaries and Wages					
Administrators / directors	\$ 1,983,423	\$ 82,220	\$ 2,065,643	\$ 2,065,638	\$ 5
Certified personnel / teachers	17,076,804	(540,421)	16,536,383	16,512,276	24,107
Maintenance / custodians	1,042,410	(774)	1,041,636	1,037,614	4,022
Secretaries	982,263	6,403	988,666	991,246	(2,580)
Occupational and physical therapists	269,734	(4,416)	265,318	265,317	1
Paraprofessionals	1,069,966	(60,087)	1,009,879	1,001,039	8,840
Technology	293,565	(48,894)	244,671	244,670	1
Homebound tutors	50,270	(7,341)	42,929	42,069	860
Counselors	21,121	(8,829)	12,292	12,292	-
Temporary employees / substitutes	382,891	(14,720)	368,171	364,878	3,293
Overtime	74,050	(4,801)	69,249	67,060	2,189
Dept head / activities / extra duties	167,344	(10,976)	156,368	156,373	(5)
Coaches	196,286	(4,514)	191,772	189,387	2,385
Co-curricular activities	138,089	(28,819)	109,270	101,559	7,711
Employee Benefits					
FICA / Medicare	576,367	(5,829)	570,538	562,768	7,770
Pension benefit	320,280	-	320,280	320,280	-
GASB 45	315,000	-	315,000	315,000	-
Tuition Reimbursement	17,250	(10,694)	6,556	7,106	(550)
Unemployment compensation	34,497	(1,930)	32,567	40,818	(8,251)
Workers' compensation	250,344	-	250,344	250,342	2
Other employee benefits	1,100	(500)	600	600	-
Purchased services					
Staff development and training	19,879	12,690	32,569	29,757	2,812
Instruction services	52,515	16,595	69,110	68,235	875
Inst'l Program Improvement	50,000	6,105	56,105	59,620	(3,515)
Pupil services	2,500	5,157	7,657	7,490	167
Other professional services	489,277	104,647	593,924	611,908	(17,984)
Legal counsel	35,000	30,180	65,180	60,085	5,095
Speech / language services	33,000	(11,737)	21,263	20,935	328
Repairs and maintenance	195,180	147,389	342,569	346,740	(4,171)
Service contracts	237,595	-	237,595	237,570	25
Rentals - postage machines and copiers	151,770	(6,141)	145,629	145,429	200
Projects - buildings and grounds	60,500	-	60,500	58,263	2,237
Other purchased property services	17,018	-	17,018	16,693	325
Pupil transportation (in-district)	1,334,183	(38,798)	1,295,385	1,270,331	25,054
Pupil transportation (out-of-district)	218,201	17,620	235,821	216,681	19,140
Property and liability insurance	237,626	10,783	248,409	248,409	-
Communications / telephones	43,818	6,946	50,764	55,296	(4,532)
Postage	14,813	-	14,813	14,723	90
Advertising	7,600	3,517	11,117	9,542	1,575
Printing and binding	18,963	(9,277)	9,686	9,048	638
Tuition					
Tuition in-state public	271,392	43,138	314,530	314,975	(445)
Tuition in-state private	268,300	1,950	270,250	263,590	6,660
Tuition out-of-state private	31,500	(2,702)	28,798	28,599	199
Conferences and travel	18,775	250	19,025	17,859	1,166

(Continued)

Town of New Fairfield, Connecticut

Schedule of Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund - Details of Board of Education Expenditures
 For the Year Ended June 30, 2014

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Supplies					
General supplies	8,293	-	8,293	8,274	19
Instructional supplies	253,550	50,117	303,667	296,312	7,355
Software	124,599	15,225	139,824	139,817	7
Custodial and maintenance supplies	90,255	-	90,255	89,952	303
Property					
Electricity	607,672	(1,450)	606,222	632,114	(25,892)
Bottled gas	17,200	12,586	29,786	29,853	(67)
Heating oil	339,200	(2,379)	336,821	336,820	1
Gasoline	2,500	-	2,500	3,064	(564)
Diesel fuel	170,625	5,737	176,362	166,404	9,958
Magazines and subscriptions	19,037	-	19,037	15,768	3,269
Textbooks and workbooks	81,229	(650)	80,579	78,390	2,189
Library books and periodicals	25,000	1,920	26,920	23,671	3,249
Other supplies and materials	107,926	(1,118)	106,808	67,200	39,608
Property	7,175	(2,000)	5,175	5,171	4
Equipment	87,525	242,027	329,552	357,162	(27,610)
Dues and fees	9,378	1,401	10,779	84,109	(73,330)
Accreditation	6,515	325	6,840	6,816	24
Education adjustment	20,131	4,869	25,000	25,000	-
	<u>\$ 31,050,269</u>	<u>\$ -</u>	<u>\$ 31,050,269</u>	<u>\$ 31,026,007</u>	<u>\$ 24,262</u>

Town of New Fairfield, Connecticut

Internal Control and Compliance Reports
June 30, 2014

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

**The Board of Finance
Town of New Fairfield, Connecticut**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of New Fairfield, Connecticut ("Town") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 17, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting as items SD-2013-01.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Town's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

O'Connor Davies, LLP

February 17, 2015

Town of New Fairfield, Connecticut

State Single Audit
June 30, 2014

Report on Compliance for Each Major State Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

Independent Auditors' Report

**The Board of Finance
Town of New Fairfield, Connecticut**

Report on Compliance for Each Major State Program

We have audited the Town of New Fairfield, Connecticut's ("Town") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2014. The Town's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items SD-2013-01, that we consider to be significant deficiencies.

The Town's response to the internal control over compliance finding(s) identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated February 17, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor Davies, LLP

February 17, 2015

Town of New Fairfield, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Connecticut State Library		
Grants to Public Libraries	11000-CSL66051-17003	\$ 1,214
Connecticard Payments	11000-CSL66051-17010	1,013
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
Department of Energy and Environmental Protection		
Public, Educational, and Government Programming	12060-DEP44624-35363	61,232
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	276,121
Department of Justice		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	2,154
Office of Policy and Management		
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	18,427
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	1,473
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	84,159
Property Tax Relief for Veterans	11000-OPM20600-17024	16,519
Municipal Purposes and Projects	12052-OPM20600-43587	1,081
Department of Education		
Primary Mental Health	11000-SDE64370-12198	21,250
Child Nutrition State Match	11000-SDE64370-16211	7,509
Health Foods Initiative	11000-SDE64370-16212	15,370
Adult Education	11000-SDE64370-17030	4,132
School Breakfast Program	11000-SDE64370-17046	3,089
Magnet Schools	11000-SDE64370-17057	23,400
High Quality Schools Start Up	12052-SDE64370-43538	<u>78,072</u>
Total State Financial Assistance before Exempt Programs		<u>620,215</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	4,424,606
Public School Transportation	11000-SDE64370-17027	46,436
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	205,089
Department of Construction Services		
School Construction Grants	13009-DAS27636-40896	8,275
School Construction Grants	13010-DAS27636-40901	293,662
Office of Policy and Management		
Municipal Revenue Sharing	12060-OPM20600-35458	71,167
Municipal Video Competition	12060-OPM20600-35362	3,701
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	<u>22,908</u>
Total exempt programs		<u>5,075,844</u>
Total State Financial Assistance		<u><u>\$ 5,696,059</u></u>

The accompanying notes are an integral part of this schedule

Town of New Fairfield, Connecticut

Notes to Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of New Fairfield, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2014. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based on regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Town of New Fairfield, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2014

SD-2013-01 – Comprehensive Controls

Condition: The Town does not have an integrated framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: Repeated as finding number SD-2013-01.

Planned Corrective Action: See the response included in the current year Schedule of Findings and Questioned Costs.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported
- Noncompliance material to financial statements noted yes X no

State Financial Assistance

Internal control over major programs

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? yes X no

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State Core-CT Number	Expenditures
Department of Transportation		
Town Aid Road Grants Transportation Fund	13033-DOT57131-43459	\$276,121
Office of Policy and Management		
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	\$84,159

Dollar threshold used to distinguish between type A and type B programs: \$100,000

Section II - Financial Statement Findings

SD-2013-01 – Comprehensive Controls

Criteria – Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs Year Ended June 30, 2014

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management’s continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

Condition – The Town does not have an integrated framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Effect – There are weaknesses in the controls, risks may exist that have not been specifically addressed, there are controls that are not documented, and monitoring is not addressed.

Recommendation – We recommend that the Town establish a committee of volunteers and employees that assesses the risk in the significant systems, reduces the risk by establishing control activities, documents the resulting processes, and continues to assess, adapt and monitor the processes.

Views of Responsible Officials and Planned Corrective Actions – The Town will follow the recommendations of the auditor. The Town is in the process of creating an accounting manual.

Section III - State Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

Town of New Fairfield, Connecticut

Federal Single Audit
June 30, 2014

**Report on Compliance For Each Major Federal Program; Report on Internal Control
Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required
by OMB Circular A-133**

Independent Auditors' Report

**To the Board of Finance
Town of New Fairfield, Connecticut**

Report on Compliance for Each Major Federal Program

We have audited the Town of New Fairfield, Connecticut's ("Town") compliance with the types of compliance requirements described in the U. S. Office of Management and Budget's ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the Town's compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with the requirements that could have a direct and material effect on a major program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities and the business-type activities each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2014, and have issued our report thereon dated February 17, 2015, which contained unmodified opinions on these financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

O'Connor Davies, LLP

February 17, 2015

Town of New Fairfield, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Program
U.S. Department of Agriculture			
Pass-Through programs from Connecticut State Department of Education			
Child Nutrition Cluster			
National School Lunch	10.555	12060-SDE64370-20560	\$ 125,400
School Breakfast Program	10.553	12060-SDE64370-20508	<u>7,242</u>
Total U.S. Department of Agriculture			<u>132,642</u>
U.S. Department of Transportation			
Pass-Through programs from Connecticut Department of Transportation			
Highway Planning and Construction	20.205	12062-DOT57191-22108	21,468
U.S. Department of Education			
Direct Programs			
Pass-Through programs from Connecticut State Department of Education			
Special Education Cluster (IDEA)			
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	74,741
IDEA, Part B, Section 611, Handicapped - Carryover	84.027	12060-SDE64370-20977	477,904
IDEA, Part B, Section 619, Preschool - Carryover	84.173	12060-SDE64370-20983	<u>13,484</u>
Total Special Education Cluster (IDEA)			566,129
Title I - Current	84.010	12060-SDE64370-20679	5,779
Title I - Carryover	84.010	12060-SDE64370-20679	27,200
Title II - Part A, Improving Teacher Quality - Current	84.367	12060-SDE64370-20858	27,862
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	<u>16,751</u>
Total U.S. Department of Education			<u>643,721</u>
U.S. Department of Health and Human Services			
Pass-Through programs from Connecticut Department of Health			
Public Health Emergency Preparedness	93.069	12060-DPH48558-22333	<u>32,830</u>
U.S. Department of Housing and Urban Development			
Pass-Through programs from Connecticut Department of Economics and Community Development			
Community Development Block Grants/Entitlement Grants	14.218	12060-DOH46930-20730	<u>49,022</u>
Total Federal Financial Assistance			<u>\$ 879,683</u>

The accompanying notes are an integral part of this schedule

Town of New Fairfield, Connecticut

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Awards presents activity of all federal award programs for the year ended June 30, 2014. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

Basis of Accounting

The financial statements for the governmental fund types contained in Town of New Fairfield, Connecticut's ("Town") basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements and the financial statements for the business-type activities are prepared on the full 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 for the current period,
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting

- Material weakness(es) identified? Yes X no
- Significant deficiency(ies) identified? X Yes none reported
- Noncompliance material to financial statements noted Yes X no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of report issued on compliance for major programs: Unmodified

Audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

The following schedule reflects the major programs included in the audit:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	IDEA, Part B, Section 611, Handicapped
84.173	IDEA, Part B, Section 619, Preschool

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low risk auditee? yes X no

Section II - Financial Statement Findings:

SD-2013-01 – Comprehensive Controls

Criteria – Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2014

- *Risk Assessment* – This involves management’s continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

Condition – The Town does not have an integrated framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Effect – There are weaknesses in the controls, risks may exist that have not been specifically addressed, there are controls that are not documented, and monitoring is not addressed.

Recommendation – We recommend that the Town establish a committee of volunteers and employees that assesses the risk in the significant systems, reduces the risk by establishing control activities, documents the resulting processes, and continues to assess, adapt and monitor the processes.

Views of Responsible Officials and Planned Corrective Actions – The Town will follow the recommendations of the auditor. The Town is in the process of creating and accounting manual.

Section III - Federal Financial Assistance Findings and Questioned Costs

No findings or questioned cost are reported relating to Federal financial assistance programs.