

Town of New Fairfield, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2016

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, 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, 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 February 24, 2017 report 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.

PKF O'Connor Davies, LLP

February 24, 2017

Management's Discussion and Analysis

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2016**

Our discussion and analysis of Name of Government's ("Town") financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The total assets of the Town of New Fairfield shown in Exhibit 1, exceeded its total liabilities by \$88,741,106 at June 30, 2016 on a full accrual basis. This is an increase in Net Position of \$924,114 over the prior year. This can be thought of as an increase in the Town's long-term health.
- The Town's Fund Balance, a measure of the Town's short-term financial health, as shown in Exhibits 3 and 4 increased by \$634,401.
- Tax collection rate were at 99.7% which made the town's collection rate the second highest in Fairfield County.
- The fund balance in the General Fund was \$7,142,428 at June 30, 2016. The unassigned fund balance in the General Fund is \$6,240,019. This is approximately 11% of the Town's total revenues.
- The Town continues to carry the Standard & Poor AAA rating on its Government general obligation bond. That was one of the reasons that the Town was able to earn an \$874,955 premium on the sale of its bonds.

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.

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, 2016**

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$924,113 from a year ago—increasing from \$87,816,993 to \$88,740,906. Last year net position increased by \$2,457,491. 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)**

	2016	Change During Year		2015
		Dollars	Percent	
Current and other assets	\$ 23,547,190	\$ 1,216,512	5.45%	\$ 22,330,678
Capital assets	96,275,200	(1,254,647)	-1.29%	97,529,847
Total assets	119,822,390	(38,135)	-0.03%	119,860,525
Deferred outflows of resources	2,117,053	1,059,095	100.11%	1,057,958
Long-term debt outstanding	26,549,686	(668,417)	-2.46%	27,218,103
Other liabilities	3,452,867	500,012	16.93%	2,952,855
Total liabilities	30,002,553	(168,405)	-0.56%	30,170,958
Deferred inflows of resources	3,195,784	667,252	26.39%	2,528,532
Net position				
Net investment in capital assets	73,130,981	671,134	0.93%	72,459,847
Restricted				
Expendable	1,976,395	412,507	26.38%	1,563,888
Nonexpendable	482	(320,985)	-99.85%	321,467
Unrestricted	13,633,248	161,457	1.20%	13,471,791
Total net position	\$ 88,741,106	\$ 924,113	1.05%	\$ 87,816,993

The unrestricted Net Position increased by \$161,457 to a total of \$13,633,248. 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.

The biggest changes in the full accrual balance sheet were in the deferred outflow and deferred inflow of resources.

- Most of the deferred outflow of resources are pension related expenses/losses that will be recognized over several years to smooth out the pension costs. Approximately \$600,000 of the increase was because of the difference between projected earnings on the pension and the actual earnings on the pension. The pension earnings are much lower than expected.
- In addition, there were costs associated with refunding the bonds that totaled \$475,736. These will be amortized over the life of the bonds. This was spent to save money over the long term on the bonds. Discussed later.
- An increase in deferred inflows of assets occurred mostly because of additional taxes being collected in advance.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2016**

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

	2016	Change During Year		2015
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 4,784,941	\$ (160,949)	-3.25%	\$ 4,945,890
Operating grants and contributions	10,556,106	550,483	5.50%	10,005,623
Capital grants and contributions	113,690	(725,193)	-86.45%	838,883
General revenues:				
Property taxes	45,217,838	831,098	1.87%	44,386,740
Grants and contributions	56,361	5,412	10.62%	50,949
Interest and investment earnings	200,013	12,134	6.46%	187,879
Other general revenues	63,289	(30,250)	-32.34%	93,539
Total revenues	<u>60,992,238</u>	<u>482,735</u>	<u>0.80%</u>	<u>60,509,503</u>
Program expenses				
General government	5,331,901	501,440	10.38%	4,830,461
Public safety	3,340,625	531,885	18.94%	2,808,740
Public works	2,797,408	(296,535)	-9.58%	3,093,943
Health and welfare	700,526	185,634	36.05%	514,892
Culture and recreation	1,150,869	(631,491)	-35.43%	1,782,360
Education	45,867,364	1,693,169	3.83%	44,174,195
Interest on long-term debt	879,431	32,010	3.78%	847,421
Total expenses	<u>60,068,124</u>	<u>2,016,112</u>	<u>3.47%</u>	<u>58,052,012</u>
Increase (decrease) in net position	<u>\$ 924,114</u>	<u>\$ (1,533,377)</u>	<u>-62.40%</u>	<u>\$ 2,457,491</u>

Total program revenues decreased from prior year by \$335,659 or 2.13%. This is due to the following:

- Included in charges for services is tuition charged to other towns for sending their students to New Fairfield schools. This is charged primarily to the Town of Sherman which does not have a high school of their own. The Town of Sherman student tuition was lower than prior year by \$286,445 because the number of students dropped from 61 students in 2014-2015 to 38 students in 2015-2016.
- The Town's operating grants for Education Cost Sharing grant and the amount paid on the Town's behalf for teachers' retirement benefits were higher than prior year by \$521,425.
- The state funding for capital grants earned in 2014-2015 for Library renovation was a one-time revenue and not included in the 2015-2016 revenues.

General Revenues were higher than prior year by \$818,394. This is mainly due to increased property taxes.

Program expenses were higher than prior year by \$1,984,100 due to general increases in salaries, benefits and other cost. Some specific increases include:

- Resident State Trooper annual invoice and overtime were higher than prior year by \$170,671. This was mostly the result of the State increasing the rate they charged the town from 70% to 100% of the cost of the 5 State Troopers and from 70% to 85% for the two highest paid salaries. The Town has 6 State Troopers and one Resident Sergeant Trooper. State Troopers' overtime was lower than prior year by \$103,706. This was due to the town being short a police officer in the prior year.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2016**

- Ambulance Para/EMT was higher than prior year by \$119,819. Town increased the contracted service hours for the ambulance from 12 hours a day Monday–Friday to 24/7. This was offset by \$32,454 in additional revenues.
- Total public works department in the general fund was lower than prior year by \$157,966. Of this Snow materials & supplies lower by \$61,517, overtime was lower by \$47,180, seasonal personnel was lower by \$7,364, and contracted services was lower by \$12,283. The savings was mostly due to a mild winter in fiscal year 2015-2016.

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 \$954,114 increase in the full-accrual based equity, the fund financial statements showed a \$634,401 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 fund financial statements (Exhibit 4), but are not a direct reduction in the net position in the combined government wide financial statements (Exhibit 2).

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 appropriates 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. On the following page is a summarized view of the final budget and actual results for the General Fund:

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2016**

**Table 3
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenues			
Property Taxes	\$ 44,872,239	\$ 45,050,139	\$ 177,900
Intergovernmental	5,284,343	5,359,556	75,213
Licenses and permits	260,800	258,484	(2,316)
Local revenue	1,521,752	1,484,559	(37,193)
Total Revenues	51,939,134	52,152,738	213,604
Expenditures			
General Government	3,403,248	3,152,645	250,603
Public safety	3,001,491	2,868,098	133,393
Public works	2,183,710	2,153,180	30,530
Health and welfare	495,829	484,199	11,630
Recreation	563,436	542,197	21,239
Debt service	2,887,612	2,887,611	1
Education	32,764,145	32,537,627	226,518
Capital nonrecurring	994,893	994,893	-
Health insurance	6,493,287	6,493,287	-
Total Expenditures	52,787,651	52,113,737	673,914
Increase (Decrease) in Fund Balance	\$ (848,517)	\$ 39,001	\$ 887,518

The General Fund is the chief operating fund of the Town. Revenues were over budget by \$213,604, Expenditures were under budget by \$673,914. In table 4, the fund balance increased by \$39,001.

Significant variances are summarized as follows:

- Property Taxes were higher than budget by \$177,900. Taxes collected are almost at a 100%. We have one of the highest tax collection rates in the state.
- LoCIP grant revenue was higher than budget by \$80,317 due to receiving two fiscal years revenue in this fiscal year.
- Sherman student tuition was below budget by \$163,470 due to lower number of students as discussed above.
- CIRMA equity distribution was over budget by \$28,631. This was not budgeted for as it was not known at the time and is dependent on CIRMA's performance.
- Board of Finance contingency was not used and resulted in being \$33,000 under budget.
- Utilities were under budget by \$88,937 and this was due to the town locking in prices of when the market was low and due to a milder winter than the prior year.
- Real Estate Conveyance was higher than budget by \$53,974. This is due to sales of homes and the sale of a commercial property that generated higher conveyance taxes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$96,275,200 invested government activity capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and deductions) of \$1,254,647 from last year. This is due to the following:

- Construction in progress increased by \$583,513. The ending balance consisted of road works, easements, replacement of chiller in police department, and an environmental, structural study on the Creamery Building, school window projects and paving the high school parking lot.
- The total addition to Capital assets being depreciated, including the amount transferred from construction in progress, was \$2,530,808. This included projects such as: card readers, security doors, Rebel Turf Field, security systems, renovation of high school faculty lounge, intercom systems, software, Drop off Center building, camera system at public works, water waste treatment plans, Charging Station at Town Hall, paving several parking lots and driveways, replaced Town Hall Library septic, and Library renovation.
- Capital assets being depreciated decreased by \$58,225 due to the sale of 2 trucks and a copier that became obsolete.

More detailed information about the Government's capital assets is presented in Note D to the financial statements.

Debt

At year end, the Government had \$22,745,000 in bonds and notes outstanding. This is a decrease of \$2,325,000. Most of this decrease was the result of refinancing some higher interest bonds with some lower interest bonds. This saved the Town \$811,644 in future cash flows which, in has a net present value of \$773,805 in savings.

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 E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The initial budget-planning goal was to keep the mill rate increase at least as low as the previous fiscal year's while maintaining adequate services to the town and ensuring that education had sufficient funds to meet and or exceed the education goals mandated by the state.

The budgeted expenditures for the general government increased by 3.56%. This larger percent increase over the prior year was mainly due to the exceptional large increase to the state trooper budgeted expense.

The budgeted expenditures for the education budget increased by only 0.32%. Requiring minimum increases to non-payroll budget line items, while allowing small payroll increases.

Finally, reducing requested contributions to both the town's and education's Capital and Nonrecurring Funds help keep the mill rate increase to 0.53%.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2016**

The Governor's FY 2017/18 budget proposal with reductions in many areas, if passed, will greatly increase the town's education budget. One area includes a controversial proposal to require Connecticut towns to pay one-third the cost of teachers' pensions, which are now wholly paid for by the state. Additionally, a second proposal will make substantial changes to the Education Cost Sharing ("ECS") formulas, which will significantly reduce New Fairfield's ECS grant. The net effect of both these proposals would significantly reduce state funding to New Fairfield by over \$4.6 million. This loss of state revenue would have to be absorbed by New Fairfield taxpayers through their property taxes. This regrettably translates into a higher mill rate increase, and thus, higher taxes for all New Fairfield taxpayers.

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, 4 Brush Hill Road, New Fairfield, CT 06812.

Basic Financial Statements

Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 8,007,746
Investments	11,528,608
Receivables	
Taxes, net	589,802
Accounts	457,181
Loans	1,310,379
Intergovernmental	1,016,522
Prepaid expenses	609,418
Inventory	27,534
Capital assets	
Nondepreciable	7,728,387
Depreciable, net of accumulated depreciation	<u>88,546,813</u>
Total Assets	<u>119,822,390</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding bonds	475,736
Pension contributions after the measurement date	434,237
Differences between expected and actual experience on pension	99,681
Net difference between projected and actual earnings on pension	<u>1,107,399</u>
Total Deferred Outflows of Resources	<u>2,117,053</u>
LIABILITIES	
Accounts payable	2,190,483
Accrued payroll and related	492,548
Retainages payable	28,377
Accrued interest payable	278,358
Risk management claims	413,000
Unearned revenues	50,101
Non-current liabilities	
Due within one year	2,023,264
Due in more than one year	<u>24,526,422</u>
Total Liabilities	<u>30,002,553</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenues - collected in advance	3,077,092
Net difference between projected and actual investment earnings	<u>118,692</u>
Total Deferred Inflows of Resources	<u>3,195,784</u>
NET POSITION	
Net investment in capital assets	73,130,981
Restricted	
Expendable	1,976,395
Nonexpendable	482
Unrestricted	<u>13,633,248</u>
Total Net Position	<u>\$ 88,741,106</u>

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

Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities					
General government	\$ (5,331,901)	\$ 973,221	\$ 112,100	\$ 107,723	\$ (4,138,857)
Public safety	(3,340,625)	278,064	6,979	-	(3,055,582)
Public works	(2,797,408)	140,720	431,734	-	(2,224,954)
Health and welfare	(700,526)	60,313	184,811	-	(455,402)
Culture and recreation	(1,150,869)	777,650	13,811	-	(359,408)
Education	(45,867,364)	2,554,973	9,806,671	5,967	(33,499,753)
Interest on long-term debt	(879,431)	-	-	-	(879,431)
	<u>\$ (60,068,124)</u>	<u>\$ 4,784,941</u>	<u>\$ 10,556,106</u>	<u>\$ 113,690</u>	<u>(44,613,387)</u>
General Revenues					
					45,217,838
					56,361
					200,013
					63,289
					<u>45,537,501</u>
					924,114
					<u>87,816,992</u>
					<u>\$ 88,741,106</u>

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

Balance Sheet
 Governmental Funds
 June 30, 2016

	General Fund	Capital Non Recurring Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 4,252,725	\$ 2,820,612	\$ 824,684	\$ 7,898,021
Investments	11,302,324	-	226,284	11,528,608
Taxes receivable, net of allowance for uncollectible amounts	589,802	-	-	589,802
Other receivables				
Accounts	150,787	103,760	139,489	394,036
Loans	-	-	1,310,379	1,310,379
Intergovernmental	379,781	-	636,741	1,016,522
Due from other funds	355,289	442,585	1,024,344	1,822,218
Prepaid expenditures	15,268	-	-	15,268
Inventories	-	-	27,534	27,534
Total Assets	<u>\$ 17,045,976</u>	<u>\$ 3,366,957</u>	<u>\$ 4,189,455</u>	<u>\$ 24,602,388</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,768,195	\$ 122,649	\$ 187,624	\$ 2,078,468
Accrued payroll and related	478,198	3,542	10,808	492,548
Retainages payable	-	28,377	-	28,377
Due to other funds	3,647,632	464,997	401,375	4,514,004
Unearned revenues - performance	-	-	50,101	50,101
Total Liabilities	<u>5,894,025</u>	<u>619,565</u>	<u>649,908</u>	<u>7,163,498</u>
Deferred inflows of resources				
Property taxes collected in advance	2,946,472	-	-	2,946,472
Revenues not available for recognition	<u>1,063,051</u>	<u>77,000</u>	<u>741,435</u>	<u>1,881,486</u>
Total Deferred Inflows of Resources	<u>4,009,523</u>	<u>77,000</u>	<u>741,435</u>	<u>4,827,958</u>
Fund balances (deficits)				
Nonspendable	15,268	-	28,016	43,284
Restricted	-	48,762	1,884,440	1,933,202
Committed	-	1,428,027	1,109,340	2,537,367
Assigned	887,141	1,193,603	73,406	2,154,150
Unassigned	<u>6,240,019</u>	<u>-</u>	<u>(297,090)</u>	<u>5,942,929</u>
Total Fund Balances	<u>7,142,428</u>	<u>2,670,392</u>	<u>2,798,112</u>	<u>12,610,932</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 17,045,976</u>	<u>\$ 3,366,957</u>	<u>\$ 4,189,455</u>	<u>\$ 24,602,388</u>

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

Reconciliation of Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities
June 30, 2016

Fund Balances - Total Governmental Funds	\$ 12,610,932
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.	96,275,200
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.	2,933,791
Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Premiums on refunding bonds	(874,955)
Deferred charge on refunding bond	475,736
Other long-term assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,881,486
Deferred outflows - Contributions after the measurement date	434,237
Deferred outflows - Differences between expected and actual experience	99,681
Deferred outflows - Net difference between projected and actual earnings	1,107,399
Deferred inflows - Net difference between projected and actual earnings	(118,692)
Long-term liabilities and deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds	(22,745,000)
Compensated absences	(458,675)
Pension obligations	(1,660,672)
OPEB obligations	(810,384)
Accrued interest	(278,358)
	<u>\$ 88,871,726</u>

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

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

	General Fund	Capital Non Recurring Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 45,050,139	\$ -	\$ -	\$ 45,050,139
Intergovernmental	9,601,063	793,037	1,023,135	11,417,235
Interest income	185,908	6,723	7,382	200,013
Charges for services	1,142,991	40,000	1,158,861	2,341,852
Other revenues	<u>1,292,389</u>	<u>5,970</u>	<u>107,263</u>	<u>1,405,622</u>
Total Revenues	<u>57,272,490</u>	<u>845,730</u>	<u>2,296,641</u>	<u>60,414,861</u>
EXPENDITURES				
Current				
General government	3,168,220	-	64,525	3,232,745
Public safety	2,872,417	-	12,218	2,884,635
Public works	2,256,466	-	24,217	2,280,683
Health and welfare	483,457	-	65,058	548,515
Culture and recreation	1,150,447	-	12,810	1,163,257
Health insurance	6,493,287	-	-	6,493,287
Education	36,936,252	-	1,661,589	38,597,841
Debt service				
Principal	2,055,000	-	-	2,055,000
Interest	832,611	-	-	832,611
Bond issuance costs	126,700	-	-	126,700
Capital outlay	<u>40,000</u>	<u>1,229,788</u>	<u>426,617</u>	<u>1,696,405</u>
Total Expenditures	<u>56,414,857</u>	<u>1,229,788</u>	<u>2,267,034</u>	<u>59,911,679</u>
Deficiency of Revenues Over Expenditures	<u>857,633</u>	<u>(384,058)</u>	<u>29,607</u>	<u>503,182</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,195,832	791,821	1,987,653
Transfers out	(1,113,893)	(465,432)	(408,328)	(1,987,653)
Issuance of long term debt	8,720,000	-	-	8,720,000
Sale of Capital Assets	2,000	-	-	2,000
Premium on financing	874,955	-	-	874,955
Payment to refunded bond escrow agent	<u>(9,465,736)</u>	<u>-</u>	<u>-</u>	<u>(9,465,736)</u>
Total Other Financing Sources	<u>(982,674)</u>	<u>730,400</u>	<u>383,493</u>	<u>131,219</u>
Net Change in Fund Balances	(125,041)	346,342	413,100	634,401
Fund Balances - Beginning of Year	<u>7,267,469</u>	<u>2,324,050</u>	<u>2,385,012</u>	<u>11,976,531</u>
Fund Balances - End of Year	<u>\$ 7,142,428</u>	<u>\$ 2,670,392</u>	<u>\$ 2,798,112</u>	<u>\$ 12,610,932</u>

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

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, 2016

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

Net Change in Fund Balances - Total Governmental Funds	\$ <u>634,401</u>
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>	
Capital outlay expenditures	1,863,463
Depreciation expense	(3,109,318)
Undepreciated basis of assets disposed of or sold	<u>(8,792)</u>
	<u>(1,254,647)</u>
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Real property taxes and other revenues in the General Fund	1,948
Revenues in the Capital Nonrecurring Fund	(697,602)
Revenues in the Education Grants Fund	20,824
Revenues in the Miscellaneous Grants Fund	<u>6,110</u>
	<u>(668,720)</u>
<p>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</p>	
Issuance of long-term debt - general obligation bonds	(8,720,000)
Proceeds from long-term debt - special assessment bonds	-
Proceeds from long-term debt - notes payable, loans payable and other long-term debt	-
Proceeds from long-term debt - capital leases	-
Premium on issuance of long-term debt	(874,955)
Deferred charge on refunding bonds	475,736
Principal payments on long-term debt	2,055,000
Payment to refunded bond escrow agent	<u>8,990,000</u>
	<u>1,925,781</u>
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, including the change in</p>	
Accrued interest	79,880
Compensated absences	(87,304)
Pension and other post employment benefits asset/liability	(313,465)
Pension liability and related deferred inflows and outflows	<u>(13,672)</u>
	<u>(334,561)</u>
<p>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.</p>	
	<u>621,860</u>
Change in Net Position of Governmental Activities	<u>\$ 924,114</u>

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

Statement of Net Position
 Proprietary Funds
 June 30, 2016

	Internal Service Fund - Medical Fund
ASSETS	
Current Assets	
Cash and equivalents	\$ 109,725
Receivables	
Accounts, net	63,145
Due from other funds	2,691,786
Prepaid expenses	<u>594,150</u>
Total Current Assets	<u>3,458,806</u>
LIABILITIES	
Current Liabilities	
Accounts payable	112,015
Risk management claims	<u>413,000</u>
Total Current Liabilities	<u>525,015</u>
NET POSITION	
Unrestricted	<u>\$ 2,933,791</u>

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

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

	Internal Service Fund - Medical Fund
Operating Revenues	
Premiums	<u>\$ 7,739,684</u>
Operating Expenses	
Administration and insurance	1,662,968
Claims incurred	<u>5,454,856</u>
Total Operating Expenses	<u>7,117,824</u>
Income (Loss) from Operations	621,860
Net Position - Beginning of Year	<u>2,311,931</u>
Net Position - End of Year	<u>\$ 2,933,791</u>

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

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

	<u>Internal Service Fund - Medical Fund</u>
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 7,740,231
Cash payments to employees	(1,694,137)
Cash payments for benefits and claims	(5,443,856)
Advance payment on subsequent year benefits	<u>(254,150)</u>
Net Cash From Operating Activities	348,088
 Cash Flows From Non-Capital Financing Activities	
Advances from other funds	<u>(407,433)</u>
Net Decrease in Cash and Equivalents	(59,345)
 Cash and Equivalents - Beginning of Year	<u>169,070</u>
 Cash and Equivalents - End of Year	<u>\$ 109,725</u>
 Reconciliation of Income from Operations to Net Cash From Operating Activities	
Income from operations	\$ 621,860
Adjustments to reconcile income from operations to net cash from operating activities	
Changes in operating assets and liabilities	
Accounts receivable	547
Prepaid expenses	(254,150)
Accounts payable	(31,169)
Risk management claims	<u>11,000</u>
 Net Cash From Operating Activities	<u>\$ 348,088</u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2016

	Pension/ OPEB Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ -	\$ 589,318
Investments, at fair value	16,332,979	94,284
Employer contributions receivable	<u>160,140</u>	<u>-</u>
Total Assets	<u>16,493,119</u>	<u>683,602</u>
LIABILITIES		
Due to others	<u>-</u>	<u>\$ 683,602</u>
NET POSITION		
Restricted for pension/OPEB benefits	<u>\$16,493,119</u>	

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

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

	Pension/ OPEB Trust Funds
	<u> </u>
ADDITIONS	
Contributions	
Employer	\$ 853,748
Investment income	
Net change in fair value of investments	(30,329)
Interest and dividends	<u>100,393</u>
Total Additions	<u>923,812</u>
DEDUCTIONS	
Pension benefits	288,259
Administrative fees	<u>117,821</u>
Total Deductions	<u>406,080</u>
Change in Net Position	517,732
Net Position - Beginning of Year	<u>15,975,387</u>
Net Position - End of Year	<u>\$ 16,493,119</u>

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

Town of New Fairfield, Connecticut

Notes to Financial Statements
June 30, 2016

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 in Exhibit 1 and the Statement of Activities in Exhibit 2) 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 segments 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.

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, 2016

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.
- 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, 2016

1. Summary of Significant Accounting Policies (Continued)

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

- Capital Projects Fund is used to accumulate money for other Capital projects.
- 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 Agency Funds. 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 and performance bonds.

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, 2016

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 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)

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 reports its investments at amortized cost (which approximates fair value). 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.

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.

The Town follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quote prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2016

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.

An allowance for uncollectible taxes of \$20,000 has been recorded net with taxes receivable as of June 30, 2016.

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, 2016

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, 2016, 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 governmental 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, are nonfinancial in nature and their useful lives extend 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. Intangible assets with legal, contractual, regulatory, technological or other factors limiting their useful life are amortized over their useful lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset 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. Construction in progress has not been put into service yet and, therefore, is not depreciated. Property, plant, and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

<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

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2016

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 and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave 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 Pension Liability in the Municipal Employee Retirement System (MERS) - The net pension liability represents the Town's proportionate share of the net pension liability of the Connecticut Municipal Employees Retirement System (MERS). The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement Nos. 68 *Accounting and Financial Reporting for Pensions* and 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

1. Summary of Significant Accounting Policies (Continued)

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.

In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been completely depleted before unrestricted net position is applied.

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). However, if the use of the proceeds from amounts not in spendable form is restricted, committed, or assigned, then they are included in the appropriate fund balance classification (restricted, committed, or assigned), rather than nonspendable fund balance.
- 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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2016

1. Summary of Significant Accounting Policies (Continued)

- 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.

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 generally 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 24, 2017.

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:

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

2. Stewardship, Compliance and Accountability (Continued)

- **Teachers' Retirement** - The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut under a special funding situation in its budget. US GAAP requires that the employer government recognize payments for salaries and fringe benefits paid under a special funding situation for its employees.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures are expected.
- **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.
- **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.

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

2. Stewardship, Compliance and Accountability (Continued)

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. Additions to the Budget

During the year \$848,517 of additional appropriations were made. These increased the original budget by the same amount.

E. Fund Deficit

The following funds had deficit unassigned fund balances at June 30, 2016:

	Deficit	Expected Coverage	
		Future Revenues	Other Fund
Capital Project Funds			
School Capital Project Fund	\$ 28,658	\$ 28,658	\$ -
MHHS Septic Fund	90,565	-	90,565
MHHS/HS Renovation Fund	177,867	177,867	-

F. Application of Accounting Standards

For the year ended June 30, 2016, the Town implemented new accounting standards which resulted in additional disclosures:

- GASB Statement 72 – *Fair Value Measurement and Application* – This Statement, addresses accounting and financial reporting issues related to fair value measurements.
- GASB Statement 76 – *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments* – This statement identifies the current hierarchy of GAAP.
- Certain provisions of GASB Statement 79 – *Certain External Investment Pools and Pool Participants* for pool participants - This statement provides criteria for when an external investment pool may use amortized cost instead of Fair Value.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

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, 2016:

Statement of Net Assets	
Cash and equivalents	\$ 8,007,746
Investments	11,528,608
	<u>\$ 19,536,354</u>
Fiduciary Funds	
Cash and equivalents	\$ 589,318
Investments - Pension/OPEB Trust Funds	16,332,979
Investments - Agency Funds	94,284
	<u>17,016,581</u>
Total Cash and Investments	<u>\$ 36,552,935</u>

Cash and Cash Equivalents - As of June 30, 2016 the carrying amount of the Town's deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 20,219,956
Less Certificates of deposits (in investments)	(11,622,892)
	<u>\$ 8,597,064</u>

The bank balance of the deposits was \$20,504,458 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 2,780,651
Uninsured and uncollateralized	17,723,807
	<u>\$ 20,504,458</u>

Investments – Investments are summarized as follows at June 30, 2016

Investment reported in Governmental Funds:

	General Fund	Other Governmental Funds	Total Investments
Certificates of deposit	<u>\$ 11,302,324</u>	<u>\$ 226,284</u>	<u>\$ 11,528,608</u>

Investments reported in Fiduciary Funds:

	Student Activity	Pension/OPEB Trust Funds	Total Investments
Certificates of deposit	\$ 94,284	\$ -	\$ 94,284
Mutual funds - equity	-	9,339,012	9,339,012
Mutual funds - money market	-	84,373	84,373
Mutual funds - bonds	-	6,909,594	6,909,594
	<u>\$ 94,284</u>	<u>\$ 16,332,979</u>	<u>\$ 16,427,263</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

Below is a summary of the interest rate risk and credit risk as of June 30, 2016:

Type of Investment	Average Credit Rating	Total	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Certificates of deposit	*	\$ 11,622,892	\$ 80,240	\$ 11,542,652	\$ -
Mutual funds - equity	NA	9,339,012	9,339,012	-	-
Mutual funds - money market	NA	84,373	84,373	-	-
Mutual funds - bonds	A+	6,909,594	-	778,411	6,131,183
Total		<u>\$ 27,955,871</u>	<u>\$ 9,503,625</u>	<u>\$ 12,321,063</u>	<u>\$ 6,131,183</u>

* Subject to Federal Depository insurance and collateralization

NA Not applicable

The following are major categories of investments measured at fair value on a recurring basis, grouped by the fair value hierarchy:

Type of Investment	Investments using a Cost- Based Measure, not Subject to Fair Value	Quoted Prices in active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Certificates of deposit	\$ 11,622,892	\$ -	\$ -	\$ -	\$ 11,622,892
Mutual funds - equity	-	9,339,012	-	-	9,339,012
Mutual funds - money market	-	84,373	-	-	84,373
Mutual funds - bonds	-	6,909,594	-	-	6,909,594
Total	<u>\$ 11,622,892</u>	<u>\$ 16,332,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,955,871</u>

B. Receivables, Deferred Revenue and Unearned Revenue

Receivables - Of the intergovernmental receivables, \$379,781 in reimbursements for education bonds from the State is a long-term receivable and not expected to be collected within one year. In addition, the loans receivable of \$1,310,379 are not expected to be collected within one year.

Deferred Inflows of Revenue – Governmental funds report deferred inflows of revenue on the modified accrual basis (Exhibit 3) in connection with certain receivables that are not available within 60 days to liquidate liabilities of the current period. They also report property taxes collected in advance as deferred inflows of revenue. The following amounts of receivables were reported as *deferred inflows of revenue* instead of revenue:

	General Fund	Capital Non Recurring Fund	Other Governmental Funds
Property taxes - unavailable	\$ 551,211	\$ -	\$ -
Property taxes - collected in advance	2,946,472	-	-
Grant revenue	381,220	77,000	741,435
Other	130,620	-	-
	<u>\$ 4,009,523</u>	<u>\$ 77,000</u>	<u>\$ 741,435</u>

Unearned Revenue – Both Government-Wide Activities and Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Advances on grants of \$50,101 were reported as *unearned revenue* at June 30, 2016.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

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, 2016 these were summarized as follows:

Receivable fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 355,289
Capital Non Recurring Fund	General Fund	442,585
Other Governmental Funds	Capital Non Recurring Fund	464,997
Other Governmental Funds	General Fund	513,261
Other Governmental Funds	Other Governmental Funds	46,086
Internal Service Fund	General Fund	2,691,786
		<u>\$ 4,514,004</u>

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2016 were as follows:

	Transfers into:		
	Capital Nonrecurring Fund	Other Governmental Funds	Total
Transfers out of:			
General Fund	\$ 876,832	\$ 237,061	\$ 1,113,893
Capital Non Recurring Fund	-	465,432	465,432
Other governmental funds	319,000	89,328	408,328
	<u>\$ 1,195,832</u>	<u>\$ 791,821</u>	<u>\$ 1,987,653</u>

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	\$ 6,481,576	\$ -	\$ -	\$ 6,481,576
Construction in progress	1,914,156	583,513	(1,250,858)	1,246,811
	<u>8,395,732</u>	<u>583,513</u>	<u>(1,250,858)</u>	<u>7,728,387</u>
Capital assets being depreciated				
Land improvements	12,577,005	490,664	-	13,067,669
Buildings and systems	74,402,528	1,705,126	-	76,107,654
Machinery and equipment	9,195,040	92,523	(58,225)	9,229,338
Software	171,095	8,631	-	179,726
Infrastructure	44,134,600	233,864	-	44,368,464
	<u>140,480,268</u>	<u>2,530,808</u>	<u>(58,225)</u>	<u>142,952,851</u>
Less accumulated depreciation	(51,346,153)	(3,109,318)	49,433	(54,406,038)
Capital assets being depreciated, net	<u>89,134,115</u>	<u>(578,510)</u>	<u>(8,792)</u>	<u>88,546,813</u>
	<u>\$ 97,529,847</u>	<u>\$ 5,003</u>	<u>\$ (1,259,650)</u>	<u>\$ 96,275,200</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

3. Detailed Notes on All Funds (Continued)

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

General Government	\$ 54,796
Public Safety	442,318
Public Works	666,134
Health and Welfare	182,388
Culture and Recreation	3,534
Education	1,760,148
	<u>\$ 3,109,318</u>

E. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 25,070,000	\$ 8,720,000	\$ (11,045,000)	\$ 22,745,000	\$ 1,990,000
Premiums on bonds	-	874,955	-	874,955	10,330
Compensated absences	371,371	112,429	(25,125)	458,675	22,934
Net pension obligation	791,344	1,942,834	(1,073,506)	1,660,672	-
OPEB obligations	805,555	576,215	(571,386)	810,384	-
	<u>\$ 27,038,270</u>	<u>\$ 12,226,433</u>	<u>\$ (12,715,017)</u>	<u>\$ 26,549,686</u>	<u>\$ 2,023,264</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, 2016 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	\$ 157,500
Refunding General Purpose	1999	3,990,000	2019	3.4 / 4.95	142,500
School Bonds	1999	5,095,000	2019	4.25 / 6.25	1,060,000
School Bonds	2011	12,000,000	2030	2.0 / 4.0	3,343,000
General Purpose	2010	2,075,000	2030	2.0 / 4.0	562,000
School Bonds	2010	12,000,000	2030	2.25 / 4.12	7,330,000
Refunding School Bonds	2015	1,701,000	2021	4.0 / 4.125	1,260,000
Refunding General Purpose	2015	229,000	2021	4.0 / 4.125	170,000
Refunding School Bonds	2016	7,857,000	2029	2.0 / 4.0	7,857,000
Refunding General Purpose	2016	863,000	2019	2.0 / 4.0	863,000
					<u>\$ 22,745,000</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

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
2017	\$ 1,990,000	\$ 778,246	2025	\$ 1,425,000	\$ 295,663
2018	1,945,000	738,651	2026	1,435,000	238,463
2019	1,940,000	658,173	2027	1,435,000	185,725
2020	1,840,000	577,166	2028	1,425,000	140,313
2021	1,575,000	503,811	2029	1,415,000	94,363
2022	1,395,000	438,163	2030	1,405,000	48,713
2023	1,430,000	387,713	2031	670,000	13,819
2024	1,420,000	346,709		<u>\$ 22,745,000</u>	<u>\$ 5,445,691</u>

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2016 totaled \$879,611.

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.

Advance Refunding

During the year, the Town issued serial bonds to advance refund existing serial bonds. The net proceeds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for certain future debt service payments on the bonds. As a result, the 2010 serial bonds are considered partially defeased and the liability for those serial bonds has been removed from the Statement of Net Position.

	New Debt Refunding	Old Debt School/General
Purpose		
Range of Interest Rates	2.0% to 4.0%	2.0% to 4.12%
Face Value of Debt	\$ 8,720,000	\$ 8,990,000
Net Original Issue Premium, Amortizing (1)	874,955	NA
Miscellaneous Receipt	(2,517)	NA
Underwriting Fees	(126,700)	NA
Net Proceeds	9,465,738	NA
Deferred Charge on Refunding, Amortizing (2)		475,736
Deposit to Escrow Deposit Fund		<u>\$ 9,465,736</u>
Savings on Refunding		
Reduction in Debt Service Payments	\$ 811,644	
Net Present Value of Economic Gain	\$ 773,805	

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

3. Detailed Notes on All Funds (Continued)

- (1) This premium will be amortized over the term of the bond payments and is included in the Non-current Liabilities on the Statement of Net Position (Exhibit 1).
- (2) The deferred charge on refunding is being amortized over the term of the bond payments on the Statement of Net Position (Exhibit 1).

Prior Year Defeasance of Debt

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2016, \$9,915,000 of bonds outstanding are considered defeased.

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	\$ 45,050,139
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	95,300
Debt limitation base	<u>\$ 45,145,439</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$101,577,238	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	203,154,476	-	-	-
3 3/4 times base	-	-	169,295,396	-	-
3 1/4 times base	-	-	-	146,722,677	-
3 times base	-	-	-	-	135,436,317
Total debt limitation	<u>101,577,238</u>	<u>203,154,476</u>	<u>169,295,396</u>	<u>146,722,677</u>	<u>135,436,317</u>
Indebtedness					
Bonds payable	<u>1,737,500</u>	<u>21,007,500</u>	-	-	-
Debt limitation in excess of debt outstanding and authorized	<u>\$ 99,839,738</u>	<u>\$ 182,146,976</u>	<u>\$ 169,295,396</u>	<u>\$ 146,722,677</u>	<u>\$ 135,436,317</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$316,018,073</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 \$482 of trust fund principal.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

3. Detailed Notes on All Funds (Continued)

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	\$ 1,833,244
Education	116,072
Public Safety	5,706
Culture and Recreation	21,373
	<u>\$ 1,976,395</u>

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

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
	<u> </u>	<u> </u>	<u> </u>
Nonspendable			
Not in spendable form			
Prepaid expenditures	\$ 15,268	\$ -	\$ -
Inventories	-	-	27,534
Required to be maintained			
Trust principal	-	-	482
	<u>\$ 15,268</u>	<u>\$ -</u>	<u>\$ 28,016</u>
Restricted			
General Government	\$ -	\$ 48,762	\$ 1,778,372
Education	-	-	78,989
Public Safety	-	-	5,706
Culture and Recreation	-	-	21,373
	<u>\$ -</u>	<u>\$ 48,762</u>	<u>\$ 1,884,440</u>
Committed			
General Government	\$ -	\$ -	\$ 31,618
Public Works	-	-	94,778
Culture and Recreation	-	-	24,032
Capital Projects	-	1,428,027	958,912
	<u>\$ -</u>	<u>\$ 1,428,027</u>	<u>\$ 1,109,340</u>
Assigned			
General Government	\$ 575,782	\$ -	\$ -
Education	311,359	-	58,043
Public Safety	-	-	15,363
Capital Projects	-	1,193,603	-
To balance next year's budget	-	-	-
	<u>\$ 887,141</u>	<u>\$ 1,193,603</u>	<u>\$ 73,406</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans

A. 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. 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 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. The Town recognized pension expense of \$827,826.

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. The Board of Education recognized pension expense of \$604,340.

As of the date of the latest actuarial valuation, membership consisted of the following:

	Town	Board of Education
Retirees and beneficiaries receiving benefits	20	15
Terminated employees entitled to benefits, but not yet receiving them	25	48
Active members	43	115
	<u>88</u>	<u>178</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%	2.69%
Broad US Equities	Wilshire 5000 / Russell 3000	35.00%	5.40%
Developed Foreign Equities	MSCI EAFE NR	25.00%	6.04%

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the changing amounts actually invested during the period and weighs 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. The money-weighted rate of return is calculated net of investment expense as:

Net money-weighted return for the year ended June 30, 2016	
Town	-0.69%
Board of Education	0.62%

Net Pension Liability

The components of the net pension liability of the Town as of June 30, 2016 were as follows:

	Town	Board of Education
Pension liability	\$ 8,284,809	\$ 7,119,330
Plan fiduciary net position	7,076,007	7,031,805
Net pension liability	<u>\$ 1,208,802</u>	<u>\$ 87,525</u>
Plan fiduciary net position as a percentage of total pension liability	85%	99%

Changes in the net pension liability during the year were as follows:

	Board of Town	Education
Total Pension Liability		
Service cost	\$ 231,435	\$ 253,449
Interest on total pension liability	529,748	428,185
Effect of economic/demographic gains (losses)	(9,127)	(106,835)
Benefit payments	(186,010)	(102,250)
Net change in total pension liability	566,046	472,549
Total pension liability, beginning	7,718,763	6,646,781
Total pension liability, ending	<u>\$ 8,284,809</u>	<u>\$ 7,119,330</u>
Fiduciary Net Position		
Employer contributions	\$ 302,287	\$ 294,000
Investment income net of investment expenses	(49,451)	42,982
Benefit payments	(186,010)	(102,250)
Administrative expenses	(26,319)	(29,541)
Net change in plan fiduciary net position	40,507	205,191
Fiduciary net position, beginning	7,035,500	6,826,614
Fiduciary net position, ending	<u>\$ 7,076,007</u>	<u>\$ 7,031,805</u>
Change in net pension liability	\$ 525,539	\$ 267,358
Net pension liability, beginning	683,263	(179,833)
Net pension liability, ending	<u>\$ 1,208,802</u>	<u>\$ 87,525</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (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	\$ 2,362,749	\$ 1,208,802	\$ 229,482
Net Pension Liability - Board of Education	\$ 1,118,015	\$ 87,525	\$ (595,995)

Other amounts reported at deferred inflows of resources will be recognized in pension expense by the State as follows:

	Town	Board of Education
2017	\$ 174,555	\$ 141,826
2018	174,555	141,826
2019	169,291	141,828
2019	104,429	67,613
	<u>\$ 622,830</u>	<u>\$ 493,093</u>

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, 2016 (measurement date):

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 07/01/14	22 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

4. Pension and Other Post Retirement Plans (Continued)

B. Teacher's Retirement System

Plan Description - Teachers and certain other certified personnel in the Town are eligible to participate in the Connecticut State Teachers' Retirement System, a cost-sharing multiple employer public employee retirement system ("PERS") described in the Connecticut General Statutes, Chapter 167a. The TRS has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. The Teachers' Retirement System is administered by the Teachers' Retirement Board.

Plan Membership – All teachers, principals, superintendents or supervisors engaged in service of public schools are eligible for participation.

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. 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 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. A minimum monthly benefit of \$1,200 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

A member is eligible to receive an early retirement benefit who (1) has attained any age and has accumulated twenty-five years of credited service, at least twenty years of which are service in the public schools of Connecticut or (2) has reached the age of fifty-five and has accumulated twenty years of credited service, at least fifteen years of which are service in the public schools of Connecticut.

The early retirement benefit is reduced six percent per year for the first five years preceding normal retirement age and four percent per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reductions for individuals with 30 or more years of service is three percent per year by which retirement precedes normal retirement date.

Benefits are fully vested after ten years of service. Benefits are payable at age sixty and early retirement reductions are based on the number of years of service the member would have had if they had continued to work until age sixty.

Funding Policy – In accordance with the Connecticut General Statutes, Section 10-183z, contribution requirements of active employees and the State of Connecticut is amended and certified by the Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

The Town is not required to make contributions to the plan. The statutes require the State of Connecticut to make contributions on-behalf of the Town in an actuarially determined amount. The total amount contributed from the State, on behalf of the Town, for the fiscal year ended June 30, 2016 was \$4,218,107.

Members are required to contribute six percent of their annual salary for the pension benefit.

The Town's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2016 financial statements (Reporting Date):

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	3.00%
Salary increases	3.75-7.00%, including inflation
Investment rate of return	8.50%, net of investment related expense, including inflation
Discount rate	8.50%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.00% to 6.00%
Post-retirement mortality	RP-2000 Combined Mortality Table projected 19 years

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

Target Asset Allocation and Rates of Return – The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return are developed for each major asset class. The table on the next page shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Mutual Equity	25.00%	7.30%
Developed Markets ISF	20.00%	7.50%
Emerging Markets ISF	9.00%	8.60%
Core Fixed Income	13.00%	1.70%
Emerging Market Debt	4.00%	4.80%
High Yield	2.00%	3.70%
Inflation Linked Bonds	6.00%	1.30%
Liquidity Fund	6.00%	0.70%
Real Estate	5.00%	5.90%
Private Investment	10.00%	10.90%

Town's Proportionate Share of the Collective Net Pension Liability

Town of New Fairfield's Net Pension Liability	\$ -
State of Connecticut's Net Pension Liability for the Town of New Fairfield	52,643,952
Net Pension Liability	<u>\$ 52,643,952</u>

Portion of the State of Connecticut's Net Pension Liability which is related to the Town of New Fairfield employees 0.479801%

Deferred outflows of resources	
Net difference projected and actual earnings on investments	\$ 378,491
Pension expense	\$ 4,218,107
Proportion Basis	Employee contributions

Other amounts reported at deferred inflows of resources will be recognized in pension expense by the State as follows:

2016	\$ (162,273)
2017	(162,273)
2018	(162,273)
2019	865,312
	<u>\$ 378,491</u>

Sensitivity Analysis – Although this is paid by the State of Connecticut and not a liability of the Town, the following presents the net pension liability of the Town's proportionate share of the plan (paid by the State), calculated using the current discount rate, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

	1% Decrease 7.50%	Current Discount Rate 8.50%	1% Increase 9.50%
Net Pension Liability (Asset)	<u>\$ 66,388,313</u>	<u>\$ 52,643,952</u>	<u>\$ 40,961,173</u>

Support Provided by Nonemployer Contributing Entity (State) – The Town has recognized \$4,218,107 as revenue in support provided by the State of Connecticut’s contributions to the plan on behalf of the Town’s employees.

Obtaining a Report of the Plan – Teachers’ Retirement System 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. The reports include information on the plan’s assets, deferred outflows of resource, liabilities, deferred inflows of resources, and fiduciary net position. The stand-alone financial report may be obtained through the Teachers’ Retirement Board at www.ct.gov/trb.

C. Connecticut Municipal Employee’s Retirement System

Plan Description – The Town participates in the Municipal Employees’ Retirement System (“MERS”). This 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 local government authorities. The plan was established in 1947 and is governed by Connecticut General Statutes Title 7, Chapter 113.

Plan Membership – 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.

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:

- If not covered by Social Security: 2% of the average of earnings for the three highest paid years of service.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

- If covered by Social Security: 1.5% 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.

Funding Policy – Covered employees are required by State Statute to contribute 2.25% 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 by State Statute to contribute the amounts necessary to finance the remaining costs of the plan. The annual contribution consists of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the MERS not met by member contributions.

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, 2016 were:

General employees	
With social security	11.56%
Without social security	11.13%
Police and fire	
With social security	17.06%
Without social security	15.12%

The total amount contributed for the fiscal year ended June 30, 2016 was \$89,597.

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. The reports include information on the plan's assets, deferred outflows of resource, liabilities, deferred inflows of resources, and fiduciary net position. More information can be obtained by contacting the Municipal Employees' Retirement System – Fund B, Office of the State Comptroller or on their website (<http://www.osc.ct.gov/rbsd/cmers/plandoc/index.html>).

The Town of New Fairfield, Connecticut's proportionate share has been determined on the same basis as that used by the plan as has the basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments.

Actuarial Methods and Significant Assumptions – The following assumptions were used in the pension valuations, prepared as of June 30, 2014 (the Valuation Date and Measurement Date) for use in the June 30, 2016 financial statements (Reporting Date):

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

Actuarial cost method	Entry Age Normal Cost method
Experience study dates	July 1, 2007 - June 30, 2012
Asset valuation method	Market value
Inflation	3.25%
Salary increases	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation using a long-normal distribution analysis of best-estimate ranges using a weighted average for each asset class and applied to all
Discount rate	8.00%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at the actuarially determined rates in future years.
Cost of living adjustment	Annually compounded increases vary based on member age and date of retirement and range from 2.50% to 6% maximum.
Post-retirement mortality	The RP2000 Mortality Table for Annuitant and non-Annuitants

There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

Target Asset Allocation and Rates of Return – The table below shows the target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are to be provided by the Fiduciary of the Plan:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap U.S. equities	16%	5.80%
Developed non-U.S. equities	14%	6.60%
Emerging markets (non-U.S.)	7%	8.30%
Core fixed income	8%	1.30%
Inflation linked bond fund	5%	1.00%
Emerging market bond	8%	3.70%
High yield bonds	14%	3.90%
Real estate	7%	5.10%
Private equity	10%	7.60%
Alternative investments	8%	4.10%
Liquidity fund	3%	0.40%

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

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability (Asset)	<u>\$ 681,887</u>	<u>\$ 364,345</u>	<u>\$ 99,743</u>

Town of New Fairfield, Connecticut's Proportionate Share

Net Pension Liability	\$ 364,345
Net Pension Liability percentage of the total	0.189036%
Deferred outflows of resources	
Contributions subsequent to the Measurement Date	\$ 434,237
Net difference projected and actual earnings on investments	\$ 27,535
Pension expense	\$ 76,426
Proportion Basis	Reported Payroll
Change in proportion since prior measurement date	None

The contributions subsequent to the measurement date, shown as a deferred inflow of resources, will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported at deferred inflows of resources will be recognized in pension expense as follows:

2016	\$ 1,737
2017	1,737
2018	1,737
2019	22,324
	<u>\$ 27,535</u>

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

From an accrual accounting perspective, the cost of post-employment health care benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. The Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the Town's future cash flows. The liability accumulated from the years prior to adopting this accounting procedure will be phased in over 30 years.

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
 June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

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 for Board of Education employees. The Board of Education retirees pay 100% of the premiums in accordance with the Connecticut General Statutes and the various collective bargaining agreements. The Town pays 75% of the medical premiums for Police retirees. Police retirees pay the remaining 25%.

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

Amortization Component:	
Actuarial Accrued Liability as of July 1, 2013	\$ 6,818,066
Assets at Market Value	<u>1,178,014</u>
Unfunded Actuarial Accrued Liability ("UAAL")	<u>\$ 5,640,052</u>
Funded Ratio	<u>17.28%</u>
Covered Payroll (Active plan members)	<u>\$16,805,190</u>
UAAL as a Percentage of Covered Payroll	<u>33.56%</u>
Annual required contribution (ARC)	\$ 571,103
Interest on net OPEB obligation (NOO)	56,389
Adjustment to annual required contribution	<u>(51,277)</u>
Annual OPEB cost (AOC)	576,215
Contributions made	<u>(571,386)</u>
Increase in net OPEB obligation	4,829
Net OPEB obligation - beginning of year	<u>805,555</u>
Net OPEB obligation - end of year	<u>\$ 810,384</u>

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, 2016	\$ 576,215	\$ 571,386	99.2%	\$ 810,384
June 30, 2015	552,962	577,602	104.5%	805,555
June 30, 2014	625,905	741,000	118.4%	830,195

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2016

4. Pension and Other Post Retirement Plans (Continued)

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 for Board of Education retirees and an Individual Medical Insurance Premium Account has been established to pay for the Police retirees.

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	30 years, decreasing
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, 2016

4. Pension and Other Post Retirement Plans (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, 2013, the actuarial valuation of the plan assets was \$1,178,014. The actuarial accrued liability was \$6,818,066. 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 but the plan has been partially funded.

5. 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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

5. Risk Management (Continued)

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
2014	\$ 455,000	\$ 5,831,501	\$ (5,828,501)	\$ 458,000
2015	458,000	5,719,697	(5,762,697)	415,000
2016	415,000	5,454,856	(5,456,856)	413,000

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, 2016, 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.

6. Contingencies

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

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

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2016

6. Contingencies (Continued)

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 two million dollars or over, the contingency will be amortized over twenty years. For smaller projects, the contingency will be amortized over ten years.

Investment Securities – The Town invests in various securities. 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.

7. Other Information

Motor Vehicle Tax Cap – Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management (“OPM”) capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2017 will be 37 mills. The rate cap in fiscal year 2018 and thereafter will be 32 mills.

Municipal Spending Cap – Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5% above the previous year, or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and grants distributed to a special taxing district under certain circumstances. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap receive a reduced municipal revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spend over the cap. However, OPM may not reduce a municipality’s grant in any year which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate). The total municipal revenue sharing grant for the Town for the year ending June 30, 2018, before any reductions, is \$288,278. This amount is subject to change based on changes in the State of Connecticut’s budget.

Minimum Budget Requirement – The State of Connecticut has established a Minimum Budget Requirement (“MBR”) for education expenditures. The MBR prohibits a town from budgeting less for education than it did in the previous year unless, and with limits, the town can demonstrate (1) a decrease in school enrollment or (2) savings through increased efficiencies. If the Town receives an increase or decrease in their Education Cost Sharing grant, the MBR will increase or decrease by the same amount.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2016

8. GASB Pronouncements Issued, But Not Yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following is a statement which has been approved by GASB but is not yet effective:

- GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB 68* – This Statement establishes requirements for defined benefit and contribution pensions that are not within the scope of Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. This is effective for fiscal years beginning after June 15, 2016. Management does not expect this to have any financial impact on the Town.
- GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pensions* – This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with Other Post-Employment Benefits (OPEB), as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This is effective for fiscal years beginning after June 15, 2016. Management is currently assessing the impact of this standard on the Town.
- GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits (OPEB) Other than Pensions* – This Statement establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) and applies to all governments whose employees are provided with OPEB. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. Management is currently assessing the impact of this standard on the Town.
- GASB Statement No. 77 – *Tax Abatement Disclosures* – This Statement requires governments to disclose information about their tax abatements and agreements and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the Town.
- GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* – This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided through certain cost-sharing multiple-employer defined benefit plan and is effective for periods beginning after December 15, 2015. Management does not expect this to have any financial impact on the Town.
- GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* – This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost and is effective for periods beginning after December 15, 2015 for certain provisions applicable to the external investment pool. Certain provision, applicable to pool participants, have been adopted. Management does not expect this to have any financial impact on the Town.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2016

8. GASB Pronouncements Issued, But Not Yet Effective (Continued)

- GASB Statement No. 80 – *Blending Requirements for Certain Component Units* – This Statement amends the blending requirements of Statement 14 to require the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member and is effective for periods beginning after June 15, 2016. Management does not expect this to have any financial impact on the Town.
- GASB Statement No. 81 – *Irrevocable Split-Interest Agreements* – This Statement provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement and is effective for periods beginning after December 15, 2016. Management does not expect this to have any financial impact on the Town.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Taxation Effort					
Property taxes	\$44,381,739	\$ -	\$44,381,739	\$44,444,871	\$ 63,132
Supplemental motor vehicle taxes	320,000	-	320,000	423,591	103,591
Interest and lien fees	170,500	-	170,500	181,677	11,177
	<u>44,872,239</u>	<u>-</u>	<u>44,872,239</u>	<u>45,050,139</u>	<u>177,900</u>
Intergovernmental Revenue					
Town aid	276,563	-	276,563	276,641	78
Aid to elderly relief	90,000	-	90,000	95,300	5,300
Judicial	1,000	-	1,000	1,875	875
PILOT - State owned property	19,440	-	19,440	-	(19,440)
Veterans exemption	16,000	-	16,000	19,305	3,305
Public library	1,158	-	1,158	1,087	(71)
Local capital improvement program	80,517	-	80,517	160,834	80,317
Mashantucket Pequot grant	26,490	-	26,490	31,812	5,322
School construction grant	33,069	-	33,069	33,069	-
Education cost sharing	4,461,074	-	4,461,074	4,443,268	(17,806)
Transportation	51,952	-	51,952	48,625	(3,327)
Special education	225,931	-	225,931	246,591	20,660
Municipal aid funding	1,149	-	1,149	1,149	-
	<u>5,284,343</u>	<u>-</u>	<u>5,284,343</u>	<u>5,359,556</u>	<u>75,213</u>
Licenses and Permits					
Health	35,000	-	35,000	30,650	(4,350)
Zoning board of appeals	6,000	-	6,000	6,364	364
Zoning	23,500	-	23,500	30,446	6,946
Building	175,000	-	175,000	157,955	(17,045)
Inland wetlands	8,500	-	8,500	8,070	(430)
Public work fees	300	-	300	1,500	1,200
Environmental enforcement	7,500	-	7,500	5,104	(2,396)
Other licenses and permits	5,000	-	5,000	18,395	13,395
	<u>260,800</u>	<u>-</u>	<u>260,800</u>	<u>258,484</u>	<u>(2,316)</u>
Local Revenues					
Town ordinance fines	500	-	500	-	(500)
Interest income	200,000	-	200,000	185,908	(14,092)
Real estate conveyance	175,000	-	175,000	228,974	53,974
Town clerk receipts	100,000	-	100,000	103,581	3,581
Police private duty	20,000	-	20,000	5,689	(14,311)
EMS/ Paramedic billings	216,560	-	216,560	268,965	52,405
Student tuition	741,692	-	741,692	578,222	(163,470)
Telephone line access	25,000	-	25,000	24,449	(551)
Senior center recreation fees	28,000	-	28,000	29,663	1,663
Other local revenue	15,000	-	15,000	58,808	43,808
Sale of equipment	-	-	-	300	300
	<u>1,521,752</u>	<u>-</u>	<u>1,521,752</u>	<u>1,484,559</u>	<u>(37,193)</u>
Total Revenues	<u>\$51,939,134</u>	<u>\$ -</u>	<u>\$51,939,134</u>	<u>\$52,152,738</u>	<u>\$ 213,604</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES					
General Government					
Board of selectman	\$ 168,058	\$ -	\$ 168,058	\$ 164,639	\$ 3,419
Town clerk	152,117	-	152,117	150,889	1,228
Probate	2,702	-	2,702	2,702	-
Registrars of voters	58,517	-	58,517	56,404	2,113
Finance	239,038	(10)	239,028	236,521	2,507
Board of finance	94,323	-	94,323	55,845	38,478
Treasurer	12,580	-	12,580	12,380	200
Assessor	160,219	-	160,219	160,055	164
Tax collector	178,839	-	178,839	177,990	849
Board of assessment appeal	1,073	-	1,073	518	555
Unclassified payroll & benefits	1,007,234	(20,000)	987,234	956,002	31,232
Professional services	102,500	10,001	112,501	93,288	19,213
Intergovernmental agencies	275,035	-	275,035	268,699	6,336
General insurance	175,000	(9,000)	166,000	159,316	6,684
Business machines	265,418	-	265,418	240,859	24,559
Human resources	30,000	-	30,000	26,795	3,205
Planning commission	4,290	-	4,290	1,187	3,103
Zoning commission	67,242	-	67,242	57,456	9,786
Zoning board of appeals	8,987	-	8,987	7,952	1,035
Utilities	406,532	-	406,532	317,595	88,937
Permanent building committee	2,305	-	2,305	773	1,532
General land use	9,998	-	9,998	4,780	5,218
Historical properties commission	250	-	250	-	250
Total general government	<u>3,422,257</u>	<u>(19,009)</u>	<u>3,403,248</u>	<u>3,152,645</u>	<u>250,603</u>
Public Safety and Protection					
Police	1,557,313	276,454	1,833,767	1,715,517	118,250
Communications center	248,942	-	248,942	244,750	4,192
Fire companies	751,774	1	751,775	746,503	5,272
Fire marshal	23,156	-	23,156	22,456	700
Building inspector	127,827	-	127,827	124,262	3,565
Office of emergency management	16,024	-	16,024	14,610	1,414
Total public safety and protection	<u>2,725,036</u>	<u>276,455</u>	<u>3,001,491</u>	<u>2,868,098</u>	<u>133,393</u>
Public Works					
Highway	<u>2,124,710</u>	<u>59,000</u>	<u>2,183,710</u>	<u>2,153,180</u>	<u>30,530</u>
Health and Welfare					
Health department	252,864	-	252,864	251,179	1,685
Inland/wetlands	5,963	-	5,963	4,405	1,558
WPCA	1,438	-	1,438	649	789
Social services	66,398	-	66,398	63,676	2,722
Senior services	157,650	-	157,650	153,525	4,125
Ball pond advisory committee	7,954	-	7,954	7,588	366
Commission on aging	3,562	-	3,562	3,177	385
Total health and welfare	<u>495,829</u>	<u>-</u>	<u>495,829</u>	<u>484,199</u>	<u>11,630</u>
Recreation					
Recreation salaries	54,997	-	54,997	54,601	396
Library	508,439	-	508,439	487,596	20,843
Total recreation	<u>563,436</u>	<u>-</u>	<u>563,436</u>	<u>542,197</u>	<u>21,239</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Debt Service					
Town	\$ 160,000	\$ -	\$ 160,000	\$ 159,999	\$ 1
School	<u>2,727,602</u>	<u>10</u>	<u>2,727,612</u>	<u>2,727,612</u>	<u>-</u>
Total debt service	<u>2,887,602</u>	<u>10</u>	<u>2,887,612</u>	<u>2,887,611</u>	<u>1</u>
Board of Education	<u>32,764,145</u>	<u>-</u>	<u>32,764,145</u>	<u>32,537,627</u>	<u>226,518</u>
Capital Nonrecurring	<u>462,832</u>	<u>532,061</u>	<u>994,893</u>	<u>994,893</u>	<u>-</u>
Health Insurance	<u>6,493,287</u>	<u>-</u>	<u>6,493,287</u>	<u>6,493,287</u>	<u>-</u>
Total Expenditures	<u>51,939,134</u>	<u>848,517</u>	<u>52,787,651</u>	<u>52,113,737</u>	<u>673,914</u>
Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ (848,517)</u>	<u>\$ (848,517)</u>	<u>\$ 39,001</u>	<u>\$ 887,518</u>
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Net Income from General Funds Not Included in the Budget					
Recreation				48,828	
Drop off center				(64,330)	
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Connecticut for the teachers' retirement				4,218,107	
Expenditures for the teachers' retirement				(4,218,107)	
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				382,433	
Previous year encumbrance recorded on modified accrual basis, but not the budget basis				(530,973)	
Other Financing Sources - Difference in Treatment of General Obligation Bond Refunding:					
Proceeds from Long Term Debt - General Obligation Bond				8,720,000	
Bond premium				874,955	
Offset cash receipt shown in miscellaneous revenue				(2,519)	
Costs of bond transaction				(126,700)	
Debt Service Expenditure - General Obligation Bond				<u>(9,465,736)</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ (125,041)</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.

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>2016</u>	<u>2015</u>	<u>2014</u>
Town of New Fairfield Employee Retirement Plan			
Total Pension Liability			
Service cost	\$ 231,435	\$ 189,330	\$ 222,223
Interest on total pension liability	529,748	494,432	458,703
Effect of economic/demographic gains (losses)	(9,127)	23,999	6,101
Benefit payments	<u>(186,010)</u>	<u>(168,423)</u>	<u>(159,368)</u>
Net change in total pension liability	566,046	539,338	527,659
Total pension liability, beginning	<u>7,718,763</u>	<u>7,179,425</u>	<u>6,651,766</u>
Total pension liability, ending	<u>8,284,809</u>	<u>7,718,763</u>	<u>7,179,425</u>
Fiduciary Net Position			
Employer contributions	302,287	301,000	137,000
Investment income net of investment expenses	(49,451)	134,042	912,653
Benefit payments	(186,010)	(168,423)	(159,368)
Administrative expenses	<u>(26,319)</u>	<u>(23,335)</u>	<u>(28,855)</u>
Net change in plan fiduciary net position	40,507	243,284	861,430
Fiduciary net position, beginning	<u>7,035,500</u>	<u>6,792,216</u>	<u>5,930,786</u>
Fiduciary net position, ending	<u>7,076,007</u>	<u>7,035,500</u>	<u>6,792,216</u>
Net pension liability, ending	<u>\$ 1,208,802</u>	<u>\$ 683,263</u>	<u>\$ 387,209</u>
Fiduciary net position as a % of total pension liability	85.41%	91.15%	94.61%
Covered payroll	\$2,272,414	\$2,565,373	\$2,445,222
Net pension liability as a % of covered payroll	53.19%	26.63%	15.84%

See Independent Auditors' Report

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 302,287	\$ 301,363	\$ 279,785	\$ 262,094	\$ 262,019	\$ 254,490	\$ 295,689	\$ 265,845	\$ 261,064	\$ 261,827
Contributions in relation to the actuarially determined contribution	\$ 302,287	\$ 301,000	\$ 137,000	\$ -	\$ 262,019	\$ 254,490	\$ 295,689	\$ 264,000	\$ 252,000	\$ 246,000
Contribution deficiency (excess)	\$ -	\$ 363	\$ 142,785	\$ 262,094	\$ -	\$ -	\$ -	\$ 1,845	\$ 9,064	\$ 15,827
Covered employee payroll	\$ 2,272,414	\$ 2,565,373	\$ 2,445,222	\$ 2,445,222	\$ 2,373,697	\$ 2,391,914	\$ 2,247,343	\$ 2,205,675	\$ 2,080,207	\$ 2,080,890
Contributions as a percentage of covered employee payroll	13.30%	11.73%	5.60%	0.00%	11.04%	10.64%	13.16%	11.97%	12.11%	11.82%

Notes to the Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent
Remaining amortization period	22 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 annuitant with generational projection per Scale AA.

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
2016	-0.69%
2015	1.98%
2014	15.59%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA

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>2016</u>	<u>2015</u>	<u>2014</u>
Town of New Fairfield Employee Retirement Plan			
Total Pension Liability			
Service cost	\$ 253,449	\$ 254,108	\$ 248,397
Interest on total pension liability	428,185	393,187	357,339
Effect of plan changes	-	15,637	-
Effect of economic/demographic gains (losses)	(106,835)	142,004	(130,516)
Benefit payments	<u>(102,250)</u>	<u>(73,678)</u>	<u>(56,583)</u>
Net change in total pension liability	472,549	731,258	418,637
Total pension liability, beginning	<u>6,646,781</u>	<u>5,915,523</u>	<u>5,496,886</u>
Total pension liability, ending	<u>7,119,330</u>	<u>6,646,781</u>	<u>5,915,523</u>
Fiduciary Net Position			
Employer contributions	294,000	320,000	320,280
Investment income net of investment expenses	42,982	116,004	731,838
Benefit payments	(102,250)	(73,678)	(56,583)
Administrative expenses	<u>(29,541)</u>	<u>(23,274)</u>	<u>(30,885)</u>
Net change in plan fiduciary net position	205,191	339,052	964,650
Fiduciary net position, beginning	<u>6,826,614</u>	<u>6,487,562</u>	<u>5,522,912</u>
Fiduciary net position, ending	<u>7,031,805</u>	<u>6,826,614</u>	<u>6,487,562</u>
Net pension liability (asset), ending	<u>\$ 87,525</u>	<u>\$ (179,833)</u>	<u>\$ (572,039)</u>
Fiduciary net position as a % of total pension liability	98.77%	102.71%	109.67%
Covered payroll	\$3,402,645	\$3,501,799	\$3,548,459
Net pension liability as a % of covered payroll	2.57%	-5.14%	-16.12%

See Independent Auditors' Report

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 293,885	\$ 289,476	\$ 317,946	\$ 299,243	\$ 400,267	\$ 356,906	\$ 331,207	\$ 248,264	\$ 230,184	\$ 219,111
Contributions in relation to the actuarially determined contribution	\$ 294,000	\$ 320,000	\$ 320,280	\$ 400,267	\$ 356,906	\$ 336,872	\$ 248,315	\$ 239,080	\$ 230,184	\$ 330,100
Contribution deficiency (excess)	\$ (115)	\$ (30,524)	\$ (2,334)	\$ (101,024)	\$ 43,361	\$ 20,034	\$ 82,892	\$ 9,184	\$ -	\$ (110,989)
Covered employee payroll	\$ 3,402,645	\$ 3,501,799	\$ 3,548,459	\$ 3,548,459	\$ 3,149,008	\$ 3,113,899	\$ 2,747,818	\$ 2,319,538	\$ 2,230,070	\$ 2,060,852
Contributions as a percentage of covered employee payroll	8.64%	9.14%	9.03%	11.28%	11.33%	10.82%	9.04%	10.31%	10.32%	16.02%

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	22 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.

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
2016	0.62%
2015	1.77%
2014	12.95%
2013	NA
2012	NA
2011	NA
2010	NA
2009	NA
2008	NA
2007	NA

Required Supplementary Information -
 Schedule of Funding Progress
 Other Post Employment Benefits Trust Fund
 Last Three Valuations

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
7/1/2013	\$ 1,178,014	\$ 6,818,066	\$ (5,640,052)	17.28%	\$ 16,805,190	-33.56%
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%

Note: OPEB trust was not started until the current valuation date.

Required Supplementary Information -
 Schedule of Employer Contributions
 Other Post Employment Benefits Trust Fund
 Last Six Fiscal years

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/2016	\$ 571,103	\$ 571,386	100.05%
6/30/2015	\$ 546,315	\$ 577,602	105.73%
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%

See Independent Auditors' Report

Required Supplementary Information
Connecticut Municipal Employees' Retirement System
June 30, 2016

**Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years or Since Inception of GASB 68**

	<u>2016</u>	<u>2015</u>
Employer percentage of collective net pension liability (police and fire with social security)	<u>1.190777%</u>	<u>1.190777%</u>
Town's portion net pension liability	<u>\$ 364,345</u>	<u>\$ 287,914</u>
Town's covered payroll	<u>\$ 535,550</u>	<u>\$ 477,053</u>
Town's portion net pension liability as a % of covered payroll	<u>68.03%</u>	<u>60.35%</u>
Plan Fiduciary net position as a % of total pension liability	<u>92.72%</u>	<u>90.48%</u>

**Schedule of Employer Contributions
Since Inception of GASB 68**

Town's contractually required contribution	\$ 89,597	\$ 76,426
Town's contributions in relation to the contractually required contribution	<u>89,597</u>	<u>76,426</u>
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	<u>\$ 535,550</u>	<u>\$ 477,053</u>
Town's contributions as a percentage of covered employee payroll	<u>16.73%</u>	<u>16.02%</u>

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	None
Actuarial cost method	Entry age, normal cost method
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	5 year smoothed market
Investment rate of return	8.0% net of investment expense, including inflation

See Independent Auditors' Report

Required Supplementary Information
 Connecticut Teachers Retirement System
 June 30, 2016

**Schedule of Changes in Net Pension Liability and Related Ratios
 Last 10 Fiscal Years or Since Inception of GASB 68**

	<u>2016</u>	<u>2015</u>
Town's percentage of collective net pension liability	<u>0.000000%</u>	<u>0.000000%</u>
Town's proportionate share of the collective net pension liability	<u>\$ -</u>	<u>\$ -</u>
State's proportionate share of the collective net pension liability associated with the Town	<u>\$52,643,952</u>	<u>\$48,658,784</u>
Total proportionate share of the collective net pension liability	<u>\$52,643,952</u>	<u>\$48,658,784</u>
Employer covered payroll	<u>\$19,014,981</u>	<u>\$18,387,131</u>
Employer proportionate share of the collective net pension liability as a % of covered payroll	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a % of total pension liability	<u>59.50%</u>	<u>61.51%</u>

**Schedule of Employer Contributions
 Last 10 Fiscal Years or Since Inception of GASB 68**

Contractually required Town contribution	<u>\$ -</u>	<u>\$ -</u>
------------------------------------------	-------------	-------------

The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

Notes to Schedule

Changes in benefit term	None
Changes in assumptions	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System.
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	22.4 years
Asset valuation method	4 year smoothed market
Investment rate of return	8.5% net of investment expense, including inflation

See Independent Auditors' Report

Combining Fund Financial Statements

Combining Balance Sheet
 General Fund - Sub Funds
 June 30, 2016

	General Fund	Recreation Programs	User Surcharges	Hidden Valley	Drop Off Center	Interfund Elimination	Total Consolidated General Fund
ASSETS							
Cash and equivalents	\$ 3,609,579	\$ 610,673	\$ 10,294	\$ 22,179	\$ -	\$ -	\$ 4,252,725
Investments	11,302,324	-	-	-	-	-	11,302,324
Taxes receivable, net of allowance for uncollectible amounts	589,802	-	-	-	-	-	589,802
Other receivables							
Accounts	116,040	3,990	30,021	-	736	-	150,787
Intergovernmental	379,781	-	-	-	-	-	379,781
Due from other funds	378,171	-	219,091	-	35,561	(277,534)	355,289
Prepaid expenditures	1,517	13,751	-	-	-	-	15,268
Total Assets	<u>\$ 16,377,214</u>	<u>\$ 628,414</u>	<u>\$ 259,406</u>	<u>\$ 22,179</u>	<u>\$ 36,297</u>	<u>\$ (277,534)</u>	<u>\$ 17,045,976</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 1,727,325	\$ 28,064	\$ 4,621	\$ -	\$ 8,185	\$ -	\$ 1,768,195
Accrued payroll and related	439,059	38,021	-	-	1,118	-	478,198
Due to other funds	3,694,207	226,564	-	4,395	-	(277,534)	3,647,632
Total Liabilities	<u>5,860,591</u>	<u>292,649</u>	<u>4,621</u>	<u>4,395</u>	<u>9,303</u>	<u>(277,534)</u>	<u>5,894,025</u>
Deferred inflows of resources							
Deferred revenues - collected in advance	2,946,472	130,620	-	-	-	-	3,077,092
Deferred revenues - unavailable	932,431	-	-	-	-	-	932,431
	<u>3,878,903</u>	<u>130,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,009,523</u>
Fund balances							
Nonspendable	15,268	-	-	-	-	-	15,268
Assigned	382,433	205,145	254,785	17,784	26,994	-	887,141
Unassigned	6,240,019	-	-	-	-	-	6,240,019
Total Fund Balances	<u>6,637,720</u>	<u>205,145</u>	<u>254,785</u>	<u>17,784</u>	<u>26,994</u>	<u>-</u>	<u>7,142,428</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,377,214</u>	<u>\$ 628,414</u>	<u>\$ 259,406</u>	<u>\$ 22,179</u>	<u>\$ 36,297</u>	<u>\$ (277,534)</u>	<u>\$ 17,045,976</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund - Sub Funds
 For the Year Ended June 30, 2016

	General Fund	Recreation Programs	User Surcharges	Hidden Valley	Drop Off Cener	Total Consolidated General Fund
REVENUES						
Property taxes	\$ 45,050,139	\$ -	\$ -	\$ -	\$ -	\$ 45,050,139
Intergovernmental	9,601,063	-	-	-	-	9,601,063
Interest income	185,908	-	-	-	-	185,908
Charges for services	266,404	523,519	246,913	-	106,155	1,142,991
Other revenues	<u>1,288,212</u>	<u>4,177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,292,389</u>
Total Revenues	<u>56,391,726</u>	<u>527,696</u>	<u>246,913</u>	<u>-</u>	<u>106,155</u>	<u>57,272,490</u>
EXPENDITURES						
Current						
General government	3,168,220	-	-	-	-	3,168,220
Public safety	2,872,417	-	-	-	-	2,872,417
Public works	2,125,981	-	-	-	130,485	2,256,466
Health and welfare	483,457	-	-	-	-	483,457
Culture and recreation	541,666	375,152	233,629	-	-	1,150,447
Health insurance	6,493,287	-	-	-	-	6,493,287
Education	36,936,252	-	-	-	-	36,936,252
Debt service						
Principal	2,055,000	-	-	-	-	2,055,000
Interest	832,611	-	-	-	-	832,611
Bond issuance costs	126,700	-	-	-	-	126,700
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Total Expenditures	<u>55,635,591</u>	<u>375,152</u>	<u>233,629</u>	<u>-</u>	<u>170,485</u>	<u>56,414,857</u>
Excess (Deficiency) of Revenues Over Expenditure	<u>756,135</u>	<u>152,544</u>	<u>13,284</u>	<u>-</u>	<u>(64,330)</u>	<u>857,633</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	(994,893)	(119,000)	-	-	-	(1,113,893)
Issuance of long term debt	8,720,000	-	-	-	-	8,720,000
Sale of Capital Assets	-	2,000	-	-	-	2,000
Premium on financing	874,955	-	-	-	-	874,955
Payment to refunded bond escrow agent	<u>(9,465,736)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,465,736)</u>
Total Other Financing Sources (Uses)	<u>(865,674)</u>	<u>(117,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(982,674)</u>
Net Change in Fund Balances	(109,539)	35,544	13,284	-	(64,330)	(125,041)
Fund Balances - Beginning of Year	<u>6,747,259</u>	<u>169,601</u>	<u>241,501</u>	<u>17,784</u>	<u>91,324</u>	<u>7,267,469</u>
Fund Balances - End of Year	<u>\$ 6,637,720</u>	<u>\$ 205,145</u>	<u>\$ 254,785</u>	<u>\$ 17,784</u>	<u>\$ 26,994</u>	<u>\$ 7,142,428</u>

Combining Balance Sheet
Other Governmental Funds
June 30, 2016

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sons of New Fairfield	Total Other Governmental Funds
ASSETS				
Cash and equivalents	\$ 531,464	\$ 281,070	\$ 12,150	\$ 824,684
Investments	2,013	-	224,271	226,284
Other receivables				
Accounts	23,505	115,984	-	139,489
Loans	1,310,379	-	-	1,310,379
Intergovernmental	27,077	609,664	-	636,741
Due from other funds	318,197	706,147	-	1,024,344
Inventories	27,534	-	-	27,534
Total Assets	<u>\$2,240,169</u>	<u>\$1,712,865</u>	<u>\$ 236,421</u>	<u>\$ 4,189,455</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 115,108	\$ 72,516	\$ -	\$ 187,624
Accrued payroll and related	10,808	-	-	10,808
Due to other funds	121,090	280,285	-	401,375
Unearned revenues	50,101	-	-	50,101
Total Liabilities	<u>297,107</u>	<u>352,801</u>	<u>-</u>	<u>649,908</u>
Deferred inflows of resources				
Deferred revenues - unavailable	<u>43,193</u>	<u>698,242</u>	<u>-</u>	<u>741,435</u>
Fund balances (deficits)				
Nonspendable	27,534	-	482	28,016
Restricted	1,648,501	-	235,939	1,884,440
Committed	150,428	958,912	-	1,109,340
Assigned	73,406	-	-	73,406
Unassigned	-	(297,090)	-	(297,090)
Total Fund Balances	<u>1,899,869</u>	<u>661,822</u>	<u>236,421</u>	<u>2,798,112</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,240,169</u>	<u>\$1,712,865</u>	<u>\$ 236,421</u>	<u>\$ 4,189,455</u>

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

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sons of New Fairfield	Total Other Governmental Funds
REVENUES				
Intergovernmental	\$ 1,023,135	\$ -	\$ -	\$ 1,023,135
Interest income	291	1,227	5,864	7,382
Charges for services	1,158,861	-	-	1,158,861
Other revenues	71,499	27,406	8,358	107,263
Total Revenues	<u>2,253,786</u>	<u>28,633</u>	<u>14,222</u>	<u>2,296,641</u>
EXPENDITURES				
Current				
General government	64,525	-	-	64,525
Public safety	12,218	-	-	12,218
Public works	24,217	-	-	24,217
Health and welfare	65,058	-	-	65,058
Culture and recreation	12,810	-	-	12,810
Education	1,661,589	-	-	1,661,589
Capital outlay	-	426,617	-	426,617
Total Expenditures	<u>1,840,417</u>	<u>426,617</u>	<u>-</u>	<u>2,267,034</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>413,369</u>	<u>(397,984)</u>	<u>14,222</u>	<u>29,607</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	89,328	702,493	-	791,821
Transfers out	<u>(319,000)</u>	<u>-</u>	<u>(89,328)</u>	<u>(408,328)</u>
Total Other Financing Sources (Uses)	<u>(229,672)</u>	<u>702,493</u>	<u>(89,328)</u>	<u>383,493</u>
Net Change in Fund Balances	183,697	304,509	(75,106)	413,100
Fund Balances - Beginning of Year	<u>1,716,172</u>	<u>357,313</u>	<u>311,527</u>	<u>2,385,012</u>
Fund Balances - End of Year	<u>\$ 1,899,869</u>	<u>\$ 661,822</u>	<u>\$ 236,421</u>	<u>\$ 2,798,112</u>

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2016

	School Lunch Fund	Education Grants Fund	Drug Enforcement Fund	Small Cities Fund	Dog Registration Fund	Library Fund	Social Services Fund	Scholarship Fund
ASSETS								
Cash and equivalents	\$ 82,991	\$ 81,768	\$ 17,011	\$ 177,815	\$ 27,488	\$ 24,032	\$ 17,211	\$ 3,961
Investments	-	-	-	-	-	-	-	2,013
Other receivables								
Accounts	2,478	9,665	-	-	-	-	-	-
Loans	-	-	-	1,310,379	-	-	-	-
Intergovernmental	15,893	11,184	-	-	-	-	-	-
Due from other funds	-	180,317	-	-	-	-	-	-
Inventories	27,534	-	-	-	-	-	-	-
Total Assets	<u>\$ 128,896</u>	<u>282,934</u>	<u>\$ 17,011</u>	<u>\$ 1,488,194</u>	<u>\$ 27,488</u>	<u>\$ 24,032</u>	<u>\$ 17,211</u>	<u>\$ 5,974</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 43,319	\$ 34,644	\$ -	\$ 30,660	\$ 5,955	\$ -	\$ -	\$ -
Accrued payroll and related	-	10,424	-	-	81	-	-	-
Due to other funds	-	77,667	11,305	-	6,089	-	-	-
Unearned revenues	-	50,101	-	-	-	-	-	-
Total Liabilities	<u>43,319</u>	<u>172,836</u>	<u>11,305</u>	<u>30,660</u>	<u>12,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources								
Deferred revenues - unavailable	-	37,083	-	-	-	-	-	-
Fund balances								
Nonspendable	27,534	-	-	-	-	-	-	-
Restricted	-	73,015	5,706	1,457,534	-	-	17,211	5,974
Committed	-	-	-	-	-	24,032	-	-
Assigned	58,043	-	-	-	15,363	-	-	-
Total Fund Balances	<u>85,577</u>	<u>73,015</u>	<u>5,706</u>	<u>1,457,534</u>	<u>15,363</u>	<u>24,032</u>	<u>17,211</u>	<u>5,974</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 128,896</u>	<u>\$ 282,934</u>	<u>\$ 17,011</u>	<u>\$ 1,488,194</u>	<u>\$ 27,488</u>	<u>\$ 24,032</u>	<u>\$ 17,211</u>	<u>\$ 5,974</u>

(Continued)

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2016

	Groovin' in New Fairfield Fund	Communication s 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	\$ -	\$ -	\$ -	\$ 86,435	\$ 12,752	\$ -	\$ -	\$ 531,464
Investments	-	-	-	-	-	-	-	2,013
Other receivables								
Accounts	-	-	11,362	-	-	-	-	23,505
Loans	-	-	-	-	-	-	-	1,310,379
Intergovernmental	-	-	-	-	-	-	-	27,077
Due from other funds	8,621	29,954	56,270	-	-	31,618	11,417	318,197
Inventories	-	-	-	-	-	-	-	27,534
Total Assets	<u>\$ 8,621</u>	<u>\$ 29,954</u>	<u>\$ 67,632</u>	<u>\$ 86,435</u>	<u>\$ 12,752</u>	<u>\$ 31,618</u>	<u>\$ 11,417</u>	<u>\$ 2,240,169</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ -	\$ 530	\$ -	\$ -	\$ -	\$ 115,108
Accrued payroll and related	-	-	303	-	-	-	-	10,808
Due to other funds	-	-	4,948	21,081	-	-	-	121,090
Unearned revenues	-	-	-	-	-	-	-	50,101
Total Liabilities	<u>-</u>	<u>-</u>	<u>5,251</u>	<u>21,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,107</u>
Deferred inflows of resources								
Deferred revenues - unavailable	<u>-</u>	<u>-</u>	<u>6,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,193</u>
Fund balances								
Nonspendable	-	-	-	-	-	-	-	27,534
Restricted	8,621	-	56,271	-	12,752	-	11,417	1,648,501
Committed	-	29,954	-	64,824	-	31,618	-	150,428
Assigned	-	-	-	-	-	-	-	73,406
Total Fund Balances	<u>8,621</u>	<u>29,954</u>	<u>56,271</u>	<u>64,824</u>	<u>12,752</u>	<u>31,618</u>	<u>11,417</u>	<u>1,899,869</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,621</u>	<u>\$ 29,954</u>	<u>\$ 67,632</u>	<u>\$ 86,435</u>	<u>\$ 12,752</u>	<u>\$ 31,618</u>	<u>\$ 11,417</u>	<u>\$ 2,240,169</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 For the Year Ended June 30, 2016

	School Lunch Fund	Education Grants Fund	Drug Enforcement Fund	Small Cities Fund	Dog Registration Fund	Library Fund	Social Services Fund	Scholarship Fund
REVENUES								
Intergovernmental	\$ 121,154	\$ 711,871	\$ -	\$ 155,081	\$ -	\$ -	\$ -	\$ -
Interest income	52	-	-	185	-	6	-	11
Charges for services	623,898	204,665	-	-	3,410	15,496	-	-
Other revenues	-	41,863	-	-	-	8,447	8,724	2,790
Total Revenues	<u>745,104</u>	<u>958,399</u>	<u>-</u>	<u>155,266</u>	<u>3,410</u>	<u>23,949</u>	<u>8,724</u>	<u>2,801</u>
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	11,305	-	913	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	30,377	-	-	8,630	-
Culture and recreation	-	-	-	-	-	8,100	-	-
Education	<u>679,136</u>	<u>982,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>679,136</u>	<u>982,453</u>	<u>11,305</u>	<u>30,377</u>	<u>913</u>	<u>8,100</u>	<u>8,630</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>65,968</u>	<u>(24,054)</u>	<u>(11,305)</u>	<u>124,889</u>	<u>2,497</u>	<u>15,849</u>	<u>94</u>	<u>2,801</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	89,328	-	-
Transfers out	-	-	-	-	-	(89,000)	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>328</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	65,968	(24,054)	(11,305)	124,889	2,497	16,177	94	2,801
Fund Balances (Deficits) - Beginning of Year	<u>19,609</u>	<u>97,069</u>	<u>17,011</u>	<u>1,332,645</u>	<u>12,866</u>	<u>7,855</u>	<u>17,117</u>	<u>3,173</u>
Fund Balances - End of Year	<u>\$ 85,577</u>	<u>\$ 73,015</u>	<u>\$ 5,706</u>	<u>\$1,457,534</u>	<u>\$ 15,363</u>	<u>\$ 24,032</u>	<u>\$17,211</u>	<u>\$ 5,974</u>

(Continued)

Combining Statement of Revenues, Expenditures
 Special Revenue Funds
 For the Year Ended June 30, 2016

	Groovin' in New Fairfield Fund	Communication s 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
REVENUES								
Intergovernmental	\$ -	\$ -	\$35,029	\$ -	\$ -	\$ -	\$ -	\$1,023,135
Interest income	-	-	-	37	-	-	-	291
Charges for services	4,217	226,107	10,250	25,145	-	45,073	600	1,158,861
Other revenues	100	-	8,175	12	-	1,388	-	71,499
Total Revenues	<u>4,317</u>	<u>226,107</u>	<u>53,454</u>	<u>25,194</u>	<u>-</u>	<u>46,461</u>	<u>600</u>	<u>2,253,786</u>
EXPENDITURES								
Current								
General government	-	-	19,165	-	-	45,360	-	64,525
Public safety	-	-	-	-	-	-	-	12,218
Public works	-	2,920	-	21,297	-	-	-	24,217
Health and welfare	-	-	26,051	-	-	-	-	65,058
Culture and recreation	4,210	-	-	-	-	-	500	12,810
Education	-	-	-	-	-	-	-	1,661,589
Total Expenditures	<u>4,210</u>	<u>2,920</u>	<u>45,216</u>	<u>21,297</u>	<u>-</u>	<u>45,360</u>	<u>500</u>	<u>1,840,417</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>107</u>	<u>223,187</u>	<u>8,238</u>	<u>3,897</u>	<u>-</u>	<u>1,101</u>	<u>100</u>	<u>413,369</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	89,328
Transfers out	-	(230,000)	-	-	-	-	-	(319,000)
Total Other Financing Uses	<u>-</u>	<u>(230,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(229,672)</u>
Net Change in Fund Balances	107	(6,813)	8,238	3,897	-	1,101	100	183,697
Fund Balances (Deficits) - Beginning of Year	<u>8,514</u>	<u>36,767</u>	<u>48,033</u>	<u>60,927</u>	<u>12,752</u>	<u>30,517</u>	<u>11,317</u>	<u>1,716,172</u>
Fund Balances - End of Year	<u>\$ 8,621</u>	<u>\$ 29,954</u>	<u>\$56,271</u>	<u>\$64,824</u>	<u>\$12,752</u>	<u>\$31,618</u>	<u>\$ 11,417</u>	<u>\$1,899,869</u>

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2016

	Capital Projects Fund	Fire Company Reserve Fund	BOE Technology Fund	School Capital Project Fund	MHHS Septic Fund	Town Center Beautification Fund	MHHS/HS Renovations Fund	Total Capital Projects Funds
ASSETS								
Cash and equivalents	\$ -	\$ 281,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,070
Other receivables								
Accounts	27,406	88,578	-	-	-	-	-	115,984
Intergovernmental	-	-	-	214,673	-	-	394,991	609,664
Due from other funds	-	4,655	697,403	-	-	4,089	-	706,147
Total Assets	<u>\$ 27,406</u>	<u>\$ 374,303</u>	<u>\$ 697,403</u>	<u>\$ 214,673</u>	<u>\$ -</u>	<u>\$ 4,089</u>	<u>\$ 394,991</u>	<u>\$ 1,712,865</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ -	\$ -	\$ 22,623	\$ -	\$ -	\$ -	\$ 49,893	\$ 72,516
Due to other funds	27,406	-	5,682	28,658	90,565	-	127,974	280,285
Total Liabilities	<u>27,406</u>	<u>-</u>	<u>28,305</u>	<u>28,658</u>	<u>90,565</u>	<u>-</u>	<u>177,867</u>	<u>352,801</u>
Deferred inflows of resources								
Deferred revenues - unavailable	-	88,578	-	214,673	-	-	394,991	698,242
Fund balances (deficits)								
Committed	-	285,725	669,098	-	-	4,089	-	958,912
Unassigned	-	-	-	(28,658)	(90,565)	-	(177,867)	(297,090)
Total Fund Balances (Deficits)	<u>-</u>	<u>285,725</u>	<u>669,098</u>	<u>(28,658)</u>	<u>(90,565)</u>	<u>4,089</u>	<u>(177,867)</u>	<u>661,822</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 27,406</u>	<u>\$ 374,303</u>	<u>\$ 697,403</u>	<u>\$ 214,673</u>	<u>\$ -</u>	<u>\$ 4,089</u>	<u>\$ 394,991</u>	<u>\$ 1,712,865</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Funds
 For the Year Ended June 30, 2016

	Capital Projects Fund	Fire Company Reserve Fund	BOE Technology Fund	School Capital Project Fund	MHHS Septic Fund	Town Center Beautification Fund	MHHS/HS Renovation s Fund	Total Capital Projects Funds
REVENUES								
Interest income	\$ -	\$ 1,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,227
Other revenues	27,406	-	-	-	-	-	-	27,406
Total Revenues	27,406	1,227	-	-	-	-	-	28,633
EXPENDITURES								
Capital outlay	27,406	264,555	125,753	-	-	-	8,903	426,617
Deficiency of Revenues Over Expenditures	-	(263,328)	(125,753)	-	-	-	(8,903)	(397,984)
OTHER FINANCING SOURCES								
Transfers in	-	138,456	564,037	-	-	-	-	702,493
Net Change in Fund Balances	-	(124,872)	438,284	-	-	-	(8,903)	304,509
Fund Balances (Deficits) - Beginning of Year	-	410,597	230,814	(28,658)	(90,565)	4,089	(168,964)	357,313
Fund Balances (Deficits) - End of Year	\$ -	\$ 285,725	\$ 669,098	\$ (28,658)	\$ (90,565)	\$ 4,089	\$ (177,867)	\$ 661,822

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position
 Pension Trust Funds
 June 30, 2016

	BOE Pension Trust Fund	Town Pension Trust Fund	OPEB Trust Fund	Total
ASSETS				
Investments, at fair value	\$ 7,031,804	\$ 7,076,007	\$ 2,225,168	\$ 16,332,979
Employer contributions receivable	<u>160,140</u>	<u>-</u>	<u>-</u>	<u>160,140</u>
Total Assets	<u>7,191,944</u>	<u>7,076,007</u>	<u>2,225,168</u>	<u>16,493,119</u>
NET POSITION				
Restricted for pension / OPEB benefits	<u>\$ 7,191,944</u>	<u>\$ 7,076,007</u>	<u>\$ 2,225,168</u>	<u>\$ 16,493,119</u>

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended June 30, 2016

	BOE Pension Trust Fund	Town Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS				
Contributions				
Employer	\$ 294,000	\$ 302,287	\$ 257,461	\$ 853,748
Investment income				
Net change in fair value of investments	-	(30,329)	-	(30,329)
Interest and dividends	<u>62,104</u>	<u>-</u>	<u>38,289</u>	<u>100,393</u>
Total Investment Income	<u>62,104</u>	<u>(30,329)</u>	<u>38,289</u>	<u>70,064</u>
Total Additions	<u>356,104</u>	<u>271,958</u>	<u>295,750</u>	<u>923,812</u>
DEDUCTIONS				
Pension benefits	102,250	186,009	-	288,259
Administrative fees	<u>48,664</u>	<u>45,442</u>	<u>23,715</u>	<u>117,821</u>
Total Deductions	<u>150,914</u>	<u>231,451</u>	<u>23,715</u>	<u>406,080</u>
Change in Net Position	205,190	40,507	272,035	517,732
Net Position - Beginning of Year	<u>6,986,754</u>	<u>7,035,500</u>	<u>1,953,133</u>	<u>15,975,387</u>
Net Position - End of Year	<u>\$ 7,191,944</u>	<u>\$ 7,076,007</u>	<u>\$ 2,225,168</u>	<u>\$ 16,493,119</u>

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2016

	Balance Beginning	Additions	Deductions	Balance Ending
Student Activity Fund				
Assets				
Cash	\$ 426,367	\$ 685,440	\$ 652,881	\$ 458,926
Investments, at fair value	<u>96,552</u>	<u>-</u>	<u>2,268</u>	<u>94,284</u>
Total assets	<u>\$ 522,919</u>	<u>\$ 685,440</u>	<u>\$ 655,149</u>	<u>\$ 553,210</u>
Liabilities				
Due to others	<u>\$ 522,919</u>	<u>\$ 685,440</u>	<u>\$ 655,149</u>	<u>\$ 553,210</u>
Performance Bonds				
Assets				
Cash	<u>\$ 104,297</u>	<u>\$ 26,095</u>	<u>\$ -</u>	<u>\$ 130,392</u>
Liabilities				
Due to others	<u>\$ 104,297</u>	<u>\$ 26,095</u>	<u>\$ -</u>	<u>\$ 130,392</u>
Combined Total				
Assets				
Cash	\$ 530,664	\$ 711,535	\$ 652,881	\$ 589,318
Investments, at fair value	<u>96,552</u>	<u>-</u>	<u>2,268</u>	<u>94,284</u>
Total assets	<u>\$ 627,216</u>	<u>\$ 711,535</u>	<u>\$ 655,149</u>	<u>\$ 683,602</u>
Liabilities				
Due to others	<u>\$ 627,216</u>	<u>\$ 711,535</u>	<u>\$ 655,149</u>	<u>\$ 683,602</u>

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Supplementary Schedules

Report of the Property Tax Collector
For the Year Ended June 30, 2016

Grand List Year	Beginning Receivable Balance, Net	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During the Year				Transfer to Suspense	Refunds Issued	Ending Receivable Balance, Net
			Additions	Deductions		Taxes	Interest	Liens	Total			
2014	\$ -	\$ 42,736,804	\$ 49,505	\$ (88,892)	\$ 42,697,417	\$ 42,408,968	\$ 123,233	\$ 1,370	\$ 42,533,571	\$ 21,029	\$ 9,809	\$ 277,229
2013	211,777	-	2,790	(5,380)	209,187	154,061	31,337	1,419	186,817	9,230	12,475	58,371
2012	32,379	-	400	(320)	32,459	7,011	4,021	203	11,235	2,869	182	22,761
2011	14,855	-	26	(195)	14,686	2,784	1,114	99	3,997	707	-	11,195
2010	11,355	-	15	(119)	11,251	997	561	50	1,608	469	-	9,785
2009	9,713	-	14	-	9,727	620	207	50	877	207	-	8,900
2008	9,603	-	-	-	9,603	538	229	49	816	-	-	9,065
2007	9,641	-	-	-	9,641	540	264	49	853	-	-	9,101
2006	7,932	-	-	-	7,932	587	322	49	958	-	-	7,345
2005	7,491	-	-	-	7,491	559	327	24	910	-	-	6,932
2004	7,675	-	-	-	7,675	526	339	24	889	-	-	7,149
2003	2,659	-	-	-	2,659	659	464	24	1,147	-	-	2,000
2002	2,527	-	-	-	2,527	617	470	24	1,111	-	-	1,910
2001	2,454	-	-	-	2,454	592	488	24	1,104	-	-	1,862
2000	2,299	-	-	-	2,299	539	476	24	1,039	-	-	1,760
	<u>\$ 332,360</u>	<u>\$ 42,736,804</u>	<u>\$ 52,750</u>	<u>\$ (94,906)</u>	<u>\$ 43,027,008</u>	<u>\$ 42,579,598</u>	<u>\$ 163,852</u>	<u>\$ 3,482</u>	<u>\$ 42,746,932</u>	<u>\$ 34,511</u>	<u>\$ 22,466</u>	<u>\$ 435,365</u>
											Allowance for doubtful accounts	(20,000)
											Interest receivable	<u>174,437</u>
											Taxes receivable, net	<u>\$ 589,802</u>

Schedule of Expenditures Details of Board of Education Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
PAYROLL AND RELATED COSTS					
Administrators / directors	\$ 2,075,828	\$ 20,183	\$ 2,096,011	\$ 2,277,659	\$ (181,648)
Certified personnel / teachers	17,913,729	(507,175)	17,406,554	16,989,293	417,261
Maintenance / custodians	1,154,404	(22,518)	1,131,886	1,123,598	8,288
Secretaries	1,054,101	(2,400)	1,051,701	1,060,840	(9,139)
Occupational and physical therapists	271,456	-	271,456	262,960	8,496
Paraprofessionals	1,129,885	(31,967)	1,097,918	1,010,862	87,056
Technology	303,321	-	303,321	309,418	(6,097)
Homebound tutors	60,000	(27,365)	32,635	26,701	5,934
Counselors	16,827	2,861	19,688	20,181	(493)
Temporary employees / substitutes	420,216	(15,167)	405,049	380,118	24,931
Overtime	75,050	-	75,050	85,754	(10,704)
Dept head / activities / extra duties	185,225	(3,683)	181,542	181,409	133
Coaches	199,098	(2,700)	196,398	192,024	4,374
Co-curricular activities	130,647	-	130,647	108,025	22,622
Employee Benefits					
FICA / Medicare	591,460	-	591,460	589,001	2,459
Pension benefit	294,000	2,816	296,816	296,815	1
Early retirement incentives	231,461	-	231,461	231,461	-
Tuition Reimbursement	20,000	-	20,000	14,311	5,689
Unemployment compensation	28,974	(12,975)	15,999	14,100	1,899
Workers' compensation	301,075	(12,558)	288,517	279,442	9,075
Other employee benefits	750	-	750	650	100
Payroll adjustment	(141,380)	220,222	78,842	53,950	24,892
Total Payroll and Related Costs	26,316,127	(392,426)	25,923,701	25,508,572	415,129
Percent of Total	80%		79%	78%	
NON PAYROLL COSTS					
Purchased services					
Staff development and training	52,935	8,000	60,935	61,019	(84)
Instruction services	49,289	55,961	105,250	128,097	(22,847)
Pupil services	2,152	1,619	3,771	3,241	530
Other professional services	574,421	38,553	612,974	650,421	(37,447)
Legal counsel	55,000	85,306	140,306	153,856	(13,550)
Speech / language services	33,024	2,615	35,639	37,349	(1,710)
Repairs and maintenance	190,247	37,616	227,863	248,445	(20,582)
Service contracts	247,290	-	247,290	271,605	(24,315)
Rentals - postage machines and copiers	154,953	-	154,953	152,115	2,838
Projects - buildings and grounds	53,530	17,500	71,030	78,535	(7,505)
Other purchased property services	12,289	-	12,289	12,289	-
Pupil transportation (in-district)	1,476,776	(18,647)	1,458,129	1,492,691	(34,562)
Pupil transportation (out-of-district)	290,374	42,491	332,865	337,366	(4,501)
Property and liability insurance	261,491	(3,424)	258,067	258,593	(526)
Communications / telephones	48,773	10,150	58,923	55,215	3,708
Postage	10,784	(496)	10,288	11,604	(1,316)
Advertising	7,600	-	7,600	4,356	3,244
Printing and binding	10,798	496	11,294	8,759	2,535
Tuition					
Tuition in-state public	445,664	(2,165)	443,499	446,852	(3,353)
Tuition in-state private	235,340	77,000	312,340	346,420	(34,080)
Tuition out-of-state private	49,724	32,219	81,943	90,391	(8,448)

(Continued)

Schedule of Expenditures Details of Board of Education Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2016

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Supplies					
Conferences and travel	18,667	-	18,667	15,092	3,575
General supplies	23,128	\$ 2,000	\$ 25,128	\$ 26,509	\$ (1,381)
Instructional supplies	260,382	-	260,382	261,512	(1,130)
Software	127,436	-	127,436	126,947	489
Custodial and maintenance supplies	84,869	1,366	86,235	97,446	(11,211)
Property					
Electricity	655,386	-	655,386	680,124	(24,738)
Bottled gas	24,558	-	24,558	13,393	11,165
Heating oil	286,650	-	286,650	245,491	41,159
Gasoline	2,940	2,266	5,206	5,649	(443)
Diesel fuel	143,446	-	143,446	147,424	(3,978)
Magazines and subscriptions	23,507	-	23,507	23,301	206
Textbooks and workbooks	136,797	1,495	138,292	138,060	232
Library books and periodicals	27,538	(1,495)	26,043	24,197	1,846
Other supplies and materials	102,497	400	102,897	103,687	(790)
Equipment	212,120	(5,895)	206,225	199,434	6,791
Dues and fees	48,428	7,495	55,923	64,355	(8,432)
Accreditation	7,215	-	7,215	7,215	-
Total Nonpayroll Costs	6,448,018	392,426	6,840,444	7,029,055	(188,611)
Percent of Total	20%		21%	22%	
Total Education Expenditures (Budgetary Basis)	<u>\$32,764,145</u>	<u>\$ -</u>	<u>\$32,764,145</u>	<u>\$32,537,627</u>	<u>\$ 226,518</u>

Internal Control and Compliance Reports

Independent Auditors' 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, 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, 2016, 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 24, 2017.

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, or 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 internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 as items SD-2013-01 and SD-2016-001.

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*.

We noted certain other matters that we reported to management of the Town in a separate letter dated February 24, 2017.

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.

PKF O'Connor Davies, LLP

February 24, 2017

State Single Audit

Independent Auditors' 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

**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, 2016. 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, 2016.

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 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 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, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated February 24, 2017, 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.

PKF O'Connor Davies, LLP

February 24, 2017

Town of New Fairfield, Connecticut

Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2016

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Connecticut State Library			
Grants to Public Libraries	11000-CSL66051-17003	\$ -	\$ 1,087
Connecticard Payments	11000-CSL66051-17010	-	754
Construction Grants to Public Libraries	12052-CSL66051-42862	-	458,993
Construction Grants to Public Libraries	12052-CSL66051-43064	-	217,135
Historic Documents Preservation Grants	12060-CSL66094-35150	-	3,000
Total Connecticut State Library		<u>-</u>	<u>680,969</u>
Department of Emergency Services and Public Protection			
Enhanced 911Telecommunication Fund	12060-DPS32181-35190	-	1,496
Department of Transportation			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	276,641
Department of Justice			
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	-	1,875
Office of Policy and Management			
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	-	1,608
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	-	93,692
Property Tax Relief for Veterans	11000-OPM20600-17024	-	19,305
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	-	80,317
Municipal Purposes and Projects	12052-OPM20600-43587	-	1,149
Total Office of Policy and Management		<u>-</u>	<u>196,071</u>
Department of Education			
Primary Mental Health	11000-SDE64370-12198	-	16,009
Child Nutrition State Match	11000-SDE64370-16211	-	6,243
Adult Education	11000-SDE64370-17030	-	4,623
High Quality Schools Start Up	12052-SDE64370-43538	-	58,366
School Breakfast Program	11000-SDE64370-17046	-	6,024
Magnet Schools	11000-SDE64370-17057	-	23,400
Total Department of Education		<u>-</u>	<u>114,665</u>
Total State Financial Assistance before Exempt Programs		<u>-</u>	<u>1,271,717</u>
EXEMPT PROGRAMS			
Department of Education			
Education Cost Sharing	11000-SDE64370-17041	-	4,443,268
Public School Transportation	11000-SDE64370-17027	-	48,625
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	246,591
Department of Administrative Services			
School Construction Grants - Interest	13009-DAS27636-40896	-	3,678
School Construction Grants - Principal	13010-DAS27636-40901	-	29,391
Office of Policy and Management			
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	31,812
Total exempt programs		<u>-</u>	<u>4,803,365</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$ 6,075,082</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, 2016

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, 2016. 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 internal service fund 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, 2016

SD-2013-01 – Comprehensive Controls

Condition: The Town has performed a risk assessment and needs to address specific risk assessment areas with controls.

Current Status: Repeated as finding number 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, 2016

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' opinion 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 auditors' opinion 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
Connecticut State Library:		
Construction Grants to Public Libraries	12052-CSL66051-42862	\$458,993
Construction Grants to Public Libraries	12052-CSL66051-43064	\$217,135
Office of Policy and Management:		
Local Capital Improvement Program	12050-OPM20600-40254	\$80,317

Dollar threshold used to distinguish between type A and type B programs: \$200,000

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section II - Financial Statement Findings

2013-01 – Comprehensive Controls

Criteria – A common and efficient control is a segregation of duties. This requires that the custody of assets be performed by a separate employee than the recordkeeping of the transaction. And a third employee should be authorizing transactions. When this is not possible or not practical, other controls must be put in place.

Condition #1 – One employee creates purchase orders, receives the invoices and records them in the computer system. The same employee has control over the signature disk and can print signed checks to pay invoices. This employee also reconciles certain bank accounts.

Condition #2 – One employee has access to make changes to the payroll, reviews the payroll register, can print signed checks and distributes payroll. The same employee reconciles the payroll to the general ledger and W-2 forms.

Condition #3 – Journal entries are a powerful tool that can change approved transactions after the fact and behind the scenes. Currently, these can be performed by employees in the system without any secondary approval.

Effect – The Town does not have adequate controls to prevent unauthorized transactions from occurring. The Town has established some temporary and highly manual controls to offset this lack of control. In the beginning of the year, the Treasurer was maintaining a listing of check numbers to compare to checks clearing the bank statement. At the end of the year, the Finance Director was using the bank’s on-line access and reviewing each check clearing the bank each day.

Recommendation – We recommend the Town consider reallocating the duties of the finance office for better segregation of duties.

Management’s Response – Management is performing risk assessments on the significant cycles of transactions. Management has draft policies and procedures prepared and is working on the process of making minor changes to them and implementing them.

2016-001 – Classification of Education Invoices

Criteria – The Board of Education has a formal process of approvals which is designed to make sure that purchases are approved and are charged to the appropriate budget line items.

Condition – During our testing we noted that purchase orders were approved, but these approvals included directing the purchases to inappropriate budget line items. For example, a \$50,000 purchase of consulting services was charged to a federal special education grant as follows:

Instructional salaries	\$41,500
Supplies	4,500
Field Trip	3,000
In-Service	1,000
	<hr/>
	\$50,000

We also noted that the purchase order was dated 12/7/15, but the invoice was dated 7/1/2015. But each had the same allocation of expenditures and each was approved with the allocation noted.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

We noted a second purchase order issued for special education assessment kits. This was charged as follows in accordance with the approved purchase order:

Pupil service	\$799
Field Trip	141
Parent Activities	260
	<hr/>
	\$1200.00

Cause – The purchase orders were allocated based on where there was money available in the federal grant’s budget and not based on the actual items being purchased. This occurred even though the grants allow for budget transfers during the year.

Effect – The expenditures will need to be reclassified to the proper accounts and the annual filing for the grant amended as a result. It is possible that some or all of these costs will be disallowed as a result of them being in addition to the budgeted amounts.

Recommendation – We recommend that all expenditures be classified appropriately. This must be reviewed by the employee authorizing the transaction, the employee entering the transaction and the employee reviewing the reporting. We also recommend that the Town establish a whistleblower policy for employees to report inappropriate or questionable transactions when they are noted without the concern for retaliation if the report is against what is directed by the supervisor.

Management’s Response – The purchase order (29333) is dated 12/7/15 while the invoice is dated 7/1/15. A three-year consulting services agreement between the Board of Education and DMC was signed in FY2013-14. Identified in the total cost section were annual installments, and each July 1 DMC would issue the invoice for that year. Annually, the Board of Education would make a single payment in-full as its expectations regarding DMC’s performance were met.

The budgets presented in the Town’s IDEA grant applications for FY 2012-14, FY 2013-15 and FY2014-16 funding all show instructional salaries amounts that comprised more than 75% of the total request. The FY 2012-14 and FY 2013-15 IDEA budgets were both adjusted via transfers that moved salary-budgeted funds to these Grants’ Other Professional / Technical Services (300-level) accounts. Contractual obligation payments to DMC for FY 2013-14 and 2014-15 were then charged to 300-level accounts. In FY 2015-16 transfers within the IDEA grant ending that year were not made. The result was the accounts were charged as described.

We agree that the posting of these expenditures to the grant in this manner did not comply with the grant budget, however, we have more than enough expenditures, paid out of the General Fund, which would adhere with the grant budget. We will reallocate the expenditures between the General Fund and the IDEA grant to report appropriate expenditures against the grant. We will ask for the IDEA grant to be re-audited for compliance with the grant requirements.

With respect to the internal control weakness that allowed this to occur, we will be more vigilant in our coding of invoices and will meet with each employee that handles the invoices to reinforce that (1) they should review the posting codes used, and (2) if they see anything inappropriate, they should report it to the Director of Finance.

Section III - State Financial Assistance Findings and Questioned Costs

No matters were reported

Federal Single Audit

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 ("Town") compliance with the types of compliance requirements described in the *OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 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.

Basis for Qualified Opinion on Special Education Cluster (IDEA)

As described in the accompanying schedule of findings and questioned costs, the Town did not comply with requirements regarding CFDA 84.027/84.173 Special Education Cluster (IDEA) as described in finding number 2016-001 for allowable costs and reporting. Compliance with such requirement is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

Qualified Opinion on the Special Education Cluster (IDEA)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the CFDA 84.027/84.173 Special Education Cluster (IDEA) for the year ended June 30, 2016.

The Town's response to the noncompliance findings identified in our audit are 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.

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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 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 identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

The Town's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated February 24, 2017, 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 basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKF O'Connor Davies, LLP

February 24, 2017

Town of New Fairfield, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures to Subrecipients	Total Federal Expenditures
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	\$ -	\$ 95,925
National School Lunch - commodities	10.555	12060-SDE64370-20560	-	12,897
School Breakfast Program	10.553	12060-SDE64370-20508	-	6,043
Total U.S. Department of Agriculture			-	114,865
U.S. Department of Health and Human Services				
Pass-Through programs from:				
Connecticut Department of Public Health				
Public Health Emergency Preparedness	93.069	12060-DPH48558-22333	-	10,286
U.S. Department of Housing and Urban Development				
Pass-Through programs from:				
Connecticut Department of Economics and Community Dev.				
Community Development Block Grants/Entitlement Grants	14.218	12060-DOH46930-20730	-	259,996
U.S. Department of the Interior				
Pass-Through programs from:				
Connecticut Department of Economics and Community Dev.				
Historic Preservation Fund Grants in Aid	15.904	12060-ECD46840-21494	-	6,905
U.S. Department of Transportation:				
Pass-Through programs from:				
Connecticut Department of Transportation				
Highway Planning and Construction	20.205	12062-DOT57191-22108	-	116,909
U.S. Department of Education:				
Direct Programs:				
Title II, Education Connection	84.031	Not Applicable	-	5,368
Pass-Through programs from:				
Connecticut State Department of Education				
Special Education Cluster (IDEA)				
IDEA, Part B, Section 611, Handicapped	84.027	12060-SDE64370-20977	-	458,176
IDEA, Part B, Section 619, Preschool	84.173	12060-SDE64370-20983	-	12,500
Total Special Education Cluster (IDEA)			-	470,676
Title I	84.010	12060-SDE64370-20679	-	81,300
Title II	84.367	12060-SDE64370-20858	-	29,622
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	-	18,141
Total U.S. Department of Education			-	605,107
Total Federal Financial Assistance			\$ -	\$ 1,114,068

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, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Town of New Fairfield, Connecticut ("Town") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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 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).

Town of New Fairfield, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

SD-2013-01 – Comprehensive Controls

Condition: The Town has performed a risk assessment and needs to address specific risk assessment areas with controls.

Current Status: Repeated as finding number 2013-01.

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

Finding NC-2015-01 – Activities Allowed and Allowable Costs

Grantor:	U.S. Department of Agriculture
Federal Program Name:	Child Nutrition Cluster: National School Lunch School Breakfast Program
Pass-through Entity:	Connecticut State Department of Education
CFDA Number:	10.555, 10.553

Condition: The Business Manager reviews the monthly profit and loss statements and claim reimbursement requests submitted by the Food Service Management Company (“FSMC”). The review only consists of a reasonability check.

Current Status: Not repeated in the current fiscal year.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether financial statements audited were prepared in accordance with GAAP 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? x yes no
- Significant deficiency(ies) identified? yes x none reported

Type of auditors' report issued on compliance for major federal programs Qualified

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

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

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.173	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low risk auditee? x yes no

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section II - Financial Statement Findings:

2013-001 – Comprehensive Controls

Criteria – A common and efficient control is a segregation of duties. This requires that the custody of assets be done by a separate employee than the recordkeeping of the transaction. And a third employee should be authorizing transactions. When this is not possible or not practical, other controls must be put in place.

Condition #1 – One employee creates purchase orders, receives the invoices and records them in the computer system. The same employee has control over the signature disk and can print signed checks to pay invoices. This employee also reconciles certain bank accounts.

Condition #2 – One employee has access to make changes to the payroll, reviews the payroll register, can print signed checks and distributes payroll. The same employee reconciles the payroll to the general ledger and W-2 forms.

Condition #3 – Journal entries are a powerful tool that can change approved transactions after the fact and behind the scenes. Currently, these can be performed by employees in the system without any secondary approval.

Effect – The Town does not have adequate controls to prevent unauthorized transactions from occurring. The Town has established some temporary and highly manual controls to offset this lack of control. In the beginning of the year, the Treasurer was maintaining a listing of check numbers to compare to checks clearing the bank statement. At the end of the year, the Finance Director was using the bank’s on-line access and reviewing each check clearing the bank each day.

Recommendation – We recommend the Town consider reallocating the duties of the finance office for better segregation of duties.

Management’s Response – Management is performing risk assessments on the significant cycles of transactions. Management has draft policies and procedures prepared and is working on the process of making minor changes to them and implementing them.

2016-001 – Classification of Education Invoices

Criteria – The Board of Education has a formal process of approvals which is designed to make sure that purchases are approved and are charged to the appropriate budget line items.

Condition – During our testing we noted that purchase orders were approved, but these approvals included directing the purchases to inappropriate budget line items. For example, a \$50,000 purchase of consulting services was charged to a federal special education grant as follows:

Instructional salaries	\$41,500
Supplies	4,500
Field Trip	3,000
In-Service	1,000
	<hr/>
	\$50,000

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

We also noted that the purchase order was dated 12/7/15, but the invoice was dated 7/1/2015. But each had the same allocation of expenditures and each was approved with the allocation noted.

We noted a second purchase order issued for special education assessment kits. This was charged as follows in accordance with the approved purchase order:

Pupil service	\$799
Field Trip	141
Parent Activities	260
	<hr/>
	\$1200.00

Cause – The purchase orders were allocated based on where there was money available in the federal grant’s budget and not based on the actual items being purchased. This occurred even though the grants allow for budget transfers during the year.

Effect – The expenditures will need to be reclassified to the proper accounts and the annual filing for the grant amended as a result. It is possible that some or all of these costs will be disallowed as a result of them being in addition to the budgeted amounts.

Recommendation – We recommend that all expenditures be classified appropriately. This must be reviewed by the employee authorizing the transaction, the employee entering the transaction and the employee reviewing the reporting. We also recommend that the Town establish a whistleblower policy for employees to report inappropriate or questionable transactions when they are noted without the concern for retaliation if the report is against what is directed by a supervisor.

Management’s Response – The purchase order (29333) is dated 12/7/15 while the District Management Council (“DMC”) invoice is dated 7/1/15. A three-year consulting services agreement between the Board of Education and DMC was signed in FY2013-14. Identified in the total cost section were annual installments, and each July 1 DMC would issue the invoice for that year. Annually, the Board of Education would make a single payment in-full as its expectations regarding DMC’s performance were met.

The budgets presented in the Town’s IDEA grant applications for FY 2012-14, FY 2013-15 and FY2014-16 funding all show instructional salaries amounts that comprised more than 75% of the total request. The FY 2012-14 and FY 2013-15 IDEA budgets were both adjusted via transfers that moved salary-budgeted funds to these Grants’ Other Professional / Technical Services (300-level) accounts. Contractual obligation payments to DMC for FY 2013-14 and 2014-15 were then charged to 300-level accounts. In FY 2015-16 transfers within the IDEA grant ending that year were not made. The result was the accounts were charged as described.

We agree that the posting of these expenditures to the grant in this manner did not comply with the grant budget, however, we have more than enough expenditures, paid out of the General Fund, which would adhere with the grant budget. We will reallocate the expenditures between the General Fund and the IDEA grant to report appropriate expenditures against the grant. We will ask for the IDEA grant to be re-audited for compliance with the grant requirements.

With respect to the internal control weakness that allowed this to occur, we will be more vigilant in our coding of invoices and will meet with each employee that handles the invoices to reinforce that (1) they should review the posting codes used, and (2) if they see anything inappropriate, they should report it to the Director of Finance.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Section III - Federal Financial Assistance Findings and Questioned Costs

2016-001 Classification of Education Invoices for Federal Single Audit

Grantor: U.S. Department of Education
Federal Program Name: IDEA – Part B, Section 611
Pass-through Entity: State of Connecticut, Department of Education
CFDA Number: 84.027/84.173

Criteria - The Board of Education has a formal process of approvals which is designed to make sure that purchases are approved and are charged to the appropriate budget line items.

Condition - During our testing we noted that purchase orders were approved, but these approvals included directing the purchases to inappropriate budget line items. For example, a \$50,000 purchase of consulting services was charged to a federal special education grant as follows:

Instructional salaries	\$41,500
Supplies	4,500
Field Trip	3,000
In-Service	1,000
	<hr/>
	\$50,000

We also noted that the purchase order was dated 12/7/15, but the invoice was dated 7/1/2015. But each had the same allocation of expenditures and each was approved with the allocation noted.

We noted a second purchase order issued for special education assessment kits. This was charged as follows in accordance with the approved purchase order:

Pupil service	\$799
Field Trip	141
Parent Activities	260
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	\$1,200

Questioned Cost – The total \$51,200 of expenditures is considered a questioned cost. It is over and above the amount included in the budget.

Context – We haphazardly selected 17 nonpayroll transaction to be testing using the AICPA audit sampling guidance. These transactions made up 3 of the 17 transactions, or approximately 18%.

Effect - The expenditures will need to be reclassified to the proper accounts and the annual filing for the grant amended as a result. It is possible that some or all of these costs will be disallowed as a result of them being in addition to the budgeted amounts.

Cause - The purchase orders were allocated based on where there was money available in the federal grant's budget and not based on the actual items being purchased. This occurred even though the grants allow for budget transfers during the year.

Recommendation - We recommend that all expenditures be classified appropriately. This must be reviewed by the employee authorizing the transaction, the employee entering the transaction and the employee reviewing the reporting. We also recommend that the Town establish a whistleblower policy for employees to report inappropriate or questionable transactions when they are noted without the concern for retaliation if the report is against what is directed by a supervisor.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

Views of Responsible Officials and Planned Corrective Actions - The purchase order (29333) is dated 12/7/15 while the District Management Council (“DMC”) invoice is dated 7/1/15. A three-year consulting services agreement between the Board of Education and DMC was signed in FY2013-14. Identified in the total cost section were annual installments, and each July 1 DMC would issue the invoice for that year. Annually, the district would make a single payment in-full as its expectations regarding DMC’s performance were met.

The budgets presented in New Fairfield’s IDEA grant applications for FY 2012-14, FY 2013-15 and FY2014-16 funding all show instructional salaries amounts that comprised more than 75% of the total request. The FY 2012-14 and FY 2013-15 IDEA budgets were both adjusted via transfers that moved salary-budgeted funds to these Grants’ Other Professional / Technical Services (300-level) accounts. Contractual obligation payments to DMC for FY 2013-14 and 2014-15 were then charged to 300-level accounts. In FY 2015-16 transfers within the IDEA grant ending that year were not made. The result was the accounts were charged as described.

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With respect to the internal control weakness that allowed this to occur, we will be more vigilant in our coding of invoices and will meet with each employee that handles the invoices to reinforce that (1) they should review the posting codes used, and (2) if they see anything inappropriate, they should report it to the Director of Finance.