

Town of New Fairfield, Connecticut

Financial Statements and
Supplementary Information

Year Ended June 30, 2017

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, 2017, 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, 2017, 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 ("GASB"), 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.

Emphasis of Matter

As discussed in Note 2.F to the financial statements, the Town adopted GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits ("OPEB") Other than Pensions*. This statement establishes improved standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. It identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements were also changed. The implementation of this statement increased the OPEB liability by \$4,687,954 and decreased the net position in the governmental activities by the same amount. This was treated as a restatement of the beginning balances, as required. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our December 11, 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

Management's Discussion and Analysis

Our discussion and analysis of the Town of New Fairfield, Connecticut's ("Town") financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2017. 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 \$85,880,798 at June 30, 2017 on a full accrual basis. This is an increase in Net Position of \$1,827,646 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 \$1,650,750.
- Tax collection rate were at 99.36% which made the town's collection rate the third highest in Fairfield County and the twelfth highest in the State.
- The fund balance in the General Fund was \$8,216,427 at June 30, 2017. The unassigned fund balance in the general fund is \$7,231,697. This is approximately 12% of the Town's total revenues.
- The Town continues to carry the Standard & Poors AAA rating on its Government general obligation bond. That was one of the reasons that the Town was able to earn a \$657,279 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 deferred outflows of resources and liabilities and deferred inflows of resources—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 reconciliations on page following.

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 and 9. 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.

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$1,827,646 from a year ago—increasing from \$84,053,152 to \$85,880,798. Last year's net position increased by \$924,114. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

Table 1
Net Position (Figures taken from Exhibit 1)

	Governmental Activities			2016
	2017	\$	%	
ASSETS				
Cash and equivalents	\$ 13,790,318	\$ 5,782,572	72.21%	\$ 8,007,746
Investments	10,774,647	(753,961)	-6.54%	11,528,608
Receivables	3,156,002	(217,882)	-6.46%	3,373,884
Other assets	35,031	(601,921)	-94.50%	636,952
Capital assets				
Nondepreciable	7,503,683	(224,704)	-2.91%	7,728,387
Depreciable	87,564,995	(981,818)	-1.11%	88,546,813
	<u>122,824,676</u>	<u>3,002,286</u>	<u>2.51%</u>	<u>119,822,390</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to refunding bonds	720,360	244,624	51.42%	475,736
Related to pensions and OPEB	881,190	(760,127)	-46.31%	1,641,317
	<u>1,601,550</u>	<u>(515,503)</u>	<u>-24.35%</u>	<u>2,117,053</u>
LIABILITIES				
Payables, accruals and other liabilities	3,993,718	540,851	15.66%	3,452,867
Net pension liability	1,136,763	(523,909)	0.00%	1,660,672
Other post-employment benefits	5,399,038	(99,300)	-1.81%	5,498,338
Non-current liabilities				
Due within one year	2,127,295	104,031	5.14%	2,023,264
Due in more than one year	20,866,565	(1,188,801)	-5.39%	22,055,366
Total liabilities	<u>33,523,379</u>	<u>(1,167,128)</u>	<u>-3.36%</u>	<u>34,690,507</u>
DEFERRED INFLOWS OF RESOURCES				
Unearned revenues	4,914,394	1,837,302	59.71%	3,077,092
Related to pensions and OPEB	107,655	(11,037)	-9.30%	118,692
	<u>5,022,049</u>	<u>1,826,265</u>	<u>57.15%</u>	<u>3,195,784</u>
NET POSITION				
Net investment in capital assets	73,797,134	666,153	0.91%	73,130,981
Restricted	1,726,628	(250,249)	-12.66%	1,976,877
Unrestricted	10,357,036	1,411,742	15.78%	8,945,294
	<u>\$ 85,880,798</u>	<u>\$ 1,827,646</u>	<u>2.17%</u>	<u>\$ 84,053,152</u>

The unrestricted Net Position increased by \$1,411,742 to a total of \$10,357,036. 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.

Table 2
Change in Net Position (Figures taken from Exhibit 2)

	Governmental Activities			2016
	2017	\$	%	
Revenues				
Program revenues:				
Charges for services	\$ 3,404,019	\$ (134,525)	-3.80%	\$ 3,538,544
Operating grants and contributions	13,468,991	2,912,885	27.59%	10,556,106
Capital grants and contributions	724,453	610,763	537.22%	113,690
General revenues:				
Property taxes	45,589,097	371,259	0.82%	45,217,838
Grants and contributions	343,250	286,889	509.02%	56,361
Interest and investment earnings	240,701	40,688	20.34%	200,013
Other General Revenues	52,613	(10,676)	-16.87%	63,289
Total revenues	63,823,124	4,077,283	6.82%	59,745,841
Program expenses				
General government	5,067,798	(138,340)	-2.66%	5,206,138
Public safety	3,445,802	105,177	3.15%	3,340,625
Public works	2,919,979	122,571	4.38%	2,797,408
Health and Welfare	738,216	37,690	5.38%	700,526
Culture and Recreation	1,104,239	(46,630)	-4.05%	1,150,869
Education	48,151,918	3,405,188	7.61%	44,746,730
Interest on long-term debt	567,526	(311,905)	-35.47%	879,431
Total expenses	61,995,478	3,173,751	5.40%	58,821,727
Excess before transfers	1,827,646	903,532	97.77%	924,114
Increase (decrease) in net position	1,827,646	903,532	97.77%	924,114
Beginning net position, as restated	84,053,152	(924,114)	-1.09%	84,977,266
Ending net position	\$ 85,880,798	\$ 1,827,646	2.17%	\$ 84,053,152

Total program revenues increased from prior year by \$3,389,123 or 23.9%, primarily due to an increase in the State's payment into the Teachers Retirement System on behalf of the Town.

General Revenues were higher than prior year by \$688,160. This is mainly due to increased property taxes and increased grants and contributions.

Program expenses were higher than prior year by \$3,485,656 due primarily to higher education expenses which resulted from higher payments out of the Teachers Retirement System and general increases in salaries, benefits and other cost.

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. (Exhibits 3 & 4)

While the government wide financial statements showed a \$1,827,646 increase in the full-accrual based equity, the fund financial statements showed a \$1,650,750 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 appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

Table 3
General Fund - Budget Summary

Revenues	Final		
	Budget	Actual	Variance
Property Taxes	\$ 45,403,393	\$ 45,550,139	\$ 146,746
Intergovernmental	5,468,626	5,550,257	81,631
Licenses and Permits	226,800	258,974	32,174
Local Revenue	1,350,632	1,525,219	174,587
Total Revenues	52,449,451	52,884,589	435,138
Expenditures			
General Government	3,431,210	3,286,463	144,747
Public Safety	3,098,184	3,039,665	58,519
Public Works	2,143,467	2,131,868	11,599
Health and Welfare	505,554	484,233	21,321
Recreation	539,513	533,267	6,246
Debt Service	2,675,904	2,675,904	-
Education	33,203,125	32,904,284	298,841
Capital nonrecurring	691,853	691,853	-
Health Insurance	6,160,641	6,160,641	-
Total Expenditures	52,449,451	51,908,178	541,273
Increase in Fund Balance	\$ -	\$ 976,411	\$ 976,411

The General Fund is the chief operating fund of the Town. Revenues were over budget by \$435,138, Expenditures were under budget by \$541,273. In table 3, the fund balance increased by \$976,411.

Significant variances are summarized as follows:

- Local revenues were higher than budget by \$174,586 due primarily to higher fees for real estate conveyances of \$52,526, higher Paramedic billings of \$72,749, prior year encumbrance close outs of \$22,174, higher interest income of \$15,853, and higher Town Clerk receipts of \$7,855.
- Property Taxes were higher than budget by \$146,746. Taxes collected are almost at 100%. We have one of the highest tax collection rates in the state.
- Intergovernmental revenues were higher than budgeted by \$81,631 due primarily to the receipt of a final school construction payment.
- Licenses and permit revenues were higher than budget by \$32,174 due primarily to higher Health, Building, and Inland/Wetland fees.
- Utilities were under budget by \$49,173 due to locking in diesel prices when the market was low.
- Board of Finance contingency was not used and resulted in being \$33,000 under budget.

**Town of New Fairfield, Connecticut
Management's Discussion and Analysis
June 30, 2017**

- The Police Department was under budget by \$42,803 due to lower private duty overtime of \$14,321, lower T/Day and vacation payouts of \$8,685, lower crossing guard costs of \$5,354, and lower training overtime of \$2,478.
- Education expenses were lower than budget by \$298,841 primarily due to lower payroll expenses of \$389,466, partially offset by higher non-payroll expenses of \$94,846.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$95,068,678 invested government activity capital assets, net of accumulated depreciation. This amount represents a net decrease (including additions and deductions) of \$1,216,522 from last year. This is due to the following:

- Construction in progress increased by \$196,541. The ending balance consisted of road work and school window projects, roof repair and boiler replacement.
- The total addition to Capital assets being depreciated, including the amount transferred from construction in progress, was \$2,095,888. This included projects such as: renovations of the High School pool area, Life Skills area, Consumer Science and High School classes, new Pavilion by Rebel Turf field, the completion of the HVAC chiller at the Police Department, replacement of boilers at the Middle School, Senior Center, and Company A Firehouse, and paving of High School/Middle School driveways and Town Hall parking lot. Also included were purchases of an ambulance, firetruck, Public Works highway truck, Building Inspectors SUV, and a copier in the Finance Department.
- Capital assets being depreciated decreased by \$687,977 due to the demolition of the Creamery building, equipment removed during renovations at the High School, the removal of three trucks from Public Works, a firetruck, an ambulance, and a copier that became obsolete.

More detailed information about the Government's capital assets is presented in Note 6 to the financial statements.

Debt

At year end, the Government had \$22,470,000 in bonds and notes outstanding. This is a decrease of \$2,275,000. Most of this decrease was the result of refinancing some higher interest bonds with some lower interest bonds. This saved the Town \$436,189 in future cash flows which, in has a net present value of \$419,527 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 7 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 decreased by .35%. This percent decrease over the prior year was mainly due to maintaining operational expenses relatively flat, reduced capital requirements, and by funding of the GASB 45 contribution from the medical fund.

The budgeted expenditures for the education budget decreased by 1.43%. Reflecting minimum increases to payroll budget line items, reduced capital requirements, and by funding of the GASB 45 contribution from the medical fund.

In anticipation of probable State budget cuts to education funding, a reduction in revenues of approximately \$2.1 million was included in the budget resulting in a mill rate increase of 3.97%.

However, as of November 17, 2017, the approved State's fiscal year 2017/2018 budget resulted in the adding back of approximately \$1.9 million in total State Aid and Grants from the Governor's original budget proposal, primarily in increased Education Cost Sharing. Therefore, under this State budget, the Town would have had a mil rate decrease of .14%, instead of an increase of 3.97%.

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 the Town of New Fairfield, 4 Brush Hill Road, New Fairfield, CT 06812.

Basic Financial Statements

Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and equivalents	\$ 13,790,318
Investments	10,774,647
Receivables	
Taxes, net	647,328
Accounts	381,362
Loans	1,397,509
Intergovernmental	729,803
Other assets	35,031
Capital assets	
Nondepreciable	7,503,683
Depreciable, net of accumulated depreciation	<u>87,564,995</u>
	<u>122,824,676</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding bonds	720,360
Pension contributions after the measurement date	96,336
Differences between expected and actual experience on pension	254,526
Net difference between projected and actual earnings on pension	518,473
Change in proportion of cost sharing pension	<u>11,855</u>
	<u>1,601,550</u>
LIABILITIES	
Accounts payable	2,630,906
Accrued payroll and related	197,432
Accrued interest payable	164,693
Unearned revenues	1,000,687
Net pension liability	1,136,763
Net other post employment benefit liability	5,399,038
Non-current liabilities	
Due within one year	2,127,295
Due in more than one year	<u>20,866,565</u>
	<u>33,523,379</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenues	4,914,394
Net difference between projected and actual experience	<u>107,655</u>
	<u>5,022,049</u>
NET POSITION	
Net investment in capital assets	73,797,134
Restricted	
Expendable	1,726,146
Nonexpendable	482
Unrestricted	<u>10,357,036</u>
Total Net Position	<u>\$ 85,880,798</u>

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

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ (5,067,798)	\$ 831,667	\$ 211,848	\$ -	\$ (4,024,283)
Public safety	(3,445,802)	315,451	9,209	-	(3,121,142)
Public works	(2,919,979)	170,563	288,840	713,106	(1,747,470)
Health and welfare	(738,216)	64,171	106,582	-	(567,463)
Culture and recreation	(1,104,239)	728,515	8,206	-	(367,518)
Education	(48,151,918)	1,293,652	12,844,306	11,347	(34,002,613)
Interest on long-term debt	(567,526)	-	-	-	(567,526)
	<u>\$ (61,995,478)</u>	<u>\$ 3,404,019</u>	<u>\$ 13,468,991</u>	<u>\$ 724,453</u>	<u>(44,398,015)</u>
General Revenues					
					45,589,097
					343,250
					240,701
					52,613
					<u>46,225,661</u>
					1,827,646
					<u>84,053,152</u>
					<u>\$ 85,880,798</u>

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

Balance Sheet
 Governmental Funds
 June 30, 2017

	General Fund	Capital Non Recurring Fund	Other Government al Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 8,567,297	\$3,802,969	\$ 707,107	\$ 13,077,373
Investments	10,685,058	-	89,589	10,774,647
Taxes receivable, net of allowance for uncollectible amounts	647,328	-	-	647,328
Other receivables				
Accounts	119,858	78,456	96,903	295,217
Loans	-	-	1,397,509	1,397,509
Intergovernmental	91,984	-	637,819	729,803
Due from other funds	455,191	943,092	1,618,325	3,016,608
Other assets	11,431	-	23,600	35,031
Total Assets	<u>\$20,578,147</u>	<u>\$4,824,517</u>	<u>\$ 4,570,852</u>	<u>\$ 29,973,516</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,743,901	\$ 94,390	\$ 149,849	\$ 1,988,140
Accrued payroll and related	187,000	9,718	714	197,432
Due to other funds	4,858,299	830,718	488,796	6,177,813
Unearned revenues - performance	121,362	-	564,944	686,306
Total Liabilities	<u>6,910,562</u>	<u>934,826</u>	<u>1,204,303</u>	<u>9,049,691</u>
Deferred inflows of resources				
Revenues collected in advance	4,793,032	435,743	-	5,228,775
Revenues not available for recognition	658,126	77,000	698,242	1,433,368
Total Deferred Inflows of Resources	<u>5,451,158</u>	<u>512,743</u>	<u>698,242</u>	<u>6,662,143</u>
Fund balances (deficits)				
Nonspendable	-	-	482	482
Restricted	-	48,762	1,677,384	1,726,146
Committed	-	1,611,933	1,197,379	2,809,312
Assigned	984,730	1,716,253	98,421	2,799,404
Unassigned	7,231,697	-	(305,359)	6,926,338
Total Fund Balances	<u>8,216,427</u>	<u>3,376,948</u>	<u>2,668,307</u>	<u>14,261,682</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$20,578,147</u>	<u>\$4,824,517</u>	<u>\$ 4,570,852</u>	<u>\$ 29,973,516</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, 2017

Fund Balances - Total Governmental Funds	\$ 14,261,682
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.	95,068,678
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.	3,317,529
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	(1,521,904)
Deferred charge on refunding bond	720,360
Other long-term assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,433,368
Deferred outflows - Contributions after the measurement date	96,336
Deferred outflows - Differences between expected and actual experience	254,526
Deferred outflows - Net difference between projected and actual earnings	518,473
Deferred outflows - change in proportion	11,855
Deferred inflows - Net difference between projected and actual earnings	(107,655)
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	(20,470,000)
Capital lease	(581,745)
Compensated absences	(420,211)
Pension obligations	(1,136,763)
OPEB obligations	(5,399,038)
Accrued interest	(164,693)
	<u>\$ 85,880,798</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, 2017

	General Fund	Capital Non Recurring Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$45,541,688	\$ -	\$ -	\$45,541,688
Intergovernmental	13,154,176	121,546	784,100	14,059,822
Interest income	215,853	20,731	4,117	240,701
Charges for services	1,102,680	-	1,059,600	2,162,280
Other revenues	1,301,381	718,656	143,082	2,163,119
Total Revenues	<u>61,315,778</u>	<u>860,933</u>	<u>1,990,899</u>	<u>64,167,610</u>
EXPENDITURES				
Current				
General government	3,283,843	-	69,576	3,353,419
Public safety	3,034,285	-	3,608	3,037,893
Public works	2,222,795	-	18,935	2,241,730
Health and welfare	484,576	-	54,899	539,475
Culture and recreation	1,069,129	-	31,893	1,101,022
Health insurance	6,160,641	-	-	6,160,641
Education	40,499,752	-	1,550,991	42,050,743
Debt service				
Principal	1,990,000	-	-	1,990,000
Interest	685,904	-	-	685,904
Bond issuance costs	122,038	-	-	122,038
Capital outlay	<u>589,748</u>	<u>649,596</u>	<u>706,437</u>	<u>1,945,781</u>
Total Expenditures	<u>60,142,711</u>	<u>649,596</u>	<u>2,436,339</u>	<u>63,228,646</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,173,067</u>	<u>211,337</u>	<u>(445,440)</u>	<u>938,964</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,180,472	829,404	2,009,876
Transfers out	(810,853)	(685,254)	(513,769)	(2,009,876)
Refunding bonds issued	7,755,000	-	-	7,755,000
Proceeds from capital lease	589,748	-	-	589,748
Premium on financing	657,279	-	-	657,279
Payment to refunded bond escrow agent	<u>(8,290,241)</u>	<u>-</u>	<u>-</u>	<u>(8,290,241)</u>
Total Other Financing Sources (Uses)	<u>(99,067)</u>	<u>495,218</u>	<u>315,635</u>	<u>711,786</u>
Net Change in Fund Balances	1,074,000	706,555	(129,805)	1,650,750
Fund Balances - Beginning of Year	<u>7,142,427</u>	<u>2,670,393</u>	<u>2,798,112</u>	<u>12,610,932</u>
Fund Balances - End of Year	<u>\$ 8,216,427</u>	<u>\$ 3,376,948</u>	<u>\$ 2,668,307</u>	<u>\$ 14,261,682</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, 2017

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

Net Change in Fund Balances - Total Governmental Funds	\$ 1,650,750
<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	1,883,833
Depreciation expense	<u>(3,090,355)</u>
	<u>(1,206,522)</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	(274,305)
Revenues in the Education Grants Fund	(37,083)
Revenues in the Miscellaneous Grants Fund	<u>(6,110)</u>
	<u>(317,498)</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 refunding bonds	(7,755,000)
Proceeds from long-term debt - capital leases	(589,748)
Premium on issuance of long-term debt	(657,279)
Principal payments on long-term debt	1,998,003
Payment to refunded bond escrow agent	8,290,241
Amortization of loss on refunding bonds, issuance premium and issuance costs	4,713
	<u>1,290,930</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	113,665
Compensated absences	38,464
Pension and other post employment benefits asset/liability	(179,222)
Pension liability and related deferred inflows and outflows	<u>53,341</u>
	<u>26,248</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>383,738</u>
Change in Net Position of Governmental Activities	<u>\$ 1,827,646</u>

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

Statement of Net Position
 Proprietary Funds
 June 30, 2017

	<u>Internal Service Fund Medical Fund</u>
ASSETS	
Current Assets	
Cash and equivalents	\$ 712,945
Receivables	
Accounts, net	86,145
Due from other funds	<u>3,161,505</u>
Total Current Assets	<u>3,960,595</u>
LIABILITIES	
Current Liabilities	
Accounts payable	642,766
Due to other funds	<u>300</u>
Total Current Liabilities	<u>643,066</u>
NET POSITION	
Unrestricted	<u>\$ 3,317,529</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, 2017

	<u>Internal Service Fund Medical Fund</u>
Operating Revenues	
Premiums	<u>\$ 7,412,498</u>
Operating Expenses	
Administration and insurance	1,606,609
Claims incurred	<u>5,422,151</u>
Total Operating Expenses	<u>7,028,760</u>
Income from Operations	383,738
Net Position - Beginning of Year	<u>2,933,791</u>
Net Position - End of Year	<u>\$ 3,317,529</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, 2017

	<u>Internal Service Fund Medical Fund</u>
Cash Flows From Operating Activities	
Cash received from customers and users	\$ 7,389,498
Cash payments to employees	(1,488,858)
Cash payments for benefits and claims	(5,422,151)
Advance payment on subsequent year benefits	<u>594,150</u>
Net Cash From Operating Activities	1,072,639
Cash Flows From Non-Capital Financing Activities	
Advances from other funds	<u>(469,419)</u>
Net Decrease in Cash and Equivalents	603,220
Cash and Equivalents - Beginning of Year	<u>109,725</u>
Cash and Equivalents - End of Year	<u>\$ 712,945</u>
Reconciliation of Income from Operations to Net Cash From Operating Activities	
Income from operations	\$ 383,738
Adjustments to reconcile income from operations to net cash from operating activities	
Changes in operating assets and liabilities	
Accounts receivable	(23,000)
Prepaid expenses	594,150
Accounts payable	<u>117,751</u>
Net Cash From Operating Activities	<u>\$ 1,072,639</u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2017

	<u>Pension/ OPEB</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ -	\$ 539,425
Investments, at fair value		
Certificates of deposit	-	97,939
Mutual funds - equity	11,001,064	-
Mutual funds - money market	257,261	-
Mutual funds - bonds	7,302,153	-
	<u>18,560,478</u>	<u>97,939</u>
Employer contributions receivable	<u>160,140</u>	<u>-</u>
	<u>18,720,618</u>	<u>637,364</u>
Total Assets		
LIABILITIES		
Due to others	<u>-</u>	<u>\$ 637,364</u>
NET POSITION		
Restricted for pension/OPEB benefits	<u>\$ 18,720,618</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, 2017

	<u>Pension/ OPEB Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 901,601
Investment income	
Net change in fair value of investments	858,975
Interest and dividends	<u>892,398</u>
Total Additions	<u>2,652,974</u>
DEDUCTIONS	
Pension benefits	326,645
Administrative fees	<u>98,830</u>
Total Deductions	<u>425,475</u>
Change in Net Position	2,227,499
Net Position - Beginning of Year	<u>16,493,119</u>
Net Position - End of Year	<u>\$ 18,720,618</u>

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

Town of New Fairfield, Connecticut

Notes to Financial Statements
June 30, 2017

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, 2017

1. Summary of Significant Accounting Policies (Continued)

- b. Proprietary Funds - Proprietary funds consist of an internal service fund. internal service funds are used to account for those operations that provide services to the Town. The internal service fund accounts 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 defined benefit pension plans and the other post-employment benefit ("OPEB") 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.

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

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 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.

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

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.

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.

Foreign Currency Risk - Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk. Currently, the Town only invests in mutual funds that hold non-US equity stocks. These investments are stated in US dollars.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

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.

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.

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, 2017, 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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

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

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

The Town reports deferred outflows and inflows of resources related to pensions and other post-employment benefits in the government-wide statement of net position. A deferred outflow or inflow of resources related to pension results from differences between expected and actual experience, the net difference between projected and actual earnings, and a change in assumptions. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension or OPEB plan (active employees and inactive employees).

Deferred outflows of resources also include deferred outflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Finally, deferred inflows of resources 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.

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).

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.

1. Summary of Significant Accounting Policies (Continued)

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

- Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund). 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.
- Fund balances are to be reported as restricted 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 balances in all funds except the general fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.
- 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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policy – The board of finance shall propose annual budgets that provide for first accumulating and thereafter maintaining an unassigned fund balance of not less than two months (16.67%) of total operating expenditures. Certain circumstances may justify significantly higher minimum target levels. Annually, the Board of Finance shall monitor and modify the minimum fund balance requirements

To accumulate the minimum balance, 100% of the annual budget revenue surplus and up to 50% of the annual budget expenditure surplus shall be transferred to the unassigned fund balance until the minimum level of two months expenditures (16.67%) is met. Thereafter, transfers from the annual budget surplus shall be made in amounts sufficient to maintain at least the minimum level. In the event the unassigned fund balance becomes greater than two months (16.67%), the excess may be used for purposes described in the policy.

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 December 11, 2017.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 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:

- **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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

2. Stewardship, Compliance and Accountability (Continued)

C. Budget Control

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

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

D. Additions to the Budget

During the year no additional appropriations were made.

E. Fund Deficit

The following funds had deficit unassigned fund balances at year end:

	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	186,137	186,137	-

F. Application of Accounting Standards

The Town implemented a new accounting standard which resulted in additional disclosures and adjustments to the beginning net position:

- GASB Statement 75 – *Accounting and Financial Reporting for Postemployment Benefits (“OPEB”) Other than Pensions* – This statement established 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 and applies to all governments whose employees are provided with OPEB.

This implementation increased the net OPEB liability by \$4,687,954 and, as a result, the beginning net position decreased by the same amount. This is discussed further in Note 13.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

3. Cash, Equivalents and Investments

Cash, equivalents and investments of the Town consist of the following at year end:

Statement of Net Assets	
Cash and equivalents	\$ 13,790,318
Investments	<u>10,774,647</u>
	<u>24,564,965</u>
Fiduciary Funds	
Cash and equivalents	712,945
Investments - Pension/OPEB Trust Funds	18,560,478
Investments - Agency Funds	<u>97,939</u>
	<u>19,371,362</u>
Total Cash and Investments	<u><u>\$ 43,936,327</u></u>

Cash and Equivalents - The carrying amount of the deposits with financial institutions was:

Cash and Cash Equivalents	
Deposits with financial institutions	\$ 25,217,229
Plus external investment pools	154,607
Less Certificates of deposits (in investments)	<u>(10,868,573)</u>
	<u><u>\$ 14,503,263</u></u>

The bank balance of the deposits, \$25,624,040, was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 3,065,156
Uninsured and uncollateralized	<u>22,558,884</u>
	<u><u>\$ 25,624,040</u></u>

Investments – Investments reported in Governmental Funds:

	General Fund	Other Governmental Funds	Total Investments
Certificates of deposit	<u>\$ 10,685,058</u>	<u>\$ 89,589</u>	<u>\$ 10,774,647</u>

Investments reported in Fiduciary Funds:

	Student Activity	Pension/OPEB Trust Funds	Total Investments
Certificates of deposit	\$ 97,939	\$ -	\$ 97,939
Mutual funds - equity	-	11,001,064	11,001,064
Mutual funds - money market	-	257,261	257,261
Mutual funds - bonds	-	7,302,153	7,302,153
	<u>\$ 97,939</u>	<u>\$ 18,560,478</u>	<u>\$ 18,658,417</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

3. Detailed Notes on All Funds (Continued)

Below is a summary of the interest rate risk and credit risk as of June 30, 2017:

Type of Investment	Average Credit Rating	Total	Investment Maturities (in Years)		
			Less Than 1 Year	1-5 Years	Over 5 Years
Certificates of deposit	*	\$ 10,872,585	\$ 83,974	\$ 10,788,611	\$ -
Mutual funds - equity	NA	11,001,064	11,001,064	-	-
Mutual funds - money market	NA	257,261	257,261	-	-
Mutual funds - bonds	A+	7,302,153	-	337,320	6,964,833
Total		<u>\$ 29,433,063</u>	<u>\$ 11,342,299</u>	<u>\$ 11,125,931</u>	<u>\$ 6,964,833</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	\$ 10,872,585	\$ -	\$ -	\$ -	\$ 10,872,585
Mutual funds - equity	-	11,001,064	-	-	11,001,064
Mutual funds - money market	-	257,261	-	-	257,261
Mutual funds - bonds	-	7,302,153	-	-	7,302,153
Total	<u>\$ 10,872,585</u>	<u>\$ 18,560,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,433,063</u>

4. Receivables, Deferred Revenue and Unearned Revenue

Receivables - The loans receivable of \$1,397,509 are not expected to be collected within one year.

Revenues Not Available – 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	\$ 552,430	\$ -	\$ -
Property taxes - collected in advance	4,793,032	-	-
Grant revenue	105,696	77,000	698,242
Other	121,362	-	-
	<u>\$ 5,572,520</u>	<u>\$ 77,000</u>	<u>\$ 698,242</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

4. Receivables, Deferred Revenue and Unearned Revenue (Continued)

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 \$564,944 were reported as *unearned revenue*.

5. 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. These are summarized as follows:

Receivable fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 455,191
Capital Non Recurring Fund	General Fund	914,435
Capital Non Recurring Fund	Other Governmental Funds	28,657
Other Governmental Funds	General Fund	782,359
Other Governmental Funds	Capital Non Recurring Fund	830,718
Other Governmental Funds	Other Governmental Funds	4,648
Other Governmental Funds	Internal Service Fund	300
Internal Service Fund	General Fund	3,161,505
		<u>\$ 6,177,813</u>

Fund transfers, used to fund special projects with general fund revenues, were as follows:

	Transfers into:		
	Capital Nonrecurring Fund	Other Governmental Funds	Total
Transfers out of:			
General Fund	\$ 810,853	\$ -	\$ 810,853
Capital Non Recurring Fund	-	685,254	685,254
Other governmental funds	369,619	144,150	513,769
	<u>\$ 1,180,472</u>	<u>\$ 829,404</u>	<u>\$ 2,009,876</u>

6. Capital Assets

Changes in capital assets are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 6,481,576	\$ -	\$ -	\$ 6,481,576
Construction in progress	1,246,811	196,541	(421,245)	1,022,107
	<u>7,728,387</u>	<u>196,541</u>	<u>(421,245)</u>	<u>7,503,683</u>
Capital assets being depreciated				
Land improvements	13,067,669	180,819	-	13,248,488
Buildings and systems	76,107,654	530,512	(136,210)	76,501,956
Machinery and equipment	9,229,338	1,397,206	(533,767)	10,092,777
Software	179,726	-	(18,000)	161,726
Infrastructure	44,368,464	-	-	44,368,464
	<u>142,952,851</u>	<u>2,108,537</u>	<u>(687,977)</u>	<u>144,373,411</u>
Less accumulated depreciation	(54,406,038)	(3,090,355)	687,977	(56,808,416)
Capital assets being depreciated, net	<u>88,546,813</u>	<u>(981,818)</u>	<u>-</u>	<u>87,564,995</u>
	<u>\$ 96,275,200</u>	<u>\$ (785,277)</u>	<u>\$ (421,245)</u>	<u>\$ 95,068,678</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

6. Capital Assets (Continued)

Depreciation and amortization expense was charged to functions/programs as follows:

General Government	\$ 53,690
Public Safety	461,250
Public Works	645,459
Health and Welfare	231,531
Culture and Recreation	3,217
Education	1,695,208
	<u>\$ 3,090,355</u>

7. Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 22,745,000	\$ 7,755,000	\$ (10,030,000)	\$ 20,470,000	\$ 1,845,000
Premiums on bonds	874,955	657,279	(10,330)	1,521,904	163,141
Capital leases	-	589,748	(8,003)	581,745	98,143
Compensated absences	458,765	10,922	(49,476)	420,211	21,011
	<u>\$ 24,078,720</u>	<u>\$ 9,012,949</u>	<u>\$ (10,097,809)</u>	<u>\$ 22,993,860</u>	<u>\$ 2,127,295</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 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 %	\$ 105,000
Refunding General Purpose	1999	3,990,000	2019	3.4 / 4.95	95,000
School Bonds	1999	5,095,000	2019	4.25 / 6.25	795,000
School Bonds	2011	12,000,000	2030	2.0 / 4.0	454,000
General Purpose	2010	2,075,000	2030	2.0 / 4.0	76,000
School Bonds	2010	12,000,000	2030	2.25 / 4.12	1,330,000
Refunding School Bonds	2015	1,701,000	2021	4.0 / 4.125	1,004,000
Refunding General Purpose	2015	229,000	2021	4.0 / 4.125	136,000
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
Refunding School Bonds	2017	6,639,000	2031	2.0 / 4.0	6,639,000
Refunding General Purpose	2017	1,116,000	2031	2.0 / 4.0	1,116,000
					<u>\$ 20,470,000</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

7. Long-Term Liabilities (Continued)

Payments to maturity on the general obligation bonds are as follows:

Year End	General Obligation Bonds		Year End	General Obligation Bonds	
	Principal	Interest		Principal	Interest
2018	\$ 1,845,000	\$ 577,133	2026	\$ 1,435,000	\$ 219,950
2019	1,825,000	619,607	2027	1,450,000	169,500
2020	1,730,000	552,125	2028	1,425,000	126,375
2021	1,565,000	484,900	2029	1,425,000	83,625
2022	1,395,000	425,700	2030	1,405,000	41,175
2023	1,440,000	376,650	2031	670,000	10,050
2024	1,435,000	330,575		<u>\$ 20,470,000</u>	<u>\$ 4,294,515</u>
2025	1,425,000	277,150			

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 bonds are considered partially defeased and the liability for those serial bonds has been removed from the statement of net position.

Purpose	Refunding	School/General
Range of Interest Rates		
Face Value of Debt	\$ 7,755,000	\$ 8,040,000
Net Original Issue Premium, Amortizing (1)	657,279	NA
Underwriting Fees	(122,038)	NA
Net Proceeds	<u>\$ 8,290,241</u>	NA
Deferred Charge on Refunding, Amortizing (2)		250,241
Deposit to Escrow Deposit Fund		<u>\$ 8,290,241</u>

Savings on Refunding

Reduction in Debt Service Payments	\$ 436,189
Net Present Value of Economic Gain	\$ 419,527

- (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 year end, \$17,030,000 of bonds outstanding are considered defeased.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

7. Long-Term Liabilities (Continued)

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 are as follows:

Total tax collections (including interest and lien fees) for the year - primary government					\$ 42,614,847
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)					92,375
Debt limitation base					<u>\$ 42,707,222</u>
	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 96,091,250	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	192,182,499	-	-	-
3 3/4 times base	-	-	160,152,083	-	-
3 1/4 times base	-	-	-	138,798,472	-
3 times base	-	-	-	-	128,121,666
Total debt limitation	<u>96,091,250</u>	<u>192,182,499</u>	<u>160,152,083</u>	<u>138,798,472</u>	<u>128,121,666</u>
Indebtedness					
Bonds payable	<u>2,286,000</u>	<u>18,184,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$ 93,805,250</u>	<u>\$ 173,998,499</u>	<u>\$ 160,152,083</u>	<u>\$ 138,798,472</u>	<u>\$ 128,121,666</u>
In no case shall total indebtedness exceed seven times the annual receipts from taxation					<u>\$ 298,950,554</u>

Capital Lease Payable - The Town has entered into a lease agreement to finance the acquisition of equipment. The equipment is included in the capital assets with a cost of \$589,749 and accumulated depreciation of \$0. This lease qualifies as a capital lease for accounting purposes. The Town's capital lease obligation is as follows:

2018	\$ 119,645
2019	119,645
2020	119,645
2021	119,645
2022	119,645
2023	49,852
	<u>648,077</u>
Less the amount representing interest	<u>(66,361)</u>
Present value of future minimum lease payments	<u>\$ 581,716</u>

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

8. Restricted Net Position

Non-Expendable – A total of \$482 was restricted for the Sons of New Fairfield for the library.

Expendable – This is made up of:

General Government	\$ 1,659,935
Education	45,898
Public Safety	2,827
Culture and Recreation	17,486
	<u>\$ 1,726,146</u>

9. Fund Balances

The specific purposes for each fund classification are summarized below:

	General Fund	Capital Non Recurring Fund	Other Governmental Funds
Nonspendable			
Required to be maintained			
Trust principal	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 482</u>
Restricted			
General Government	\$ -	\$ 48,762	\$ 1,611,173
Education	-	-	45,898
Public Safety	-	-	2,827
Culture and Recreation	-	-	17,486
	<u>\$ -</u>	<u>\$ 48,762</u>	<u>\$ 1,677,384</u>
Committed			
General Government	\$ -	\$ -	\$ 46,912
Public Works	-	-	112,999
Culture and Recreation	-	-	23,673
Capital Projects	-	1,611,933	1,013,795
	<u>\$ -</u>	<u>\$ 1,611,933</u>	<u>\$ 1,197,379</u>
Assigned			
General Government	\$ 729,793	\$ -	\$ -
Education	254,937	-	81,117
Public Safety	-	-	17,304
Capital Projects	-	1,716,253	-
	<u>\$ 984,730</u>	<u>\$ 1,716,253</u>	<u>\$ 98,421</u>

10. 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 of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

10. The Funded Retirement Plan of the Town of New Fairfield, Connecticut (Continued)

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 \$448,710.

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 \$443,456.

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

	Town	Board of Education
Retirees and beneficiaries receiving benefits	20	21
Terminated employees entitled to benefits, but not yet receiving them	25	49
Active members	42	116
	<u>87</u>	<u>186</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.

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

Plan Fiduciary Net Position – The plan's fiduciary net position displays the net position, held in trust, to pay pension benefits as follows:

	Town	Board of Education
Investments, at fair value		
Mutual funds - equity	\$ 5,358,282	\$ 4,048,820
Mutual funds - money market	75,706	46,792
Mutual funds - bonds	<u>2,612,676</u>	<u>3,676,834</u>
	8,046,664	7,772,446
Employer contributions receivable	-	160,140
Total Assets	<u>\$ 8,046,664</u>	<u>\$ 7,932,586</u>

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	50.00%	2.66%
Broad US Equities	Wilshire 5000 / Russell 3000	30.00%	5.15%
Developed Foreign Equities	MSCI EAFE NR	20.00%	5.88%

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

10. The Funded Retirement Plan of the Town of New Fairfield, Connecticut (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, 2017 was:

Town	11.64%
Board of Education	8.80%

Net Pension Liability - The components of the net pension liability are as follows:

	Town	Board of Education
Pension liability	\$ 8,866,352	\$ 7,874,816
Plan fiduciary net position	8,046,664	7,772,446
Net pension liability	<u>\$ 819,688</u>	<u>\$ 102,370</u>
Plan fiduciary net position as a percentage of total pension liability	90.76%	98.70%

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

	Town	Board of Education
Total Pension Liability		
Service cost	\$ 240,804	\$ 260,859
Interest on total pension liability	569,692	456,879
Effect of economic/demographic gains (losses)	(54,626)	180,147
Benefit payments	(174,327)	(142,399)
Net change in total pension liability	581,543	755,486
Total pension liability, beginning	8,284,809	7,119,330
Total pension liability, ending	<u>\$ 8,866,352</u>	<u>\$ 7,874,816</u>
Fiduciary Net Position		
Employer contributions	\$ 331,000	\$ 282,644
Investment income net of investment expenses	839,279	628,852
Benefit payments	(174,327)	(142,399)
Administrative expenses	(25,295)	(28,456)
Net change in plan fiduciary net position	970,657	740,641
Fiduciary net position, beginning	7,076,007	7,031,805
Fiduciary net position, ending	<u>\$ 8,046,664</u>	<u>\$ 7,772,446</u>
Change in net pension liability	\$ (389,114)	\$ 14,845
Net pension liability, beginning	1,208,802	87,525
Net pension liability, ending	<u>\$ 819,688</u>	<u>\$ 102,370</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

10. The Funded Retirement Plan of the Town of New Fairfield, Connecticut (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	\$ 2,017,902	\$ 819,688	\$ (198,708)
Net Pension Liability - Board of Education	\$ 1,236,174	\$ 102,370	\$ (621,237)

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

	Town	Board of Education
2018	\$ 89,804	\$ 145,619
2019	84,540	145,621
2020	19,678	71,406
2021	(72,762)	(20,774)
	<u>\$ 121,260</u>	<u>\$ 341,872</u>

Actuarial Methods and Significant Assumptions - The following actuarial methods and assumptions were used in the July 1, 2016 valuation and projected forward to June 30, 2017 (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 07/01/16	21 years
Amortization growth rate	3.50%
Asset valuation method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary increases	Varies by age
Investment rate of return	6.75%
Cost of living adjustment	None
Retirement age	Varies by age
Turnover	Vaughn Select and Ultimate Table
Pre-retirement mortality	None
Post-retirement mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with general projection per Scale AA

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2017

11. Teachers' 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 TRS is administered by the teachers' retirement board. The plan does not issue a separate financial statement.

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. TRS 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 statutes require the State of Connecticut contribute 100% of each school districts' required contribution. 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.

11. Teacher's Retirement System (Continued)

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

The Town is not required to make contributions to the plan. 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, 2016 (the Valuation Date and Measurement Date) for use in the June 30, 2017 financial statements (Reporting Date):

Experience study dates	July 1, 2005 - June 30, 2010
Inflation	2.75%
Salary increases	3.25 to 6.5%, including inflation
Investment rate of return	8.00%, net of investment related expense, including inflation
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 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	RPH-2014 White Collar Mortality Table projected to 2020

Changes in Assumptions – 1. Reduce the inflation assumption from 3.00% to 2.75%; 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption rate of return assumption from 8.50% to 8.00%; 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%; 4. Slightly modify the merit portion of the salary scale; 5. Reduce the payroll growth assumption from 3.75% to 3.25%; 6. Update mortality tables to projected versions of the RPH-2014 mortality tables; 7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8. Increase rate of withdrawal; 9. Decrease rates of disability for males.

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, 2017

11. Teacher's Retirement System (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large cap U.S. equities	21.00%	5.80%
Developed non-U.S. equities	18.00%	6.60%
Emerging markets (non-U.S.)	9.00%	8.30%
Real estate	7.00%	5.10%
Private equity	11.00%	7.60%
Alternative investments	8.00%	4.10%
Core fixed income	7.00%	1.30%
High yield bonds	5.00%	3.90%
Emerging market bond	5.00%	3.70%
Inflation liked bond fund	3.00%	1.00%
Cash	6.00%	0.40%
Total	100.00%	

Town's Proportionate Share of the Collective Net Pension Liability – Connecticut school teachers participate in the TRS pursuant to section 10-183b et seq. of the Connecticut General Statutes (the "Teachers' Retirement Act"). The teachers' retirement act governs the pension benefits and eligibility of the active and retired teachers of the New Fairfield public schools. The teachers' retirement act requires the Connecticut general assembly, not any town, city or local school district, to appropriate the funds necessary to pay the pension benefits due to retirees under the system, including retired teachers of the New Fairfield Public schools.

Section 10-183c of the Connecticut general statutes provides that the retirement benefits of teachers who have vested under the TRS are contractual in nature and may not be diminished by act of the general assembly. Accordingly, funding the pension benefits of retired teachers of the New Fairfield public schools is a statutory and contractual obligation of the State government, not an obligation of the Town of New Fairfield. See further discussion in Note 18.

Town of New Fairfield's Net Pension Liability	\$	-
State of Connecticut's Net Pension Liability for the Town of New Fairfield		69,422,450
Net Pension Liability		\$ 69,422,450
Portion of the State of Connecticut's Net Pension Liability which is related to the Town of New Fairfield employees		0.487344%
Deferred outflows of resources		
Net difference projected and actual earnings on investments	\$	13,518,921
Pension expense	\$	7,570,768
Proportion Basis		Employee contributions

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

2017	\$	2,482,603
2018		2,482,613
2019		3,526,343
2020		2,647,418
2021		1,314,888
2022		1,065,054
		\$ 13,518,921

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

11. Teacher's Retirement System (Continued)

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:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability (Asset)	<u>\$ 85,647,779</u>	<u>\$ 69,422,450</u>	<u>\$ 55,706,397</u>

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

Support Provided by Non-employer Contributing Entities – The Town has a special funding situation whereby the State is obligated to pay the pension costs of the TRS and the Town is not required to pay any of the costs. However, the Town must record the costs paid by the State on behalf of the Town's employees as revenue and expense in its GAAP financial statements which amounted to \$7,570,768 as revenue and expense.

Obtaining a Report of the Plan – TRS 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.

12. 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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

12. Connecticut Municipal Employee's Retirement System (Continued)

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.
- 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, 2017 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, 2017 was \$89,597.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

12. Connecticut Municipal Employee's Retirement System (Continued)

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, 2016 (the Valuation Date and Measurement Date) for use in the June 30, 2017 financial statements (Reporting Date):

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.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

12. Connecticut Municipal Employee’s Retirement System (Continued)

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:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability (Asset)	\$ 932,222	\$ 581,330	\$ 289,044

Town of New Fairfield, Connecticut’s Proportionate Share

Net Pension Liability	\$ 581,330
Net Pension Liability percentage of the total	1.243463%
Deferred outflows of resources	
Contributions subsequent to the Measurement Date	96,336
Net difference projected and actual earnings on investments	153,410
Net difference projected and actual experience	48,602
Change in proportional share	11,855
Pension expense	122,287
Proportion Basis	Reported Payroll
Change in proportion since prior measurement date	None

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

12. Connecticut Municipal Employee's Retirement System (Continued)

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:

	Investment Earnings	Experience	Proportional Share	Total
2017	\$ 33,431	\$ 12,494	\$ 3,047	\$ 48,972
2018	33,431	12,494	3,047	48,972
2019	54,930	12,494	3,047	70,471
2020	31,618	11,120	2,714	45,452
	<u>\$ 153,410</u>	<u>\$ 48,602</u>	<u>\$ 11,855</u>	<u>\$ 213,867</u>

13. 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.

Changes in Reporting – As discussed in note 2F, the Town implemented GASB 74/75 this year. The objective of these statements are to improve the usefulness of information about post-employment benefits other than pensions included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Plan Description - The Town is the administrator of a single-employer defined benefit plan established and administered by the Town to provide post-employment benefits, other than pensions, for certain employees and retirees. The plan 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. A separate stand-alone financial report is not issued. Benefits may be changed by the town council through union agreements or other action of the council.

Plan Benefits and Contribution Rates - New Fairfield's plan provides for medical benefits for certain retired employees and all retired teachers. The State statutes require that retired teachers be covered under the Town's plan until the teacher is eligible to obtain benefits under the State plan. The employees and TRS pays 100% of the benefit. The Town does not pay any benefits.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

13. Other Post-Employment Benefits (“OPEB”) (Continued)

Plan Membership – As of the date of the latest actuarial valuation, July 1, 2015, membership consisted of the following:

Active members	234
Retirees and beneficiaries receiving benefits	19
	<u>253</u>

The board of finance serves as the OPEB board and has delegated certain administrative activities and oversight to the first selectman pursuant to a declaration of trust.

Funding Policy – Funding is based on the actuarial determined employer contribution (“ADEC”).

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

Plan Fiduciary Net Position – The plan’s fiduciary net position displays the net position, held in trust, to pay OPEB benefits as follows:

Investments, at fair value	
Mutual funds - equity	\$ 1,593,962
Mutual funds - money market	134,763
Mutual funds - bonds	<u>1,012,643</u>
	<u>\$ 2,741,368</u>

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 of finance’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
US Core Fixed Income	Barclays Aggregate	40.00%	2.52%
US Equity Market	Russell 3000	30.00%	3.81%
Non-US Equity	MSCI ACWI xUS NR	25.00%	4.59%
US REITs	FTSE NAREIT Equity REIT	5.00%	3.28%
Assumed inflation - mean			2.50%
Assumed inflation - standard deviation			1.89%
Long-Term Expected Rate of Return			7.00%

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

13. Other Post-Employment Benefits (“OPEB”) (Continued)

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the cash flow of the changing amounts actually invested during the period and weighs the amount of OPEB plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly 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 rate of return for the year ended June 30, 2017 10.03%

Net OPEB Liability

The components of the net OPEB liability of the Town as of June 30, 2017 were as follows:

OPEB liability	\$ 8,140,406
Plan fiduciary net position	<u>2,741,368</u>
Net OPEB liability	<u>\$ 5,399,038</u>
Plan fiduciary net position as a percentage of total OPEB liability	33.68%

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

Total OPEB Liability	
Service cost	\$ 156,832
Interest on total OPEB liability	541,926
Benefit payments	<u>(281,859)</u>
Net change in total OPEB liability	416,899
Total OPEB liability, beginning	<u>7,723,507</u>
Total OPEB liability, ending	<u>\$ 8,140,406</u>
Fiduciary Net Position	
Employer contributions	\$ 569,816
Investment income net of investment expenses	243,849
Benefit payments	<u>(281,859)</u>
Administrative expenses	<u>(15,607)</u>
Net change in plan fiduciary net position	516,199
Fiduciary net position, beginning	<u>2,225,169</u>
Fiduciary net position, ending	<u>\$ 2,741,368</u>
Change in net OPEB liability	\$ (99,300)
Net OPEB liability, beginning	<u>5,498,338</u>
Net OPEB liability, ending	<u>\$ 5,399,038</u>

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

13. Other Post-Employment Benefits (“OPEB”) (Continued)

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the July 1, 2015 valuation and projected forward to a measurement date of June 30, 2017:

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 cost method for the OPEB liability Projected unit credit for the funding valuation
Amortization method	
Level percent or level dollar	Level percent
Closed, open or layered	Closed periods
Amortization period at 07/01/15	23
Asset valuation method	Market Value
Inflation	2.50%
Medical trend rate	5.60% - 4.60% over 62 years
Investment rate of return	7.00%
Retirement age	Varies by age
Pre-retirement mortality	None
Mortality	RP-2000 Mortality for Employees, Healthy Annuitants, and Disabled Annuitants with general projection per Scale AA

Sensitivity Analysis - The following presents the total OPEB liability of the Town, calculated using the current discount rate, as well as what the Town’s OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net OPEB Liability	\$ 6,390,237	\$ 5,399,038	\$ 4,559,313

The following presents the total OPEB liability of the Town, calculated using the current healthcare cost trend rates, as well as what the Town’s OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	\$ 4,352,673	\$ 5,399,038	\$ 6,651,899

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

13. Other Post-Employment Benefits (“OPEB”) (Continued)

Changes in the Plan and the Plan Assumptions – Other than to adopt the new standards, there were no changes to the plan.

OPEB Expense – The total OPEB expense recognized for the year was \$172,439. OPEB expense for the next eight years will be affected by the following deferred outflows and inflows of resources:

	Town	Board of Education
2018	\$ 89,804	\$ 145,619
2019	84,540	145,621
2020	19,678	71,406
2021	(72,762)	(20,774)
	<u>\$ 121,260</u>	<u>\$ 341,872</u>

14. Risk Management

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

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

The Board of Education self-insures its employees for medical and dental claims through the aggregate use of an internal service fund. Maximum liability to the Board of Education per covered participant is \$250,000 and an aggregate stop loss of 120% of the projected premiums. The Board of Education retains an insurance policy for employee claims in excess of these limits. A third party administers the plan for which the Board of Education pays an administrative fee. The plan is funded monthly by employer 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
2015	\$ 455,000	\$ 5,719,697	\$ (5,759,697)	\$ 415,000
2016	415,000	5,454,856	(5,456,856)	413,000
2017	415,000	5,422,151	(5,400,151)	437,000

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

14. Risk Management (Continued)

The Internal Service Fund is substantially funded by the Town's General Fund based on estimates for the number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration. The claims liability, reported in the Internal Service Fund at June 30, 2017, is based on the requirements 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.

15. 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.

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. 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.

16. State of Connecticut Information and Restrictions

State's Financial Condition – The State's bond rating has decreased to AA- and its outlook for the future has been changed from stable to negative. This reflects increasing constraints on Connecticut achieving long-term structural balance according to the rating agency Standard and Poor's Global Ratings. This has caused approximately one-third of Connecticut cities and towns' bond ratings to drop or their outlook for the future to be changed from stable to negative. In the current year, the Town of New Fairfield received \$6,657,769 in payments from the State's budget plus the State paid \$7,570,768 on behalf of the Town for teachers' retirement benefits. These payments may be greatly or totally reduced in subsequent years. In addition, the Town may be required to pay additional costs charged by the State.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)
June 30, 2017

16. State of Connecticut Information and Restrictions (Continued)

As discussed in note 13 and above, the Town participates in a cost-sharing multiple employer public employee retirement system with the State of Connecticut ("Plan") covering teachers' retirement benefits. Currently the plan is funded solely by the State. During Connecticut budget negotiations, various proposals were made to share the costs of the Plan. Generally the net pension liability in a cost sharing plan is allocated based on same allocation as the costs are allocated. The pension liability for teachers' in New Fairfield, currently reported 100% as a State of Connecticut liability, is \$69,422,450. This figure represents New Fairfield's share of the \$14,245,051,000 liability the State reports for all teachers in the plan.

Motor Vehicle Tax Cap – Beginning in fiscal year 2017, the State of Connecticut capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2018 will be 39 mills. The rate cap in fiscal year 2019 and thereafter will be 46 mills. Towns with mill rates above these thresholds are currently scheduled to be reimbursed for lost revenue.

17. GASB Pronouncements Issued, But Not yet Effective

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 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 statement to have a significant impact on the Town.
- GASB Statement 83 – *Certain Asset Retirement Obligations* – This statement addresses accounting and financial reporting for certain asset retirement obligations ("ARO"). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The statement is effective for periods beginning after June 15, 2018. Management does not expect this statement to have a significant impact on the Town.
- GASB Statement 84 – *Fiduciary Activities* – This statement provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported and is effective for periods beginning after December 15, 2018. Management is currently assessing the impact of this standard on the Town.
- GASB Statement 85 – *Omnibus 2017* – This statement addresses practice issues that have been identified during implementation and application of certain GASB statements and is effective for periods beginning after June 15, 2017. Management does not expect this statement to have a significant impact on the Town.
- GASB Statement 86 – *Certain Debt Extinguishment Issues* – The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement is effective for periods beginning after June 15, 2017. Management does not expect this statement to have a significant impact on the Town.

Town of New Fairfield, Connecticut

Notes to Financial Statements (Continued)

June 30, 2017

17. GASB Pronouncements Issued, But Not yet Effective (Continued)

- GASB Statement 87 – *Leases* - This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management is currently assessing the impact of this standard 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, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Taxation Effort					
Property taxes	\$44,882,893	\$ -	\$44,882,893	\$44,903,416	\$ 20,523
Supplemental motor vehicle taxes	350,000	-	350,000	457,224	107,224
Interest and lien fees	170,500	-	170,500	189,499	18,999
	<u>45,403,393</u>	<u>-</u>	<u>45,403,393</u>	<u>45,550,139</u>	<u>146,746</u>
Intergovernmental Revenue					
Town aid	276,641	-	276,641	276,666	25
Aid to elderly relief	90,000	-	90,000	92,375	2,375
Judicial	2,783	-	2,783	2,035	(748)
PILOT - State owned property	128	-	128	127	(1)
Veterans exemption	16,000	-	16,000	20,349	4,349
Public library	1,090	-	1,090	-	(1,090)
Local capital improvement program	80,317	-	80,317	-	(80,317)
Mashantucket Pequot grant	29,199	-	29,199	29,123	(76)
School construction grant	31,921	-	31,921	299,143	267,222
Education cost sharing	4,252,170	-	4,252,170	4,325,815	73,645
Transportation	39,712	-	39,712	-	(39,712)
Special education	225,490	-	225,490	203,023	(22,467)
Municipal aid funding	416,119	-	416,119	289,427	(126,692)
	<u>5,468,626</u>	<u>-</u>	<u>5,468,626</u>	<u>5,550,257</u>	<u>81,631</u>
Licenses and Permits					
Health	27,000	-	27,000	35,950	8,950
Zoning board of appeals	6,000	-	6,000	6,364	364
Zoning	28,000	-	28,000	25,087	(2,913)
Building	150,000	-	150,000	159,084	9,084
Inland wetlands	5,000	-	5,000	7,875	2,875
Public work fees	300	-	300	2,200	1,900
Environmental enforcement	4,500	-	4,500	7,174	2,674
Other licenses and permits	6,000	-	6,000	13,280	7,280
	<u>226,800</u>	<u>-</u>	<u>226,800</u>	<u>258,974</u>	<u>32,174</u>
Local Revenues					
Town ordinance fines	500	-	500	25	(475)
Interest income	200,000	-	200,000	215,853	15,853
Real estate conveyance	175,000	-	175,000	227,526	52,526
Town clerk receipts	100,000	-	100,000	107,855	7,855
Police private duty	20,000	-	20,000	15,531	(4,469)
EMS/ Paramedic billings	225,000	-	225,000	297,249	72,249
Student tuition	562,132	-	562,132	562,058	(74)
Telephone line access	25,000	-	25,000	25,714	714
Senior center recreation fees	28,000	-	28,000	28,221	221
Other local revenue	15,000	-	15,000	44,887	29,887
Sale of equipment	-	-	-	300	300
	<u>1,350,632</u>	<u>-</u>	<u>1,350,632</u>	<u>1,525,219</u>	<u>174,587</u>
Total Revenues	<u>\$52,449,451</u>	<u>\$ -</u>	<u>\$52,449,451</u>	<u>\$52,884,589</u>	<u>\$ 435,138</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
EXPENDITURES- TOWN					
General Government					
Board of selectman	\$ 169,780	\$ (4,000)	\$ 165,780	\$ 155,532	\$ 10,248
Town clerk	157,674	-	157,674	157,290	384
Probate	2,783	-	2,783	2,783	-
Registrars of voters	60,768	-	60,768	52,881	7,887
Finance	244,964	5,531	250,495	250,495	-
Board of finance	90,323	-	90,323	57,062	33,261
Treasurer	12,757	-	12,757	12,557	200
Assessor	165,331	(1,501)	163,830	159,688	4,142
Tax collector	183,470	-	183,470	180,539	2,931
Board of assessment appeal	1,135	-	1,135	590	545
Unclassified payroll & benefits	1,030,870	19,000	1,049,870	1,033,632	16,238
Professional services	123,550	6,239	129,789	129,789	-
Intergovernmental agencies	278,695	(575)	278,120	277,621	499
General insurance	170,000	(6,000)	164,000	163,495	505
Business machines	264,022	(2,000)	262,022	253,395	8,627
Human resources	30,000	(2,425)	27,575	27,471	104
Planning commission	3,007	(1,000)	2,007	557	1,450
Zoning commission	68,636	(1,000)	67,636	61,771	5,865
Zoning board of appeals	9,125	-	9,125	8,689	436
Utilities	353,000	(13,808)	339,192	290,019	49,173
Permanent building committee	2,359	(1,000)	1,359	358	1,001
General land use	10,239	10	10,249	10,249	-
Historical properties commission	250	-	250	-	250
Total general government	3,433,738	(2,529)	3,431,209	3,286,463	144,746
Public Safety and Protection					
Police	1,898,178	-	1,898,178	1,855,375	42,803
Communications center	252,442	-	252,442	251,305	1,137
Fire companies	765,735	-	765,735	765,361	374
Fire marshal	23,108	2,529	25,637	25,637	-
Building inspector	130,790	-	130,790	124,267	6,523
Office of emergency management	25,402	-	25,402	17,720	7,682
Total public safety and protection	3,095,655	2,529	3,098,184	3,039,665	58,519
Public Works					
Highway	2,143,467	-	2,143,467	2,131,868	11,599
Health and Welfare					
Health department	259,691	-	259,691	252,651	7,040
Inland/wetlands	5,494	-	5,494	4,776	718
WPCA	1,452	-	1,452	350	1,102
Social services	66,693	-	66,693	66,232	461
Senior services	160,629	-	160,629	149,598	11,031
Ball pond advisory committee	7,965	-	7,965	7,954	11
Commission on aging	3,630	-	3,630	2,672	958
Total health and welfare	505,554	-	505,554	484,233	21,321
Recreation					
Recreation salaries	56,688	-	56,688	56,208	480
Library	482,825	-	482,825	477,059	5,766
Total recreation	539,513	-	539,513	533,267	6,246

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Debt Service					
Town	\$ 157,450	\$ -	\$ 157,450	\$ 157,450	\$ -
School	<u>2,518,454</u>	<u>-</u>	<u>2,518,454</u>	<u>2,518,454</u>	<u>-</u>
Total debt service	<u>2,675,904</u>	<u>-</u>	<u>2,675,904</u>	<u>2,675,904</u>	<u>-</u>
Capital Nonrecurring	691,853	-	691,853	691,853	-
Health Insurance	<u>6,160,642</u>	<u>-</u>	<u>6,160,642</u>	<u>6,160,641</u>	<u>1</u>
TOTAL TOWN EXPENDITURES	<u>19,246,326</u>	<u>-</u>	<u>10,155,040</u>	<u>10,262,288</u>	<u>107,250</u>
EXPENDITURES - EDUCATION*					
Payroll and Related Costs					
Administrators / directors	\$ 2,265,803	\$ 84,283	\$ 2,350,086	\$ 2,330,950	\$ 19,136
Certified personnel / teachers	18,000,470	(842,732)	17,157,738	17,049,871	107,867
Maintenance / custodians	1,193,662	-	1,193,662	1,179,253	14,409
Secretaries	1,085,558	(7,024)	1,078,534	1,090,793	(12,259)
Occupational and physical therapists	266,726	-	266,726	270,528	(3,802)
Paraprofessionals	1,181,862	(26,581)	1,155,281	1,029,171	126,110
Technology	316,598	(4,332)	312,266	320,775	(8,509)
Homebound tutors	52,000	-	52,000	20,942	31,058
Counselors	21,225	-	21,225	21,225	-
Temporary employees / substitutes	423,046	-	423,046	314,678	108,368
Overtime	74,990	-	74,990	81,047	(6,057)
Co-curricular activities	131,758	-	131,758	126,693	5,065
Employee Benefits					
FICA / Medicare	638,219	(24,220)	613,999	625,673	(11,674)
Pension benefit	282,644	-	282,644	282,644	-
Early retirement incentives	261,957	-	261,957	261,957	-
Tuition Reimbursement	20,000	440	20,440	23,886	(3,446)
Unemployment compensation	29,160	14,899	44,059	41,830	2,229
Workers' compensation	253,624	42,421	296,045	302,354	(6,309)
Other employee benefits	750	-	750	650	100
Payroll adjustment	<u>(591,892)</u>	<u>703,791</u>	<u>111,899</u>	<u>107,719</u>	<u>4,180</u>
Total Payroll and Related Costs	<u>26,353,300</u>	<u>(59,649)</u>	<u>26,293,651</u>	<u>25,920,708</u>	<u>372,943</u>
Non Payroll Costs					
Purchased services					
Staff development and training	68,760	-	68,760	68,668	92
Instruction services	55,021	10,519	65,540	65,142	398
Pupil services	2,152	19,000	21,152	9,352	11,800
Other professional services	536,602	(2,795)	533,807	531,327	2,480
Legal counsel	67,300	(15,000)	52,300	34,256	18,044
Speech / language services	63,817	-	63,817	75,402	(11,585)
Repairs and maintenance	212,156	29,620	241,776	233,704	8,072
Service contracts	263,768	10,600	274,368	275,963	(1,595)
Rentals - postage machines and copiers	157,445	(2,550)	154,895	157,437	(2,542)
Projects - buildings and grounds	63,500	51,600	115,100	147,087	(31,987)
Other purchased property services	13,035	5,143	18,178	18,730	(552)
Pupil transportation (in-district)	1,567,741	(15,158)	1,552,583	1,557,103	(4,520)
Pupil transportation (out-of-district)	371,608	(48,087)	323,521	317,907	5,614

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Property and liability insurance	\$ 259,420	\$ (9,270)	\$ 250,150	\$ 249,679	\$ 471
Communications / telephones	57,850	6,613	64,463	62,307	2,156
Postage	11,689	(1,000)	10,689	10,131	558
Advertising	6,785	847	7,632	6,079	1,553
Printing and binding	9,774	(2,462)	7,312	7,434	(122)
Tuition					
Tuition in-state public	420,288	(55,443)	364,845	364,582	263
Tuition in-state private	374,012	74,000	448,012	462,210	(14,198)
Tuition out-of-state private	87,573	5,675	93,248	86,193	7,055
Supplies					
Conferences and travel	19,025	(192)	18,833	18,365	468
General supplies	11,345	14,703	26,048	26,151	(103)
Instructional supplies	276,415	9,627	286,042	290,278	(4,236)
Software	130,822	(2,382)	128,440	126,947	1,493
Custodial and maintenance supplies	86,607	500	87,107	85,729	1,378
Property					
Electricity	615,825	-	615,825	680,279	(64,454)
Bottled gas	20,479	-	20,479	12,330	8,149
Heating oil	204,075	(16,700)	187,375	190,289	(2,914)
Gasoline	7,330	-	7,330	4,433	2,897
Diesel fuel	104,120	-	104,120	93,041	11,079
Magazines and subscriptions	20,903	(2,279)	18,624	18,651	(27)
Textbooks and workbooks	175,049	32,109	207,158	206,623	535
Library books and periodicals	27,630	505	28,135	25,908	2,227
Other supplies and materials	106,792	(27,503)	79,289	79,752	(463)
Property	2,912	48,245	51,157	51,153	4
Equipment	175,730	21,647	197,377	213,461	(16,084)
Dues and fees	85,760	(1,240)	84,520	90,141	(5,621)
Contingency	100,000	(76,493)	23,507	23,611	(104)
Accreditation	8,710	(2,750)	5,960	5,741	219
Total Nonpayroll Costs	<u>6,849,825</u>	<u>59,649</u>	<u>6,909,474</u>	<u>6,983,576</u>	<u>(74,102)</u>
Total Education Expenditures	<u>33,203,125</u>	<u>-</u>	<u>33,203,125</u>	<u>32,904,284</u>	<u>298,841</u>
TOTAL EDUCATION EXPENDITURES	<u>52,449,451</u>	<u>-</u>	<u>52,449,451</u>	<u>51,908,178</u>	<u>541,273</u>
Excess of Revenues					
Over Expenditures - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,411</u>	<u>\$ 976,411</u>

(Continued)

Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Adjustments to Generally Accepted Accounting Principles (GAAP):					
Net Income from General Funds Not Included in the Budget					
Recreation				\$ 114,063	
Drop off center				(25,208)	
Payments on Behalf of the Town Not Recorded on a Budgetary Basis:					
Revenues from Connecticut for the teachers' retirement				7,570,768	
Expenditures for the teachers' retirement				(7,570,768)	
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				391,167	
Previous year encumbrance recorded on modified accrual basis, but not the budget basis				(382,433)	
Other Financing Sources - Difference in Treatment of Lease Financing:					
Proceeds from Lease Financing				589,748	
Purchase of Equipment with Lease Financing				(589,748)	
Other Financing Sources - Difference in Treatment of General Obligation Bond Refunding:					
Proceeds from Long Term Debt - General Obligation Bond				7,755,000	
Bond premium				657,279	
Offset cash receipt shown in miscellaneous revenue				(2,160)	
Costs of bond transaction				(119,878)	
Debt Service Expenditure - General Obligation Bond				(8,290,241)	
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4)				<u>\$ 1,074,000</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.

The Board of Education's expenditures are shown in the above schedule allocated based on the major categories of spending. However, the legal level of control is with the Board of Education expenditures.

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of New Fairfield Employee Retirement Plan				
Total Pension Liability				
Service cost	\$ 240,804	\$ 231,435	\$ 189,330	\$ 222,223
Interest on total pension liability	569,692	529,748	494,432	458,703
Effect of economic/demographic gains (losses)	(54,626)	(9,127)	23,999	6,101
Benefit payments	<u>(174,327)</u>	<u>(186,010)</u>	<u>(168,423)</u>	<u>(159,368)</u>
Net change in total pension liability	581,543	566,046	539,338	527,659
Total pension liability, beginning	8,284,809	7,718,763	7,179,425	6,651,766
Total pension liability, ending	<u>8,866,352</u>	<u>8,284,809</u>	<u>7,718,763</u>	<u>7,179,425</u>
Fiduciary Net Position				
Employer contributions	331,000	302,287	301,000	137,000
Investment income net of investment expenses	839,279	(49,451)	134,042	912,653
Benefit payments	(174,327)	(186,010)	(168,423)	(159,368)
Administrative expenses	<u>(25,295)</u>	<u>(26,319)</u>	<u>(23,335)</u>	<u>(28,855)</u>
Net change in plan fiduciary net position	970,657	40,507	243,284	861,430
Fiduciary net position, beginning	<u>7,076,007</u>	<u>7,035,500</u>	<u>6,792,216</u>	<u>5,930,786</u>
Fiduciary net position, ending	<u>8,046,664</u>	<u>7,076,007</u>	<u>7,035,500</u>	<u>6,792,216</u>
Net pension liability, ending	<u>\$ 819,688</u>	<u>\$ 1,208,802</u>	<u>\$ 683,263</u>	<u>\$ 387,209</u>
Fiduciary net position as a % of total pension liability	90.76%	85.41%	91.15%	94.61%
Covered payroll	\$2,583,479	\$2,272,414	\$2,565,373	\$2,445,222
Net pension liability as a % of covered payroll	31.73%	53.19%	26.63%	15.84%

See Independent Auditors' Report

Town of New Fairfield, Connecticut

RSI-2b

Required Supplementary Information
 Town of New Fairfield Employee Retirement Plan
 Schedule of Employer Contributions
 Last 10 Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 330,339	\$ 302,287	\$ 301,363	\$ 279,785	\$ 262,094	\$ 262,019	\$ 254,490	\$ 295,689	\$ 265,845	\$ 261,064
Contributions in relation to the actuarially determined contribution	\$ 331,000	\$ 302,287	\$ 301,000	\$ 137,000	\$ -	\$ 262,019	\$ 254,490	\$ 295,689	\$ 264,000	\$ 252,000
Contribution deficiency (excess)	\$ (661)	\$ -	\$ 363	\$ 142,785	\$ 262,094	\$ -	\$ -	\$ -	\$ 1,845	\$ 9,064
Covered employee payroll	\$ 2,583,479	\$ 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
Contributions as a percentage of covered employee payroll	12.81%	13.30%	11.73%	5.60%	0.00%	11.04%	10.64%	13.16%	11.97%	12.11%

See Independent Auditors' Report

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
2017	11.64%
2016	-0.69%
2015	1.98%
2014	15.59%

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of New Fairfield Employee Retirement Plan				
Total Pension Liability				
Service cost	\$ 260,859	\$ 253,449	\$ 254,108	\$ 248,397
Interest on total pension liability	456,879	428,185	393,187	357,339
Effect of plan changes	-	-	15,637	-
Effect of economic/demographic gains (losses)	180,147	(106,835)	142,004	(130,516)
Benefit payments	(142,399)	(102,250)	(73,678)	(56,583)
Net change in total pension liability	<u>755,486</u>	<u>472,549</u>	<u>731,258</u>	<u>418,637</u>
Total pension liability, beginning	<u>7,119,330</u>	<u>6,646,781</u>	<u>5,915,523</u>	<u>5,496,886</u>
Total pension liability, ending	<u>7,874,816</u>	<u>7,119,330</u>	<u>6,646,781</u>	<u>5,915,523</u>
Fiduciary Net Position				
Employer contributions	282,644	294,000	320,000	320,280
Investment income net of investment expenses	628,852	42,982	116,004	731,838
Benefit payments	(142,399)	(102,250)	(73,678)	(56,583)
Administrative expenses	(28,456)	(29,541)	(23,274)	(30,885)
Net change in plan fiduciary net position	<u>740,641</u>	<u>205,191</u>	<u>339,052</u>	<u>964,650</u>
Fiduciary net position, beginning	<u>7,031,805</u>	<u>6,826,614</u>	<u>6,487,562</u>	<u>5,522,912</u>
Fiduciary net position, ending	<u>7,772,446</u>	<u>7,031,805</u>	<u>6,826,614</u>	<u>6,487,562</u>
Net pension liability (asset), ending	<u>\$ 102,370</u>	<u>\$ 87,525</u>	<u>\$ (179,833)</u>	<u>\$ (572,039)</u>
Fiduciary net position as a % of total pension liability	98.70%	98.77%	102.71%	109.67%
Covered payroll	\$3,713,678	\$3,402,645	\$3,501,799	\$3,548,459
Net pension liability as a % of covered payroll	2.76%	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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 282,644	\$ 293,885	\$ 289,476	\$ 317,946	\$ 299,243	\$ 400,267	\$ 356,906	\$ 331,207	\$ 248,264	\$ 230,184
Contributions in relation to the actuarially determined contribution	\$ 282,644	\$ 294,000	\$ 320,000	\$ 320,280	\$ 400,267	\$ 356,906	\$ 336,872	\$ 248,315	\$ 239,080	\$ 230,184
Contribution deficiency (excess)	\$ -	\$ (115)	\$ (30,524)	\$ (2,334)	\$ (101,024)	\$ 43,361	\$ 20,034	\$ 82,892	\$ 9,184	\$ -
Covered employee payroll	\$3,713,678	\$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
Contributions as a percentage of covered employee payroll	7.61%	8.64%	9.14%	9.03%	11.28%	11.33%	10.82%	9.04%	10.31%	10.32%

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 Closed, 21 years remaining
- 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
2017	8.80%
2016	0.62%
2015	1.77%
2014	12.95%

Required Supplementary Information
 Town of New Fairfield Employee OPEB Plan
 Schedule of Changes in Net OPEB Liability and Related Ratios
 Last 10 Fiscal Years or Since Inception of GASB 74/75

	<u>2017</u>
Town of New Fairfield Employee Retirement Plan	
Total OPEB Liability	
Service cost	\$ 156,832
Interest on total OPEB liability	541,926
Benefit payments	(281,859)
Net change in total OPEB liability	<u>416,899</u>
Total OPEB liability, beginning	<u>7,723,507</u>
Total OPEB liability, ending	<u>8,140,406</u>
Fiduciary Net Position	
Employer contributions	569,816
Investment income net of investment expenses	243,849
Benefit payments	(281,859)
Administrative expenses	(15,607)
Net change in plan fiduciary net position	<u>516,199</u>
Fiduciary net position, beginning	<u>2,225,169</u>
Fiduciary net position, ending	<u>2,741,368</u>
Net OPEB liability, ending	<u>\$ 5,399,038</u>
Fiduciary net position as a % of total OPEB liability	33.68%
Covered payroll	\$16,830,444
Net OPEB liability as a % of covered payroll	32.08%

See Independent Auditors' Report

Required Supplementary Information
 Town of New Fairfield Employee OPEB Plan
 Schedule of Employer Contributions
 Last 10 Fiscal Years or Since Inception of GASB 74/75

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 508,352	\$ 571,103	\$ 546,315	\$ 614,000	\$ 585,000	\$ 706,000	\$ 856,000	\$ 806,000	\$ 806,000	NA
Contributions in relation to the actuarially determined contribution	\$ 569,816	\$ 571,386	\$ 577,602	\$ 741,000	\$ 1,524,036	\$ 351,000	\$ 332,000	\$ 311,000	\$ 322,000	NA
Contribution deficiency (excess)	\$ (61,464)	\$ (283)	\$ (31,287)	\$ (127,000)	\$ (939,036)	\$ 355,000	\$ 524,000	\$ 495,000	\$ 484,000	NA
Covered payroll	\$16,830,444	\$16,805,190	\$16,805,190	NA	NA	NA	NA	NA	NA	NA
Contributions as a percentage of covered payroll	3.39%	3.40%	3.44%	NA	NA	NA	NA	NA	NA	NA

NA = Not available

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	Projected unit credit for the contribution rate; entry age for the liability
Amortization method	Level percent
Remaining amortization period	23 years
Asset valuation method	Market value
Inflation	2.50%
Medical trend rate	5.60% - 4.60% over 62 years
Investment rate of return	7.00%
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 OPEB Plan
Annual Money-Weighted Rate of Return
Last 10 Fiscal Years or Since Inception of GASB 74/75

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2017	10.03%

Required Supplementary Information
Connecticut Municipal Employees' Retirement System
June 30, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer percentage of collective net pension liability (police and fire with social security)	<u>1.243463%</u>	<u>1.190777%</u>	<u>1.190777%</u>
Town's portion net pension liability	<u>\$ 581,330</u>	<u>\$ 364,345</u>	<u>\$ 287,914</u>
Town's covered payroll	<u>\$ 575,825</u>	<u>\$ 535,550</u>	<u>\$ 477,053</u>
Town's portion net pension liability as a % of covered payroll	<u>100.96%</u>	<u>68.03%</u>	<u>60.35%</u>
Plan Fiduciary net position as a % of total pension liability	<u>88.29%</u>	<u>92.72%</u>	<u>90.48%</u>

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

Town's contractually required contribution	\$ 96,336	\$ 89,597	\$ 76,426
Town's contributions in relation to the contractually required contribution	<u>96,336</u>	<u>89,597</u>	<u>76,426</u>
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered employee payroll	<u>\$ 575,825</u>	<u>\$ 535,550</u>	<u>\$ 477,053</u>
Town's contributions as a percentage of covered employee payroll	<u>16.73%</u>	<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 market value
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, 2017

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's percentage of collective net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability associated with the Town	<u>\$ 69,422,450</u>	<u>\$ 52,643,952</u>	<u>\$ 48,658,784</u>
Total proportionate share of the collective net pension liability	<u>\$ 69,422,450</u>	<u>\$ 52,643,952</u>	<u>\$ 48,658,784</u>
Employer covered payroll	(1) NA	NA	NA
Employer proportionate share of the collective net pension liability as a % of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a % of total pension liability	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

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

Contractually and statutorily required Town contribution	(2) \$ -	\$ -	\$ -
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The Town is not required to contribute to the plan. The State contributes on behalf of the Town.

(1) Not applicable since 0% of the proportional share of the pension liability belongs to the Town.

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

Required Supplementary Information
 Connecticut Teachers Retirement System (*continued*)
 Last 10 Years

Notes to Required Supplementary Information

Changes of benefit term	None
Changes of assumptions	<ol style="list-style-type: none"> 1. Reduce the inflation assumption from 3.00% to 2.75%. 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.50% to 8.00%. 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%. 4. Slightly modify the merit portion of the salary scale. 5. Reduce the payroll growth assumption from 3.75% to 3.25%. 6. Update mortality tables to projected versions of the RPH-2014 mortality tables. 7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages Decrease early retirement rates for both males and females. 8. Increase rates of withdrawal. 9. Decrease rates of disability for males.
Actuarial cost method	Entry Age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4 years
Asset valuation method	4 year smoothed market
Inflation	2.75%
Salary increases	3.25%-6.00%, average, including inflation
Investment rate of return	8.00% net of pension plan investment expense, including inflation

See Independent Auditors' Report

Combining Fund Financial Statements

Combining Balance Sheet
 General Fund - Sub Funds
 June 30, 2017

	General Fund	Recreation Programs	User Surcharges	Hidden Valley	Drop Off Center	Interfund Elimination	Total Consolidated General Fund
ASSETS							
Cash and equivalents	\$ 7,762,958	\$ 501,452	\$ 246,115	\$ 17,784	\$ 38,988	\$ -	\$ 8,567,297
Investments	10,685,058	-	-	-	-	-	10,685,058
Taxes receivable, net of allowance for uncollectible amounts	647,328	-	-	-	-	-	647,328
Other receivables							-
Accounts	87,162	2,600	24,210	-	5,886	-	119,858
Intergovernmental	91,984	-	-	-	-	-	91,984
Due from other funds	619,220	2,497	82,209	-	-	(248,735)	455,191
Other assets	-	11,431	-	-	-	-	11,431
Total Assets	<u>\$ 19,893,710</u>	<u>\$ 517,980</u>	<u>\$ 352,534</u>	<u>\$ 17,784</u>	<u>\$ 44,874</u>	<u>\$ (248,735)</u>	<u>\$ 20,578,147</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 1,722,195	\$ 11,920	\$ 2,190	\$ -	\$ 7,596	\$ -	\$ 1,743,901
Accrued payroll and related	164,988	21,475	-	-	537	-	187,000
Due to other funds	4,938,744	136,026	2,497	-	29,767	(248,735)	4,858,299
Unearned revenues - performance	-	121,362	-	-	-	-	121,362
Total Liabilities	<u>6,825,927</u>	<u>290,783</u>	<u>4,687</u>	<u>-</u>	<u>37,900</u>	<u>(248,735)</u>	<u>6,910,562</u>
Deferred inflows of resources							
Deferred revenues - collected in advance	4,793,032	-	-	-	-	-	4,793,032
Deferred revenues - unavailable	651,887	1,050	-	-	5,189	-	658,126
	<u>5,444,919</u>	<u>1,050</u>	<u>-</u>	<u>-</u>	<u>5,189</u>	<u>-</u>	<u>5,451,158</u>
Fund balances							
Assigned	391,167	226,147	347,847	17,784	1,785	-	984,730
Unassigned	7,231,697	-	-	-	-	-	7,231,697
Total Fund Balances	<u>7,622,864</u>	<u>226,147</u>	<u>347,847</u>	<u>17,784</u>	<u>1,785</u>	<u>-</u>	<u>8,216,427</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 19,893,710</u>	<u>\$ 517,980</u>	<u>\$ 352,534</u>	<u>\$ 17,784</u>	<u>\$ 44,874</u>	<u>\$ (248,735)</u>	<u>\$ 20,578,147</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund - Sub Funds
 For the Year Ended June 30, 2017

	General Fund	Recreation Programs	User Surcharges	Hidden Valley	Drop Off Center	Total Consolidated General Fund
REVENUES						
Property taxes	\$ 45,541,688	\$ -	\$ -	\$ -	\$ -	\$ 45,541,688
Intergovernmental	13,154,176	-	-	-	-	13,154,176
Interest income	215,853	-	-	-	-	215,853
Charges for services	270,509	463,539	245,599	-	123,033	1,102,680
Other revenues	<u>1,297,831</u>	<u>3,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,301,381</u>
Total Revenues	<u>60,480,057</u>	<u>467,089</u>	<u>245,599</u>	<u>-</u>	<u>123,033</u>	<u>61,315,778</u>
EXPENDITURES						
Current						
General government	3,283,843	-	-	-	-	3,283,843
Public safety	3,034,285	-	-	-	-	3,034,285
Public works	2,074,554	-	-	-	148,241	2,222,795
Health and welfare	484,576	-	-	-	-	484,576
Culture and recreation	589,504	327,088	152,537	-	-	1,069,129
Health insurance	6,160,641	-	-	-	-	6,160,641
Education	40,499,752	-	-	-	-	40,499,752
Debt service						
Principal	1,990,000	-	-	-	-	1,990,000
Interest	685,904	-	-	-	-	685,904
Bond issuance costs	122,038	-	-	-	-	122,038
Capital outlay						
	<u>589,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>589,748</u>
Total Expenditures	<u>59,514,845</u>	<u>327,088</u>	<u>152,537</u>	<u>-</u>	<u>148,241</u>	<u>60,142,711</u>
Excess (Deficiency) of Revenues Over Expenditure	<u>965,212</u>	<u>140,001</u>	<u>93,062</u>	<u>-</u>	<u>(25,208)</u>	<u>1,173,067</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	(691,853)	(119,000)	-	-	-	(810,853)
Refunding bonds issued	7,755,000	-	-	-	-	7,755,000
Proceeds from capital lease	589,748	-	-	-	-	589,748
Premium on financing	657,279	-	-	-	-	657,279
Payment to refunded bond escrow agent	<u>(8,290,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,290,241)</u>
Total Other Financing Sources (Uses)	<u>19,933</u>	<u>(119,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,067)</u>
Net Change in Fund Balances	985,145	21,001	93,062	-	(25,208)	1,074,000
Fund Balances - Beginning of Year	<u>6,637,719</u>	<u>205,146</u>	<u>254,785</u>	<u>17,784</u>	<u>26,993</u>	<u>7,142,427</u>
Fund Balances - End of Year	<u>\$ 7,622,864</u>	<u>\$ 226,147</u>	<u>\$ 347,847</u>	<u>\$ 17,784</u>	<u>\$ 1,785</u>	<u>\$ 8,216,427</u>

Combining Balance Sheet
Other Governmental Funds
June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sons of New Fairfield	Total Other Governmental Funds
ASSETS				
Cash and equivalents	\$ 413,861	\$ 281,053	\$ 12,193	\$ 707,107
Investments	-	-	89,589	89,589
Other receivables				
Accounts	8,325	88,578	-	96,903
Loans	1,397,509	-	-	1,397,509
Intergovernmental	28,155	609,664	-	637,819
Due from other funds	317,808	1,300,517	-	1,618,325
Other assets	23,600	-	-	23,600
Total Assets	<u>\$2,189,258</u>	<u>\$2,279,812</u>	<u>\$ 101,782</u>	<u>\$ 4,570,852</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 84,291	\$ 65,558	\$ -	\$ 149,849
Accrued payroll and related	714	-	-	714
Due to other funds	142,057	346,739	-	488,796
Unearned revenues	104,107	460,837	-	564,944
Total Liabilities	<u>331,169</u>	<u>873,134</u>	<u>-</u>	<u>1,204,303</u>
Deferred inflows of resources				
Deferred revenues - unavailable	<u>-</u>	<u>698,242</u>	<u>-</u>	<u>698,242</u>
Fund balances (deficits)				
Nonspendable	-	-	482	482
Restricted	1,576,084	-	101,300	1,677,384
Committed	183,584	1,013,795	-	1,197,379
Assigned	98,421	-	-	98,421
Unassigned	-	(305,359)	-	(305,359)
Total Fund Balances	<u>1,858,089</u>	<u>708,436</u>	<u>101,782</u>	<u>2,668,307</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$2,189,258</u>	<u>\$2,279,812</u>	<u>\$ 101,782</u>	<u>\$ 4,570,852</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Other Governmental Funds
 For the Year Ended June 30, 2017

	Special Revenue Funds	Capital Projects Funds	Permanent Fund - Sons of New Fairfield	Total Other Governmental Funds
REVENUES				
Intergovernmental	\$ 744,976	\$ 39,124	\$ -	\$ 784,100
Interest income	300	1,984	1,833	4,117
Charges for services	1,059,600	-	-	1,059,600
Other revenues	108,716	26,688	7,678	143,082
Total Revenues	<u>1,913,592</u>	<u>67,796</u>	<u>9,511</u>	<u>1,990,899</u>
EXPENDITURES				
Current				
General government	69,576	-	-	69,576
Public safety	3,608	-	-	3,608
Public works	18,935	-	-	18,935
Health and welfare	54,899	-	-	54,899
Culture and recreation	31,893	-	-	31,893
Education	1,550,991	-	-	1,550,991
Capital outlay	-	706,437	-	706,437
Total Expenditures	<u>1,729,902</u>	<u>706,437</u>	<u>-</u>	<u>2,436,339</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>183,690</u>	<u>(638,641)</u>	<u>9,511</u>	<u>(445,440)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	144,150	685,254	-	829,404
Transfers out	(369,619)	-	(144,150)	(513,769)
Total Other Financing Sources (Uses)	<u>(225,469)</u>	<u>685,254</u>	<u>(144,150)</u>	<u>315,635</u>
Net Change in Fund Balances	(41,779)	46,613	(134,639)	(129,805)
Fund Balances - Beginning of Year	<u>1,899,868</u>	<u>661,823</u>	<u>236,421</u>	<u>2,798,112</u>
Fund Balances - End of Year	<u>\$ 1,858,089</u>	<u>\$ 708,436</u>	<u>\$ 101,782</u>	<u>\$ 2,668,307</u>

See Independent Auditors' Report

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2017

	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	\$ 83,658	\$ 102,952	\$ 2,932	\$ 31,290	\$ 23,109	\$ 23,673	\$ 15,418	\$ 5,986
Other receivables								
Accounts	-	8,325	-	-	-	-	-	-
Loans	-	-	-	1,397,509	-	-	-	-
Intergovernmental	16,971	11,184	-	-	-	-	-	-
Due from other funds	-	150,918	-	-	-	-	-	-
Other assets	22,705	-	-	-	-	-	-	-
Total Assets	<u>\$ 123,334</u>	<u>273,379</u>	<u>\$ 2,932</u>	<u>\$1,428,799</u>	<u>\$ 23,109</u>	<u>\$ 23,673</u>	<u>\$ 15,418</u>	<u>\$ 5,986</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 42,217	\$ 29,861	\$ 105	\$ 3,900	\$ 5,053	\$ -	\$ -	\$ -
Accrued payroll and related	-	600	-	-	18	-	-	-
Due to other funds	-	100,195	-	-	734	-	-	-
Unearned revenues	-	102,811	-	-	-	-	-	-
Total Liabilities	<u>42,217</u>	<u>233,467</u>	<u>105</u>	<u>3,900</u>	<u>5,805</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances								
Restricted	-	39,912	2,827	1,424,899	-	-	15,418	5,986
Committed	-	-	-	-	-	23,673	-	-
Assigned	81,117	-	-	-	17,304	-	-	-
Total Fund Balances	<u>81,117</u>	<u>39,912</u>	<u>2,827</u>	<u>1,424,899</u>	<u>17,304</u>	<u>23,673</u>	<u>15,418</u>	<u>5,986</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 123,334</u>	<u>\$ 273,379</u>	<u>\$ 2,932</u>	<u>\$1,428,799</u>	<u>\$ 23,109</u>	<u>\$ 23,673</u>	<u>\$ 15,418</u>	<u>\$ 5,986</u>

(Continued)

Combining Balance Sheet
 Special Revenue Funds
 June 30, 2017

	Groovin' in New Fairfield Fund	Communi- cations Tower Fund	Misc. Grants Fund	Municipal Water System Fund	Beaver Bog Cemetery Fund	Senior Center Fund	Commission for the Youth Fund	Total Special Revenue Funds
ASSETS								
Cash and equivalents	\$ -	\$ -	\$ -	\$ 112,091	\$ 12,752	\$ -	\$ -	\$ 413,861
Other receivables								
Accounts	-	-	-	-	-	-	-	8,325
Loans	-	-	-	-	-	-	-	1,397,509
Intergovernmental	-	-	-	-	-	-	-	28,155
Due from other funds	4,734	38,259	66,563	-	-	46,017	11,317	317,808
Other assets	-	-	-	-	-	895	-	23,600
Total Assets	<u>\$ 4,734</u>	<u>\$ 38,259</u>	<u>\$ 66,563</u>	<u>\$ 112,091</u>	<u>\$ 12,752</u>	<u>\$ 46,912</u>	<u>\$ 11,317</u>	<u>\$ 2,189,258</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ -	\$ 1,984	\$ 1,171	\$ -	\$ -	\$ -	\$ 84,291
Accrued payroll and related	-	-	96	-	-	-	-	714
Due to other funds	-	-	4,948	36,180	-	-	-	142,057
Unearned revenues	-	-	1,296	-	-	-	-	104,107
Total Liabilities	<u>-</u>	<u>-</u>	<u>8,324</u>	<u>37,351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,169</u>
Fund balances								
Restricted	4,734	-	58,239	-	12,752	-	11,317	1,576,084
Committed	-	38,259	-	74,740	-	46,912	-	183,584
Assigned	-	-	-	-	-	-	-	98,421
Total Fund Balances	<u>4,734</u>	<u>38,259</u>	<u>58,239</u>	<u>74,740</u>	<u>12,752</u>	<u>46,912</u>	<u>11,317</u>	<u>1,858,089</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,734</u>	<u>\$ 38,259</u>	<u>\$ 66,563</u>	<u>\$ 112,091</u>	<u>\$ 12,752</u>	<u>\$ 46,912</u>	<u>\$ 11,317</u>	<u>\$ 2,189,258</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 For the Year Ended June 30, 2017

	School Lunch Fund	Education Grants Fund	Drug Enforcement Fund	Small Cities Fund	Dog Registration Fund	Library Fund	Social Services Fund	Scholarship Fund
REVENUES								
Intergovernmental	\$ 100,993	\$624,882	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	51	-	-	155	-	33	-	12
Charges for services	539,275	196,561	-	-	2,671	13,621	-	-
Other revenues	-	51,666	-	-	-	4,656	10,030	-
Total Revenues	<u>640,319</u>	<u>873,109</u>	<u>-</u>	<u>155</u>	<u>2,671</u>	<u>18,310</u>	<u>10,030</u>	<u>12</u>
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	2,878	-	730	-	-	-
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	32,790	-	-	11,823	-
Culture and recreation	-	-	-	-	-	23,200	-	-
Education	644,780	906,211	-	-	-	-	-	-
Total Expenditures	<u>644,780</u>	<u>906,211</u>	<u>2,878</u>	<u>32,790</u>	<u>730</u>	<u>23,200</u>	<u>11,823</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,461)</u>	<u>(33,102)</u>	<u>(2,878)</u>	<u>(32,635)</u>	<u>1,941</u>	<u>(4,890)</u>	<u>(1,793)</u>	<u>12</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	144,150	-	-
Transfers out	-	-	-	-	-	(139,619)	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,531</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(4,461)	(33,102)	(2,878)	(32,635)	1,941	(359)	(1,793)	12
Fund Balances (Deficits) - Beginning of Year	<u>85,578</u>	<u>73,014</u>	<u>5,705</u>	<u>1,457,534</u>	<u>15,363</u>	<u>24,032</u>	<u>17,211</u>	<u>5,974</u>
Fund Balances - End of Year	<u>\$ 81,117</u>	<u>\$ 39,912</u>	<u>\$ 2,827</u>	<u>\$ 1,424,899</u>	<u>\$ 17,304</u>	<u>\$ 23,673</u>	<u>\$ 15,418</u>	<u>\$ 5,986</u>

(Continued)

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures,
 Special Revenue Funds
 For the Year Ended June 30, 2017

	Groovin' in New Fairfield Fund	Communi- cations Tower Fund	Misc. Grants Fund	Municipal Water System Fund	Beaver Bog Cemetery Fund	Senior Center Fund	Commission for the Youth Fund	Total Special Revenue Funds
REVENUES								
Intergovernmental	\$ -	\$ -	\$ 19,101	\$ -	\$ -	\$ -	\$ -	\$ 744,976
Interest income	-	-	-	49	-	-	-	300
Charges for services	4,306	238,501	6,440	28,606	-	29,219	400	1,059,600
Other revenues	-	-	-	-	-	42,364	-	108,716
Total Revenues	<u>4,306</u>	<u>238,501</u>	<u>25,541</u>	<u>28,655</u>	<u>-</u>	<u>71,583</u>	<u>400</u>	<u>1,913,592</u>
EXPENDITURES								
Current								
General government	-	-	13,286	-	-	56,290	-	69,576
Public safety	-	-	-	-	-	-	-	3,608
Public works	-	196	-	18,739	-	-	-	18,935
Health and welfare	-	-	10,286	-	-	-	-	54,899
Culture and recreation	8,193	-	-	-	-	-	500	31,893
Education	-	-	-	-	-	-	-	1,550,991
Total Expenditures	<u>8,193</u>	<u>196</u>	<u>23,572</u>	<u>18,739</u>	<u>-</u>	<u>56,290</u>	<u>500</u>	<u>1,729,902</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,887)</u>	<u>238,305</u>	<u>1,969</u>	<u>9,916</u>	<u>-</u>	<u>15,293</u>	<u>(100)</u>	<u>183,690</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	144,150
Transfers out	-	(230,000)	-	-	-	-	-	(369,619)
Total Other Financing Uses	<u>-</u>	<u>(230,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(225,469)</u>
Net Change in Fund Balances	(3,887)	8,305	1,969	9,916	-	15,293	(100)	(41,779)
Fund Balances (Deficits) - Beginning of Year	<u>8,621</u>	<u>29,954</u>	<u>56,270</u>	<u>64,824</u>	<u>12,752</u>	<u>31,619</u>	<u>11,417</u>	<u>1,899,868</u>
Fund Balances - End of Year	<u>\$ 4,734</u>	<u>\$ 38,259</u>	<u>\$ 58,239</u>	<u>\$ 74,740</u>	<u>\$ 12,752</u>	<u>\$ 46,912</u>	<u>\$ 11,317</u>	<u>\$ 1,858,089</u>

See Independent Auditors' Report

Combining Balance Sheet
 Capital Projects Funds
 June 30, 2017

	Fire Company Reserve Fund	BOE Capital Nonrecurring Fund	School Capital Project Fund	MHHS Septic Fund	Town Center Beautification Fund	MHHS/HS Renovations Fund	Total Capital Projects Funds
ASSETS							
Cash and equivalents	\$ 281,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 281,053
Other receivables							
Accounts	88,578	-	-	-	-	-	88,578
Intergovernmental	-	-	214,673	-	-	394,991	609,664
Due from other funds	-	830,718	-	-	469,799	-	1,300,517
Total Assets	<u>\$ 369,631</u>	<u>\$ 830,718</u>	<u>\$ 214,673</u>	<u>\$ -</u>	<u>\$ 469,799</u>	<u>\$ 394,991</u>	<u>\$ 2,279,812</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)							
Liabilities							
Accounts payable	\$ 1,088	\$ 9,703	\$ -	\$ -	\$ 4,874	\$ 49,893	\$ 65,558
Unearned Revenue	-	-	-	-	460,837	-	460,837
Due to other funds	91,273	-	28,657	90,565	-	136,244	346,739
Total Liabilities	<u>92,361</u>	<u>9,703</u>	<u>28,657</u>	<u>90,565</u>	<u>465,711</u>	<u>186,137</u>	<u>873,134</u>
Deferred inflows of resources							
Deferred revenues - unavailable	<u>88,578</u>	<u>-</u>	<u>214,673</u>	<u>-</u>	<u>-</u>	<u>394,991</u>	<u>698,242</u>
Fund balances (deficits)							
Committed	188,692	821,015	-	-	4,088	-	1,013,795
Unassigned	-	-	(28,657)	(90,565)	-	(186,137)	(305,359)
Total Fund Balances (Deficits)	<u>188,692</u>	<u>821,015</u>	<u>(28,657)</u>	<u>(90,565)</u>	<u>4,088</u>	<u>(186,137)</u>	<u>708,436</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 369,631</u>	<u>\$ 830,718</u>	<u>\$ 214,673</u>	<u>\$ -</u>	<u>\$ 469,799</u>	<u>\$ 394,991</u>	<u>\$ 2,279,812</u>

See Independent Auditors' Report

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Capital Projects Funds
 For the Year Ended June 30, 2017

	Fire Company Reserve Fund	BOE Capital Nonrecurring Fund	School Capital Project Fund	MHHS Septic Fund	Town Center Beautifi- cation Fund	MHHS/HS Renovation Fund	Total Capital Projects Funds
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 39,124	\$ -	\$ 39,124
Interest income	1,984	-	-	-	-	-	1,984
Other revenues	<u>26,688</u>	-	-	-	-	-	<u>26,688</u>
Total Revenues	<u>28,672</u>	-	-	-	<u>39,124</u>	-	<u>67,796</u>
EXPENDITURES							
Capital outlay	<u>270,959</u>	<u>388,083</u>	-	-	<u>39,125</u>	<u>8,270</u>	<u>706,437</u>
Deficiency of Revenues Over Expenditures	(242,287)	(388,083)	-	-	(1)	(8,270)	(638,641)
OTHER FINANCING SOURCES							
Transfers in	<u>145,254</u>	<u>540,000</u>	-	-	-	-	<u>685,254</u>
Net Change in Fund Balances	(97,033)	151,917	-	-	(1)	(8,270)	46,613
Fund Balances (Deficits) - Beginning of Year	<u>285,725</u>	<u>669,098</u>	<u>(28,657)</u>	<u>(90,565)</u>	<u>4,089</u>	<u>(177,867)</u>	<u>661,823</u>
Fund Balances (Deficits) - End of Year	<u>\$ 188,692</u>	<u>\$ 821,015</u>	<u>\$(28,657)</u>	<u>\$(90,565)</u>	<u>\$ 4,088</u>	<u>\$(186,137)</u>	<u>\$ 708,436</u>

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Combining Statement of Fiduciary Net Position
 Pension Trust Funds
 June 30, 2017

	Town Pension Trust Fund	BOE Pension Trust Fund	OPEB Trust Fund	Total
ASSETS				
Investments, at fair value				-
Mutual funds - equity	\$ 5,358,282	\$ 4,048,820	\$ 1,593,962	\$ 11,001,064
Mutual funds - money market	75,706	46,792	134,763	257,261
Mutual funds - bonds	<u>2,612,676</u>	<u>3,676,834</u>	<u>1,012,643</u>	<u>7,302,153</u>
	8,046,664	7,772,446	2,741,368	18,560,478
Employer contributions receivable	<u>-</u>	<u>160,140</u>	<u>-</u>	<u>160,140</u>
 Total Assets	 <u>8,046,664</u>	 <u>7,932,586</u>	 <u>2,741,368</u>	 <u>18,720,618</u>
NET POSITION				
Restricted for pension / OPEB benefits	<u>\$ 8,046,664</u>	<u>\$ 7,932,586</u>	<u>\$ 2,741,368</u>	<u>\$ 18,720,618</u>

Combining Statement of Changes in Fiduciary Net Position
 Pension Trust Funds
 For the Year Ended June 30, 2017

	BOE Pension Trust Fund	Town Pension Trust Fund	OPEB Trust Fund	Total
ADDITIONS				
Contributions				
Employer	\$ 282,644	\$ 331,000	\$ 287,957	\$ 901,601
Investment income				
Net change in fair value of investments	-	858,975	-	858,975
Interest and dividends	<u>648,548</u>	<u>-</u>	<u>243,850</u>	<u>892,398</u>
Total Investment Income	<u>648,548</u>	<u>858,975</u>	<u>243,850</u>	<u>1,751,373</u>
Total Additions	<u>931,192</u>	<u>1,189,975</u>	<u>531,807</u>	<u>2,652,974</u>
DEDUCTIONS				
Pension benefits	147,698	178,947	-	326,645
Administrative fees	<u>42,852</u>	<u>40,371</u>	<u>15,607</u>	<u>98,830</u>
Total Deductions	<u>190,550</u>	<u>219,318</u>	<u>15,607</u>	<u>425,475</u>
Change in Net Position	740,642	970,657	516,200	2,227,499
Net Position - Beginning of Year	<u>7,191,944</u>	<u>7,076,007</u>	<u>2,225,168</u>	<u>16,493,119</u>
Net Position - End of Year	<u>\$ 7,932,586</u>	<u>\$8,046,664</u>	<u>\$2,741,368</u>	<u>\$18,720,618</u>

See Independent Auditors' Report

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2017

	Balance Beginning	Additions	Deductions	Balance Ending
Student Activity Fund				
Assets				
Cash	\$ 458,925	\$ 738,026	\$ 768,507	\$ 428,444
Investments, at fair value	<u>94,284</u>	<u>3,655</u>	<u>-</u>	<u>97,939</u>
Total assets	<u>\$ 553,209</u>	<u>\$ 741,681</u>	<u>\$ 768,507</u>	<u>\$ 526,383</u>
Liabilities				
Due to others	<u>\$ 553,209</u>	<u>\$ 741,681</u>	<u>\$ 768,507</u>	<u>\$ 526,383</u>
Performance Bonds				
Assets				
Cash	<u>\$ 130,392</u>	<u>\$ -</u>	<u>\$ 19,411</u>	<u>\$ 110,981</u>
Liabilities				
Due to others	<u>\$ 130,392</u>	<u>\$ -</u>	<u>\$ 19,411</u>	<u>\$ 110,981</u>
Combined Total				
Assets				
Cash	\$ 589,317	\$ 738,026	\$ 787,918	\$ 539,425
Investments, at fair value	<u>94,284</u>	<u>3,655</u>	<u>-</u>	<u>97,939</u>
Total assets	<u>\$ 683,601</u>	<u>\$ 741,681</u>	<u>\$ 787,918</u>	<u>\$ 637,364</u>
Liabilities				
Due to others	<u>\$ 683,601</u>	<u>\$ 741,681</u>	<u>\$ 787,918</u>	<u>\$ 637,364</u>

See Independent Auditors' Report

Supplementary Schedules

Schedule of Expenditures Details of Board of Education Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
PAYROLL AND RELATED COSTS					
Administrators / directors	\$ 2,265,803	\$ 84,283	\$ 2,350,086	\$ 2,330,950	\$ 19,136
Certified personnel / teachers	18,000,470	(842,732)	17,157,738	17,049,871	107,867
Maintenance / custodians	1,193,662	-	1,193,662	1,179,253	14,409
Secretaries	1,085,558	(7,024)	1,078,534	1,090,793	(12,259)
Occupational and physical therapists	266,726	-	266,726	270,528	(3,802)
Paraprofessionals	1,181,862	(26,581)	1,155,281	1,029,171	126,110
Technology	316,598	(4,332)	312,266	320,775	(8,509)
Homebound tutors	52,000	-	52,000	20,942	31,058
Counselors	21,225	-	21,225	21,225	-
Temporary employees / substitutes	423,046	-	423,046	314,678	108,368
Overtime	74,990	-	74,990	81,047	(6,057)
Dept head / activities / extra duties	184,012	(594)	183,418	181,110	2,308
Coaches	261,128	-	261,128	256,959	4,169
Co-curricular activities	131,758	-	131,758	126,693	5,065
Employee Benefits					
FICA / Medicare	638,219	(24,220)	613,999	625,673	(11,674)
Pension benefit	282,644	-	282,644	282,644	-
Early retirement incentives	261,957	-	261,957	261,957	-
Tuition Reimbursement	20,000	440	20,440	23,886	(3,446)
Unemployment compensation	29,160	14,899	44,059	41,830	2,229
Workers' compensation	253,624	42,421	296,045	302,354	(6,309)
Other employee benefits	750	-	750	650	100
Payroll adjustment	(591,892)	703,791	111,899	107,719	4,180
Total Payroll and Related Costs	26,353,300	(59,649)	26,293,651	25,920,708	372,943
NON PAYROLL COSTS					
Purchased services					
Staff development and training	68,760	-	68,760	68,668	92
Instruction services	55,021	10,519	65,540	65,142	398
Pupil services	2,152	19,000	21,152	9,352	11,800
Other professional services	536,602	(2,795)	533,807	531,327	2,480
Legal counsel	67,300	(15,000)	52,300	34,256	18,044
Speech / language services	63,817	-	63,817	75,402	(11,585)
Repairs and maintenance	212,156	29,620	241,776	233,704	8,072
Service contracts	263,768	10,600	274,368	275,963	(1,595)
Rentals - postage machines and copiers	157,445	(2,550)	154,895	157,437	(2,542)
Projects - buildings and grounds	63,500	51,600	115,100	147,087	(31,987)
Other purchased property services	13,035	5,143	18,178	18,730	(552)
Pupil transportation (in-district)	1,567,741	(15,158)	1,552,583	1,557,103	(4,520)
Pupil transportation (out-of-district)	371,608	(48,087)	323,521	317,907	5,614
Property and liability insurance	259,420	(9,270)	250,150	249,679	471
Communications / telephones	57,850	6,613	64,463	62,307	2,156
Postage	11,689	(1,000)	10,689	10,131	558
Advertising	6,785	847	7,632	6,079	1,553
Printing and binding	9,774	(2,462)	7,312	7,434	(122)
Tuition					
Tuition in-state public	420,288	(55,443)	364,845	364,582	263
Tuition in-state private	374,012	74,000	448,012	462,210	(14,198)
Tuition out-of-state private	87,573	5,675	93,248	86,193	7,055

(Continued)

Schedule of Expenditures Details of Board of Education Expenditures
 Budget and Actual (Budgetary Basis)
 General Fund
 For the Year Ended June 30, 2017

	Budgeted Amounts			Actual Budgetary Basis	Variance with Final Budget
	Original	Additional Appropriations and Transfers	Final		
Supplies					
Conferences and travel	19,025	(192)	18,833	18,365	468
General supplies	11,345	\$ 14,703	\$ 26,048	\$ 26,151	\$ (103)
Instructional supplies	276,415	9,627	286,042	290,278	(4,236)
Software	130,822	(2,382)	128,440	126,947	1,493
Custodial and maintenance supplies	86,607	500	87,107	85,729	1,378
Property		-			
Electricity	615,825	-	615,825	680,279	(64,454)
Bottled gas	20,479	-	20,479	12,330	8,149
Heating oil	204,075	(16,700)	187,375	190,289	(2,914)
Gasoline	7,330	-	7,330	4,433	2,897
Diesel fuel	104,120	-	104,120	93,041	11,079
Magazines and subscriptions	20,903	(2,279)	18,624	18,651	(27)
Textbooks and workbooks	175,049	32,109	207,158	206,623	535
Library books and periodicals	27,630	505	28,135	25,908	2,227
Other supplies and materials	106,792	(27,503)	79,289	79,752	(463)
Property	2,912	48,245	51,157	51,153	4
Equipment	175,730	21,647	197,377	213,461	(16,084)
Dues and fees	85,760	(1,240)	84,520	90,141	(5,621)
Contingency	100,000	(76,493)	23,507	23,611	(104)
Accreditation	8,710	(2,750)	5,960	5,741	219
Total Nonpayroll Costs	6,849,825	59,649	6,909,474	6,983,576	(74,102)
Total Education Expenditures (Budgetary Basis)	<u>\$33,203,125</u>	<u>\$ -</u>	<u>\$33,203,125</u>	<u>\$32,904,284</u>	<u>\$ 298,841</u>

Internal Control and Compliance Reports

**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**

Independent Auditors' Report

**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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 20, 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

PKF O'Connor Davies, LLP

December 20, 2017

State Single Audit

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Town of New Fairfield, Connecticut's ("Town") compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2017. 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, 2017.

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 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, 2017, and the related notes to the financial statements, which collectively December 20, 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

December 20, 2017

Town of New Fairfield, Connecticut

Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017

State Grantor Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Passed Through to Subrecipients	Expenditures
Connecticut State Library			
Connecticard Payments	11000-CSL66051-17010	\$ -	\$ 803
Construction Grants to Public Libraries	12052-CSL66051-43064	-	15,236
Historic Documents Preservation Grants	12060-CSL66094-35150	-	4,000
Total Connecticut State Library		-	<u>20,039</u>
Department of Transportation			
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	-	276,666
Small Town Economic Assistance Program (DOT)	12052-DOT57191-40532	-	39,124
Local Transport Capital Program	13033-DOT57197-43584	-	102,712
Total Department of Transportation		-	<u>418,502</u>
Department of Justice			
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	-	2,035
Office of Policy and Management			
Reimbursement to Towns - Tax Loss on State Owned Property	11000-OPM20600-17004	-	127
Reimbursement of Property Tax - Disability Exemption	11000-OPM20600-17011	-	1,463
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	-	90,912
Property Tax Relief for Veterans	11000-OPM20600-17024	-	20,349
Municipal Purposes and Projects	12052-OPM20600-43587	-	1,149
Total Office of Policy and Management		-	<u>114,000</u>
Department of Energy and Environmental Protection			
Regional Green House Gas	12060-DEP43520-35402	-	7,247
Open Space Program	17081-DEP43153-43343	-	579
Total Department of Energy and Environmental Protection		-	<u>7,826</u>
Department of Education			
Primary Mental Health	11000-SDE64370-12198	-	18,738
Child Nutrition State Match	11000-SDE64370-16211	-	5,571
Adult Education	11000-SDE64370-17030	-	4,019
School Breakfast Program	11000-SDE64370-17046	-	2,891
Magnet Schools	11000-SDE64370-17057	-	24,700
Total Department of Education		-	<u>55,919</u>
Total State Financial Assistance before Exempt Programs		-	<u>618,321</u>
EXEMPT PROGRAMS			
Department of Education			
Education Cost Sharing	11000-SDE64370-17041	-	4,325,815
Special Education - Excess Cost - Student Based	11000-SDE64370-17047	-	203,023
Department of Administrative Services			
School Construction Grants - Interest	13009-DAS27636-40896	-	11,346
School Construction Grants - Principal	13010-DAS27636-40901	-	287,797
Office of Policy and Management			
Municipal Revenue Sharing	12002-OPM20600-17102	-	288,278
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	-	29,123
Total exempt programs		-	<u>5,145,382</u>
Total State Financial Assistance		<u>\$ -</u>	<u>\$ 5,763,703</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
For the Year Ended June 30, 2017

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, 2017. 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 modified 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.

2. Local Transportation Capital Program

In accordance with the State Single Audit Act (CGS Chapter 55b) the following is a summary of Local Transportation Capital Program expenditures:

Route/Road	Project Title	Current Period Expenditures	Total Expenditures to Date
Candlewood Rd.	Candlewood Corners Drainage Improvements	102,712	102,712

Town of New Fairfield, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

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: The finding has been corrected.

2016-001 – Classification of Education Invoices

Condition: During our testing we noted that purchase orders were approved, but these approvals included directing the purchases to inappropriate budget line items.

Current Status: The finding has been corrected.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' opinion issued		<u>Unmodified</u>
Internal control over financial reporting		
• Material weakness(es) identified?	___ yes	<u>x</u> no
• Significant deficiency(ies) identified?	___ yes	<u>x</u> none reported
Noncompliance material to financial statements noted	___ yes	<u>x</u> no

State Financial Assistance

Internal control over major programs		
• Material weakness(es) identified?	___ yes	<u>x</u> no
• Significant deficiency(ies) identified?	___ yes	<u>x</u> none reported
Type of auditors' opinion issued on compliance for major programs		<u>Unmodified</u>
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	<u>x</u> no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation:		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	\$276,666
Office of Policy and Management:		
Property Tax Relief for Elderly Circuit Breaker	11000-OPM20600-17018	\$90,912
Dollar threshold used to distinguish between type A and type B programs:	<u>\$100,000</u>	

Section II - Financial Statement Findings

No matters were reported

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 (the "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, 2017. 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.

Opinion on Each Major Federal 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 federal programs for the year ended June 30, 2017.

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. 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 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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated December 20, 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

December 20, 2017

Town of New Fairfield, Connecticut

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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	\$ -	\$ 85,262
National School Lunch - commodities	10.555	12060-SDE64370-20560	-	39,273
School Breakfast Program	10.553	12060-SDE64370-20508	-	6,192
Total U.S. Department of Agriculture			-	130,727
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.				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	12060-DOH46930-20730	-	157,806
U.S. Department of Homeland Security				
Pass-Through programs from:				
Connecticut Department of Public Safety				
Emergency Management Performance Grant	97.042	12060-DPS32160-21881	-	12,174
U.S. Department of Transportation:				
Pass-Through programs from:				
Connecticut Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	12062-DOT57191-22108	-	40,730
U.S. Department of Education:				
Pass-Through programs from:				
Connecticut State Department of Education				
Special Education Cluster (IDEA)				
IDEA, Part B, Section 611, Handicapped	84.027	12060-SDE64370-20977	-	461,390
IDEA, Part B, Section 619, Preschool	84.173	12060-SDE64370-20983	-	12,488
Total Special Education Cluster (IDEA)			-	473,878
Title I	84.010	12060-SDE64370-20679	-	87,156
Title II	84.367	12060-SDE64370-20858	-	30,068
Career and Technical Education - Basic Grants to States	84.048	12060-SDE64370-20742	-	19,052
Total U.S. Department of Education			-	610,154
Total Federal Financial Assistance			\$ -	\$ 961,877

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, 2017

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 (the "Town") under programs of the federal government for the year ended June 30, 2017. 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 position, or cash flows of the Town.

2. Summary of Significant Accounting Policies

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).

Expenditures reported on the Schedule are reported on the modified 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. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Town has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Town of New Fairfield, Connecticut

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

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: The finding has been corrected.

Finding 2016-001 – Classification of Education Invoices

Grantor:	U.S. Department of Education
Federal Program Name:	Special Education Cluster (IDEA): IDEA, Part B, Section 611, Handicapped IDEA, Part B, Section 619, Preschool
Pass-through Entity:	Connecticut State Department of Education
CFDA Number:	84.027, 84.173

Condition: During our testing we noted that purchase orders were approved, but these approvals included directing the purchases to inappropriate budget line items.

Current Status: The finding has been corrected.

Town of New Fairfield, Connecticut

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - 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 no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted yes no

Federal Awards

Internal control over major programs

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

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

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

Section II - Financial Statement Findings:

No matters were reported.

Section III - Federal Financial Assistance Findings and Questioned Costs

No matters were reported.