



April 28, 2016

MEMORANDUM TO PROSPECTIVE BIDDERS

**Re: TOWN OF BETHEL, CONNECTICUT
\$11,780,000 General Obligation Bond Anticipation Notes**

**Dated: May 18, 2016 Date of Sale: Thursday, May 5, 2016
Due: February 17, 2017 Time of Sale: 11:30 A.M. (Eastern Time)**

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

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Thursday, May 5, 2016. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Thursday, May 5, 2016.**

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

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Town of Bethel, Connecticut as of June 30, 2015. These excerpts are included in this package. Copies of the complete reports for June 30, 2015 are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, telephone (203) 283-1110.

We trust we may be of service.

PHOENIX ADVISORS, LLC



BAN Sale Term Sheet

\$11,780,000

Town of Bethel, Connecticut General Obligation Bond Anticipation Notes

Date of Sale: Thursday, May 5, 2016 at 11:30 A.M. (Eastern Time).

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

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

Issue: \$11,780,000 General Obligation Bond Anticipation Notes (the "Notes").

Dated Date: May 18, 2016

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

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

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

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

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

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

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

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

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

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

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

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

Delivery and Payment: It is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about May 18, 2016. Delivery of the Notes will be made against payment in immediately available Federal Funds.

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

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

**\$11,780,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES
Dated May 18, 2016 : Due February 17, 2017**

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

May 5, 2016

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

The Issue

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut General Statutes, as amended. The Notes will be dated May 18, 2016 and will be payable to the registered owners on February 17, 2017. They will be issued in minimum denominations of \$100,000 or multiples of \$1,000 in excess thereof. Denominations of less than \$100,000 will not be made available. The Notes will bear interest (computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Notes are NOT subject to redemption prior to maturity.

Bid Requirements

Telephone bids for the Notes will be received until 11:30 A.M. (EST) on behalf of the Town by Phoenix Advisors, LLC, the Town's financial advisor. All telephone bids must be made to Phoenix Advisors, LLC at 203-283-1110 and be completed by 11:30 A.M. (EST) on Thursday, May 5, 2016. Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Town through its agent or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Town through its agent by the time required. A bid received after the time specified, as determined in the Town's sole discretion, will not be reviewed or honored by the Town.

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

Award, Delivery and Payment

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

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

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

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

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

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

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

It is expected that the Notes will be delivered to The Depository Trust Company on or about May 18, 2016 against payment in immediately available Federal Funds. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning purchaser to obtain CUSIP numbers for the Notes prior to delivery and the Town will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning purchaser to obtain such numbers and to supply them to the Town in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes.

Right to Reject Bids; Waiver

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

Postponement; Change of Terms

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

Book-Entry

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

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

The successful bidder for the Notes may request that the Notes be issued in the form of one fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. The successful bidder seeking the issuance of the Notes in this manner, and any subsequent registered owner of the Notes, shall bear any and all costs, including counsel fees, of any re-registration or transfer of Notes from time to time, including any costs to convert the Notes to book-entry only form. Any bidder seeking to have the Notes issued in the form of a fully registered physical certificate, rather than in book-entry form, shall indicate this preference to the Town at the time of the submission of the bid. The Town reserves the right to decline any request to issue the Notes in non-book entry form if it should determine, in its sole discretion, that issuing the Notes in this manner is not in its best interests.

No Continuing Disclosure or Official Statement

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

Additional Information

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

Matthew S. Knickerbocker
First Selectman

Robert V. Kozlowski
Comptroller

April 27, 2016

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

May _____, 2016

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

We have acted as Bond Counsel in connection with the issuance by the Town of Bethel (the "Town"), in the State of Connecticut, of its \$11,780,000 General Obligation Bond Anticipation Notes (the "Notes") dated May 18, 2016 and maturing February 17, 2017. In such capacity, we have examined a record of proceedings of the Town authorizing the Notes, a Tax Regulatory Agreement of the Town dated May _____, 2016 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

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

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

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

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

In rendering the below opinions regarding the federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Town with the covenants set forth in the Agreement as to such tax matters.

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

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

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

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

Respectfully,

PULLMAN & COMLEY, LLC

TOWN OF BETHEL, CONNECTICUT

FINANCIAL INFORMATION

Excerpted from the
Annual Financial Statements of
The Town of Bethel, Connecticut
Year Ended June 30, 2015

Independent Auditor's Report

Board of Finance
Town of Bethel, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Bethel, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type-activities, each major fund and the aggregate remaining fund information of the Town of Bethel, Connecticut, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefit plan schedules on pages 6 through 15 and pages 69 through 81, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

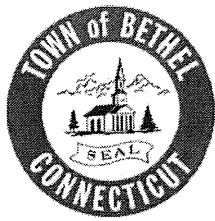
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the Town of Bethel, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bethel, Connecticut's internal control over financial reporting and compliance.

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

Hartford, Connecticut
December 29, 2015



COMPTROLLER'S OFFICE

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

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

Management's Discussion and Analysis Year Ended June 30, 2015

As management of the Town of Bethel, Connecticut, we offer readers of the Town's financial statements this narrative overview and analysis of the financial position and activities of the Town for the fiscal year ended June 30, 2015.

Financial Highlights

- During the fiscal year, the Town implemented GASB 68 related to pensions. GASB 68 required that the net pension liability be recorded on the government-wide financial statements. On a government-wide basis, the result of implementing GASB 68 was a prior period adjustment as of July 1, 2014 to record the net pension liability and related accounts of \$7,828,899. The current year pension expense was \$1,733,938 and the net pension liability at June 30, 2015 was \$9,817,408.
- On a government-wide basis, the Town's total net position increased by \$4,458,475 for the fiscal year, \$2,881,091 of which was generated by governmental activities and \$1,577,384 from business-type activities. The main reasons for the increase are positive general fund operating results of \$1,772,160, significant capital asset additions in excess of depreciation expense and the impact of debt service activity due to the difference in the accounting basis for these items as compared to the fund financial statements. Business-type activities reported an increase in net position of \$1,577,384 due to the positive operations of the water fund of \$958,668 and positive operations of the sewer fund of \$618,716 during the current year related to planned rate increases.
- The Town's combined net position totals \$111,527,255 at June 30, 2015. Of this amount, \$19,847,537 is available (unrestricted) to finance ongoing programs, \$4,400,496 in governmental activities and \$15,447,041 for business-type activities.
- At year end, the unassigned fund balance for the general fund was \$15,284,996 or 22.2% of total general fund expenditures and transfers out.
- The Town's total long-term debt decreased by \$3,605,000. This decrease was the result of the issuance of refunding bonds during the current year offset by scheduled debt service payments.

Overview of the Basic Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$111,527,255 at the close of the fiscal year.

The largest portion of the Town's net position (81.8%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (0.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position in the amount of \$19,847,537 may be used to meet the Town's ongoing obligations to citizens and creditors.

Management's Discussion and Analysis (continued)

Summary Statement of Net Position
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Current and other assets	\$ 28,045,300	\$24,247,990	\$16,539,796	\$16,539,621	\$ 44,585,096	\$ 40,787,611
Capital assets (net)	111,874,919	110,795,353	32,932,298	32,574,770	144,807,217	143,370,123
Total assets	139,920,219	135,043,343	49,472,094	49,114,391	189,392,313	184,157,734
Deferred outflows of resources	1,205,845	331,622	71,222	100,748	1,277,067	432,370
Long-term liabilities outstanding	43,280,691	37,146,842	14,913,288	15,966,055	58,193,979	53,112,897
Other liabilities	16,368,718	21,668,524	2,289,102	2,739,903	18,657,820	24,408,427
Total liabilities	59,649,409	58,815,366	17,202,390	18,705,958	76,851,799	77,521,324
Deferred inflows of resources	2,035,965	-	254,361	-	2,290,326	-
Net investment in capital assets	74,635,328	73,628,002	16,639,524	15,324,184	91,274,852	88,952,186
Restricted	404,866	393,982	-	-	404,866	393,982
Unrestricted	4,400,496	2,537,615	15,447,041	15,184,997	19,847,537	17,722,612
Total net position	\$ 79,440,690	\$76,559,599	\$32,086,565	\$30,509,181	\$ 111,527,255	\$ 107,068,780

The Town's net position increased by \$4,458,475 during the current fiscal year. The main reasons for the increase are positive general fund operating results of \$1,772,160, significant capital asset additions in excess of depreciation expense and the impact of debt service activity due to the difference in the accounting basis for these items as compared to the fund financial statements. Business-type activities reported an increase in net position of \$1,577,384 due to the positive operations of the water fund of \$958,668 and positive operations of the sewer fund of \$618,716 during the current year.

Management's Discussion and Analysis (continued)

Governmental activities. Already noted was the statement of activities' purpose in presenting information on how the Town's net position changed during the most recent fiscal year. For the fiscal year, net position increased \$2,881,091. The main reasons for the increase are positive general fund operating results of \$1,772,160, significant capital asset additions in excess of depreciation expense and the impact of debt service activity due to the difference in the accounting basis for these items as compared to the fund financial statements.

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

**Statement of Changes in Net Position
Years Ended June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,898,941	\$ 3,151,069	\$ 5,108,823	\$ 5,094,176	\$ 8,007,764	\$ 8,245,245
Operating grants and contributions	15,195,753	16,581,808	-	-	15,195,753	16,581,808
Capital grants and contributions	269,407	1,957,278	106,069	-	375,476	1,957,278
General revenues:						
Property taxes	59,965,158	58,773,150	-	-	59,965,158	58,773,150
Grants and contributions not restricted to specific programs	260,452	469,015	-	-	260,452	469,015
Investment income	96,513	75,242	639	783	97,152	76,025
Miscellaneous	44,354	132,737	-	-	44,354	132,737
Total revenues	78,730,578	81,140,299	5,215,531	5,094,959	83,946,109	86,235,258
Expenses:						
General government	7,986,644	8,030,307	-	-	7,986,644	8,030,307
Public safety	8,758,737	8,192,682	-	-	8,758,737	8,192,682
Health and welfare	408,993	599,314	-	-	408,993	599,314
Public works	4,571,265	4,190,669	-	-	4,571,265	4,190,669
Library	1,346,956	1,368,922	-	-	1,346,956	1,368,922
Education	51,970,143	51,818,389	-	-	51,970,143	51,818,389
Interest expense	806,749	698,909	-	-	806,749	698,909
Water department	-	-	1,111,738	1,174,911	1,111,738	1,174,911
Sewer department	-	-	2,526,409	2,521,039	2,526,409	2,521,039
Total expenses	75,849,487	74,899,192	3,638,147	3,695,950	79,487,634	78,595,142
Change in net position	2,881,091	6,241,107	1,577,384	1,399,009	4,458,475	7,640,116
Net position - July 1	76,559,599	77,842,394	30,509,181	29,415,169	107,068,780	107,257,563
Restatement for net pension liability	-	(7,523,902)	-	(304,997)	-	(7,828,899)
Net position - June 30	\$ 79,440,690	\$ 76,559,599	\$ 32,086,565	\$ 30,509,181	\$ 111,527,255	\$ 107,068,780

Governmental Activities - Revenues

The significant changes in revenues for governmental activities for the fiscal year ended June 30, 2015, were as follows:

- Property tax revenue increased \$1,192,008 due to the increased budget approved by the Town and related tax rate increases.
- Capital grants and contributions decreased \$1,683,371 largely due to grant money received in the prior year for the highway planning and construction grant for Walnut Hill Bridge project.
- Operating grants and contributions decreased \$1,386,055 due to decreases in educational related intergovernmental revenues and on contributions as compared to the prior year.

Governmental Activities - Expenses

The significant changes in expenses for governmental activities for the fiscal year ended June 30, 2015, were as follows:

- Public safety increased \$566,055 due to an increase in the budget and increase in police pension liability.
- Public works expenses increased by a \$380,596 due to an increase in the budget for operating expenses.

Business-Type Activities

Revenues

- There were no significant changes in charges for services revenues as compared to the prior year.
- Capital grants and contributions increased by \$106,069 during the year substantially due to a grant received in current year related to the Eureka Water Tank project.

Expenses

There were no significant changes in expenses as compared to the prior year.

Financial Analysis of the Town's Funds

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

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

Management's Discussion and Analysis (continued)

The combined fund balances of governmental funds for the fiscal year ended June 30, 2015 is \$10,268,124. Of this amount, \$34,792 relates to a nonspendable advance, \$404,866 is restricted, \$2,659,209 is committed and \$1,071,085 is assigned. The balance of \$6,098,172 is unassigned fund balance.

General Fund

The general fund is the operating fund of the Town. The fund balance of the general fund increased by \$1,772,160 for the current fiscal year. The major factors for this increase were increased property tax revenues over budget expectations of \$1,310,714.

Bonded Projects Fund

The Bonded Projects Fund's net change in fund balance was a decrease of \$1,894,500 for the fiscal year. This is a result of the capital outlay activity being currently financed with bond anticipation notes (short-term financing). The bond anticipation notes will be permanently financed in subsequent fiscal years.

Capital Nonrecurring Fund

The Capital Nonrecurring Fund's net change in fund balance was a decrease of \$32,408 for the fiscal year due to the timing of the funding and spending of projects.

Proprietary funds. The Town's proprietary funds provide the same information found in the government-wide financial statements, but in more detail. The Town's enterprise funds posted an overall increase in net position of \$1,577,384 for the fiscal year ended June 30, 2015, detailed as follows:

Water Department

Net position of the water department at the end of the year amounted to \$2,403,230 an increase of \$958,668. This was mostly due to the scheduled increase in the water rates with expenses remaining level with the prior year.

Sewer Department

Net position of the sewer department at the end of the year amounted to \$29,683,335, an increase of \$618,716. This was mostly due to the scheduled increase in the sewer rates with expenses remaining level with prior year.

Management's Discussion and Analysis (continued)

General Fund Budgetary Highlights

A detailed budgetary comparison schedule for the fiscal year ended June 30, 2015 is on Exhibit F. A summary of that schedule follows:

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources				
Property taxes	\$ 58,590,240	\$ 58,590,240	\$ 59,900,954	\$ 1,310,714
Intergovernmental	9,085,040	9,350,881,	9,270,225	(80,656)
Charges for services, use of money and property, and other	1,147,457	1,147,457	1,182,353	34,896
Appropriation of fund balance		64,880		(64,880)
Totals	68,822,737	69,153,458	70,353,532	1,200,074
Expenditures and Other Financing Uses				
Expenditures	67,472,490	67,803,211	67,349,291	453,920
Transfers out	1,350,247	1,350,247	1,350,247	-
Totals	68,822,737	69,153,458	68,699,538	453,920
Change in Fund Balance	\$ -	\$ -	\$ 1,653,994	\$ 1,653,994

The most significant budget transfers were as follows:

- The legal budget was increased \$152,236 due to labor contract negotiations and other legal matters.
- The police department budget was increased \$214,940 mainly due to an increase in salaries as a result of contract negotiations being settled.
- The highway department budget was increased \$402,224 due to increased overtime for snow and ice removal as well as increased road construction during the year.

Capital Assets and Debt Administration

At June 30, 2015, the Town of Bethel's investment in capital assets in both governmental and business-type activities amounted to \$144,807,217, net of depreciation. This includes land, intangible assets, buildings, equipment and infrastructure (roads and bridges). Capital assets for governmental activities increased by 1.0% and business-type capital assets increased by 1.1%.

The most significant capital asset additions were as follows:

Governmental activities:

- Land increased \$678,910 substantially due to acquisition of Hickok property.
- Infrastructure increased \$2,568,467 due to 2 road reconstruction projects completed during the year.

Capital Assets and Debt Administration (continued)

Business-type Activities:

- Distribution, collection, and treatment increased \$890,508 related to additions capitalized during the fiscal year.

**Capital Assets - Net
June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,927,720	\$ 6,248,810	\$ 157,072	\$ 157,072	\$ 7,084,792	\$ 6,405,882
Construction in progress	1,704,469	2,974,031	1,002,623	1,305,529	2,707,092	4,279,560
Land improvements	1,688,130	1,747,141	-	-	1,688,130	1,747,141
Intangible assets	95,591	102,185	6,903,396	7,066,353	6,998,987	7,168,538
Buildings	68,471,109	69,661,649	648,436	711,000	69,119,545	70,372,649
Building improvements	8,679,835	8,963,067	26,766	28,363	8,706,601	8,991,430
Distribution, collection, and treatment	-	-	23,441,336	22,550,828	23,441,336	22,550,828
Machinery and equipment	4,331,119	4,280,173	716,687	738,726	5,047,806	5,018,899
Vehicles	4,508,439	3,918,257	35,982	16,899	4,544,421	3,935,156
Infrastructure	15,468,507	12,900,040	-	-	15,468,507	12,900,040
Total	\$ 111,874,919	\$ 110,795,353	\$ 32,932,298	\$ 32,574,770	\$ 144,807,217	\$ 143,370,123

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

Long-term Debt

For the year ended June 30, 2015, the Town's long-term debt decreased by \$3,605,000 due to scheduled debt service payments and the current year refunding. At the end of the current fiscal year, the Town had total bonded and loan debt outstanding of \$40,920,000, which is backed by the full faith and credit of the Town of Bethel.

**Outstanding Debt
General Obligation and Sewer Bonds and Clean Water Notes**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General purpose bonds	\$ 4,507,100	\$ 4,889,200	\$15,115,000	\$16,390,000	\$19,622,100	\$21,279,200
School bonds	21,297,900	23,245,800	-	-	21,297,900	23,245,800
Total	\$25,805,000	\$28,135,000	\$15,115,000	\$16,390,000	\$40,920,000	\$44,525,000

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 2 ¼ to 4 ½ times total tax collections including interest and lien fees and the tax relief for the elderly freeze grant. The current debt limitation for the Town is \$419,561,968, which is significantly in excess of the Town's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 4.0%, which is down from 5.1% from fiscal year 2014. This is lower than both the state's average unemployment rate of 5.5% and the national average of 5.2%.
- Inflationary trends in the region compare favorably to national indices.
- Connecticut's economic and business growth remains flat. This lack of growth will have a negative impact on the amount of revenue the state receives from taxes. This will affect the amount of intergovernmental revenues the Town will receive in fiscal year 2016 and thereafter.

Town officials considered many factors when setting the fiscal year 2016 budget. The Town decided that it was important to adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the budget, the Town recognized the need to continue its pattern of conservative budgeting while at the same time providing excellent services to our residents and taxpayers.

The 2016 general fund budget is \$70,325,694, an increase of 2.2% over the prior year. Non-tax revenue remained relatively consistent.

Requests for Information

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

Basic Financial Statements

Town of Bethel, Connecticut

Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash	\$ 4,966,508	\$ 575,559	\$ 5,542,067
Investments	21,321,026	398,695	21,719,721
Receivables:			
Property taxes	829,035		829,035
Assessments		1,528,000	1,528,000
Intergovernmental	781,598		781,598
Other	91,865	681,665	773,530
Internal balances	(462,226)	462,226	-
Other	17,700	-	17,700
Total current assets	27,545,506	3,646,145	31,191,651
Noncurrent assets:			
Restricted assets:			
Temporarily restricted cash	365,539	-	365,539
Receivables (net):			
Property taxes	134,255	-	134,255
Assessments	-	12,893,651	12,893,651
Total receivables (net)	134,255	12,893,651	13,027,906
Capital assets (net of accumulated depreciation):			
Land	6,927,720	157,072	7,084,792
Construction in progress	1,704,469	1,002,623	2,707,092
Land improvements	1,688,130	-	1,688,130
Intangible assets	95,591	6,903,396	6,998,987
Buildings	68,471,109	648,436	69,119,545
Building improvements	8,679,835	26,766	8,706,601
Distribution and collection systems	-	23,441,336	23,441,336
Machinery and equipment	4,331,119	716,687	5,047,806
Vehicles	4,508,439	35,982	4,544,421
Infrastructure	15,468,507	-	15,468,507
Total capital assets (net of accumulated depreciation)	111,874,919	32,932,298	144,807,217
Total noncurrent assets	112,374,713	45,825,949	158,200,662
Total assets	139,920,219	49,472,094	189,392,313
<u>Deferred Outflows of Resources</u>			
Pension related	1,205,845	71,222	1,277,067

(Continued)

Town of Bethel, Connecticut

Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable	\$ 2,648,183	\$ 528,854	\$ 3,177,037
Accrued payroll and related liabilities	478,578	30,088	508,666
Accrued interest payable	381,704	73,620	455,324
Unearned revenue	39,053	-	39,053
Bond anticipation notes	9,523,460	751,540	10,275,000
Performance bonds	365,539	-	365,539
Bond and notes payable	1,755,000	905,000	2,660,000
Capital lease payable	233,068	-	233,068
Compensated absences	482,719	-	482,719
Other liabilities	461,414	-	461,414
	<u>16,368,718</u>	<u>2,289,102</u>	<u>18,657,820</u>
Total current liabilities			
Noncurrent liabilities:			
Bonds and notes payable and related liabilities	24,822,202	14,381,873	39,204,075
Capital lease payable	639,836	-	639,836
Compensated absences	3,290,489	-	3,290,489
Net pension liability	9,497,520	319,888	9,817,408
Net OPEB obligation	5,030,644	211,527	5,242,171
	<u>43,280,691</u>	<u>14,913,288</u>	<u>58,193,979</u>
Total noncurrent liabilities			
Total liabilities			
	<u>59,649,409</u>	<u>17,202,390</u>	<u>76,851,799</u>
<u>Deferred Inflows of Resources</u>			
Advance property tax collections	1,769,940	-	1,769,940
Deferred charge on refunding	266,025	254,361	520,386
	<u>2,035,965</u>	<u>254,361</u>	<u>2,290,326</u>
Total deferred inflows of resources			
<u>Net Position</u>			
Net investment in capital assets	74,635,328	16,639,524	91,274,852
Restricted for:			
General government	255,436	-	255,436
Education	68,202	-	68,202
Other	81,228	-	81,228
Unrestricted	4,400,496	15,447,041	19,847,537
	<u>\$ 79,440,690</u>	<u>\$ 32,086,565</u>	<u>\$ 111,527,255</u>
Total net position			

(Concluded)

Town of Bethel, Connecticut

Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 7,986,644	\$ 1,122,490	\$ 5,000	\$ 152,240	\$ (6,706,914)	\$ -	\$ (6,706,914)
Public safety	8,758,737	323,751	-	34,299	(8,400,687)	-	(8,400,687)
Health and welfare	408,993	8,686	60,476	-	(339,831)	-	(339,831)
Public works	4,571,265	201,333	584,603	82,868	(3,702,461)	-	(3,702,461)
Library	1,346,956	12,161	32,889	-	(1,301,906)	-	(1,301,906)
Education	51,970,143	1,230,520	14,512,785	-	(36,226,838)	-	(36,226,838)
Interest expense	806,749	-	-	-	(806,749)	-	(806,749)
Total governmental activities	<u>75,849,487</u>	<u>2,898,941</u>	<u>15,195,753</u>	<u>269,407</u>	<u>(57,485,386)</u>	<u>-</u>	<u>(57,485,386)</u>
Business-type activities:							
Water department	1,111,738	1,964,337	-	106,069	-	958,668	958,668
Sewer department	<u>2,526,409</u>	<u>3,144,486</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>618,077</u>	<u>618,077</u>
Total business-type activities	<u>3,638,147</u>	<u>5,108,823</u>	<u>-</u>	<u>106,069</u>	<u>-</u>	<u>1,576,745</u>	<u>1,576,745</u>
Total	<u>\$ 79,487,634</u>	<u>\$ 8,007,764</u>	<u>\$ 15,195,753</u>	<u>\$ 375,476</u>	<u>\$ (57,485,386)</u>	<u>\$ 1,576,745</u>	<u>\$ (55,908,641)</u>
General revenues:							
Property taxes					\$ 59,965,158	\$ -	\$ 59,965,158
Grants and contributions not restricted to specific programs					260,452	-	260,452
Investment income					96,513	639	97,152
Miscellaneous					<u>44,354</u>	<u>-</u>	<u>44,354</u>
Total general revenues					<u>60,366,477</u>	<u>639</u>	<u>60,367,116</u>
Change in net position					2,881,091	1,577,384	4,458,475
Net position - July 1, 2014 (as restated)					<u>76,559,599</u>	<u>30,509,181</u>	<u>107,068,780</u>
Net position - June 30, 2015					<u>\$ 79,440,690</u>	<u>\$ 32,086,565</u>	<u>\$ 111,527,255</u>

Town of Bethel, Connecticut

Balance Sheet
Governmental Funds
June 30, 2015

	General	Bonded Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ 2,238,328	\$ -	\$ 295,191	\$ 1,338,191	\$ 3,871,710
Restricted cash	365,539	-	-	-	365,539
Investments	19,558,377	-	1,012,999	32,090	20,603,466
Receivables, net:					
Property taxes	974,384	-	-	-	974,384
Intergovernmental	408,899	-	288,766	83,933	781,598
Other	61,170	-	-	30,695	91,865
Due from other funds	1,955,243	1,561,592	89,377	1,140,385	4,746,597
Advance to other funds	34,792	-	-	-	34,792
Other	-	-	-	17,700	17,700
Total assets	\$ 25,596,732	\$ 1,561,592	\$ 1,686,333	\$ 2,642,994	\$ 31,487,651
<u>Liabilities</u>					
Liabilities:					
Accounts payable	\$ 1,307,695	\$ 30,461	\$ 106,084	\$ 65,314	\$ 1,509,554
Accrued payroll	475,815	-	-	2,763	478,578
Due to other funds	4,884,521	43,374	92,335	1,272,022	6,292,252
Unearned revenue	2,956	-	-	36,097	39,053
Bond anticipation notes	-	9,423,460	100,000	-	9,523,460
Performance bonds	365,539	-	-	-	365,539
Other liabilities	461,414	-	-	-	461,414
Advance from other funds	-	-	-	34,792	34,792
Total liabilities	7,497,940	9,497,295	298,419	1,410,988	18,704,642
<u>Deferred Inflows of Resources</u>					
Unavailable revenues:					
Property taxes	744,945	-	-	-	744,945
Advance property tax collections	1,769,940	-	-	-	1,769,940
Total deferred inflows of resources	2,514,885	-	-	-	2,514,885
<u>Fund Balances</u>					
Nonspendable	34,792	-	-	-	34,792
Restricted	-	-	-	404,866	404,866
Committed	264,119	-	1,387,914	1,007,176	2,659,209
Assigned	-	-	-	1,071,085	1,071,085
Unassigned	15,284,996	(7,935,703)	-	(1,251,121)	6,098,172
Total fund balances	15,583,907	(7,935,703)	1,387,914	1,232,006	10,268,124
Total liabilities, deferred inflows of resources and fund balances	\$ 25,596,732	\$ 1,561,592	\$ 1,686,333	\$ 2,642,994	\$ 31,487,651

(Continued)

Town of Bethel, Connecticut

Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2015

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different from the governmental fund balance sheet. The details of this difference are as follows:

Total fund balance (Exhibit C, Page 1 of 2)	\$ 10,268,124
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning capital assets	110,795,353
Capital assets additions (net of construction in progress)	4,335,195
Depreciation expense	(3,245,859)
Disposal of capital assets	(9,770)
Other long-term assets are not available resources and, therefore, are not reported in the funds:	
Property tax interest and lien accrual	218,906
Allowance for doubtful accounts	(230,000)
Other long-term assets and deferred outflows are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
Property tax receivable - accrual basis change	744,945
Deferred outflows related to pensions	1,205,845
Internal service funds are used by management to charge the cost of medical insurance premiums to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position	1,757,158
Some liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bond and notes payable	(25,805,000)
Bond premium	(772,202)
Deferred charge on refunding	(266,025)
Capital lease payable	(872,904)
Compensated absences	(3,773,208)
Net pension liability	(9,497,520)
Net OPEB obligation	(5,030,644)
Accrued interest payable	(381,704)
Net position of governmental activities	<u>\$ 79,440,690</u>

(Concluded)

Town of Bethel, Connecticut

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General	Bonded Projects	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 59,900,954	\$ -	\$ -	\$ -	\$ 59,900,954
Intergovernmental	13,385,789	152,240	78,958	2,075,431	15,692,418
Charges for services	1,046,144	-	18,558	1,834,239	2,898,941
Use of money and property	91,855	-	2,612	2,046	96,513
Contributions	-	-	-	29,284	29,284
Other	44,354	-	-	-	44,354
Total revenues	74,469,096	152,240	100,128	3,941,000	78,662,464
Expenditures:					
Current:					
General government	13,424,727	-	-	79,263	13,503,990
Public safety	4,800,134	-	-	431,645	5,231,779
Health and welfare	275,596	-	-	64,585	340,181
Public works	3,171,168	-	-	194,383	3,365,551
Library	820,371	-	13,727	15,944	850,042
Education	46,517,348	-	-	3,194,968	49,712,316
Debt service	2,512,726	-	-	162,738	2,675,464
Capital outlay	-	2,644,740	912,205	-	3,556,945
Total expenditures	71,522,070	2,644,740	925,932	4,143,526	79,236,268
Excess (deficiency) of revenues over expenditures	2,947,026	(2,492,500)	(825,804)	(202,526)	(573,804)
Other financing sources (uses):					
Issuance of refunding debt	-	-	-	18,405,000	18,405,000
Payment to refunded bond escrow agent	-	-	-	(20,220,033)	(20,220,033)
Bond premium	-	-	-	1,590,591	1,590,591
BAN premium	-	-	-	78,188	78,188
Capital lease	-	-	568,396	-	568,396
Transfers in	-	598,000	225,000	351,866	1,174,866
Transfers out	(1,174,866)	-	-	-	(1,174,866)
Net other financing sources (uses)	(1,174,866)	598,000	793,396	205,612	422,142
Net change in fund balances	1,772,160	(1,894,500)	(32,408)	3,086	(151,662)
Fund balances - July 1, 2014	13,811,747	(6,041,203)	1,420,322	1,228,920	10,419,786
Fund Balances - June 30, 2015	\$ 15,583,907	\$ (7,935,703)	\$ 1,387,914	\$ 1,232,006	\$ 10,268,124

Town of Bethel, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds (Exhibit D) \$ (151,662)

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

Capital outlay	4,331,285
Depreciation expense	<u>(3,245,859)</u>

Total 1,085,426

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

Contributed capital assets	3,910
Loss on disposal of assets	<u>(9,770)</u>

Total (5,860)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues recognized in the fund financial statements are not recognized in the statement of activities:

Change in property tax receivable - accrual basis change	56,480
Change in property tax interest and lien revenue	<u>7,724</u>

Total 64,204

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

The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of refunding bonds	(18,405,000)
Bond premium	(127,424)
Capital lease	(568,396)
Deferred charge on refunding	(555,000)
Principal repayments:	
General obligation bonds	1,775,000
Refunded bonds	18,960,000
Capital lease	<u>439,433</u>

Total 1,518,613

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

Compensated absences	(233,424)
Pension expense	1,683,384
Net OPEB obligation	(1,083,778)
Bond premium	91,794
Deferred charges	(42,647)
Accrued interest payable	<u>(121,187)</u>

Total 294,142

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

The net revenue of the activities of the internal service funds is reported with governmental activities 76,228

Change in net position of governmental activities (Exhibit B) \$ 2,881,091

Town of Bethel, Connecticut

General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Property taxes	\$ 58,590,240	\$ 58,590,240	\$ 59,900,954	\$ 1,310,714
Intergovernmental	9,085,040	9,350,881	9,270,225	(80,656)
Charges for services	1,102,457	1,102,457	1,046,144	(56,313)
Use of money and property	45,000	45,000	91,855	46,855
Other	-	-	44,354	44,354
Total revenues	<u>68,822,737</u>	<u>69,088,578</u>	<u>70,353,532</u>	<u>1,264,954</u>
Expenditures:				
Current:				
General government	13,712,402	13,810,723	13,419,006	391,717
Public safety	4,586,380	4,770,382	4,770,382	-
Health and welfare	318,936	269,302	269,302	-
Public works	2,675,558	3,158,581	3,158,581	-
Library	818,325	817,510	817,510	-
Education	42,463,987	42,463,987	42,401,784	62,203
Debt service	2,896,902	2,512,726	2,512,726	-
Total expenditures	<u>67,472,490</u>	<u>67,803,211</u>	<u>67,349,291</u>	<u>453,920</u>
Excess (deficiency) of revenues over expenditures	<u>1,350,247</u>	<u>1,285,367</u>	<u>3,004,241</u>	<u>1,718,874</u>
Other financing sources (uses):				
Appropriation of fund balance	-	64,880	-	(64,880)
Transfers out	(1,350,247)	(1,350,247)	(1,350,247)	-
Total other financing sources	<u>(1,350,247)</u>	<u>(1,285,367)</u>	<u>(1,350,247)</u>	<u>(64,880)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	1,653,994	<u>\$ 1,653,994</u>
Fund balance, July 1, 2014			<u>14,047,607</u>	
Fund balance, June 30, 2015			<u>\$ 15,701,601</u>	

Town of Bethel, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
<u>Assets</u>				
Current assets:				
Cash	\$ -	\$ 575,559	\$ 575,559	\$ 1,094,798
Investments	-	398,695	398,695	717,560
Receivables (net):				
Assessments	-	1,528,000	1,528,000	-
Other	257,131	424,534	681,665	-
Due from other funds	-	1,158,533	1,158,533	-
Total current assets	<u>257,131</u>	<u>4,085,321</u>	<u>4,342,452</u>	<u>1,812,358</u>
Noncurrent assets:				
Receivables:				
Assessments	-	12,893,651	12,893,651	-
Capital assets (net):				
Land	24,123	132,949	157,072	-
Construction in progress	941,730	60,893	1,002,623	-
Intangible assets	6,120	6,897,276	6,903,396	-
Buildings	241,731	406,705	648,436	-
Building improvements	21,841	4,925	26,766	-
Distribution and collection system	2,126,264	21,315,072	23,441,336	-
Machinery and equipment	33,386	683,301	716,687	-
Vehicles	35,982	-	35,982	-
Total capital assets (net)	<u>3,431,177</u>	<u>29,501,121</u>	<u>32,932,298</u>	<u>-</u>
Total noncurrent assets	<u>3,431,177</u>	<u>42,394,772</u>	<u>45,825,949</u>	<u>-</u>
Total assets	<u>3,688,308</u>	<u>46,480,093</u>	<u>50,168,401</u>	<u>1,812,358</u>
<u>Deferred Outflows of Resources</u>				
Pension related	<u>40,698</u>	<u>30,524</u>	<u>71,222</u>	<u>-</u>

(Continued)

Town of Bethel, Connecticut

Statement of Net Position
Proprietary Funds
June 30, 2015

Liabilities	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
Current liabilities:				
Accounts payable	\$ 198,557	\$ 330,297	\$ 528,854	\$ -
Accrued payroll and benefits	20,931	9,157	30,088	-
Accrued interest payable	127	73,493	73,620	-
Due to other funds	696,307	-	696,307	-
Claims payable	-	-	-	55,200
Bond anticipation notes payable	111,540	640,000	751,540	-
Bonds, notes and loans payable	-	905,000	905,000	-
Total current liabilities	1,027,462	1,957,947	2,985,409	55,200
Noncurrent liabilities:				
Bonds, notes and related liabilities	-	14,381,873	14,381,873	-
Net pension liability	182,793	137,095	319,888	-
Net OPEB obligation	115,521	96,006	211,527	-
Total noncurrent liabilities	298,314	14,614,974	14,913,288	-
Total liabilities	1,325,776	16,572,921	17,898,697	55,200
<u>Deferred Inflows of Resources</u>				
Deferred charge on refunding	-	254,361	254,361	-
<u>Net Position</u>				
Net investment in capital assets	3,319,637	13,319,887	16,639,524	-
Unrestricted	(916,407)	16,363,448	15,447,041	1,757,158
Total net position	\$ 2,403,230	\$ 29,683,335	\$ 32,086,565	\$ 1,757,158

(Concluded)

Town of Bethel, Connecticut
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities Enterprise Funds			Internal Service Funds
	Major Funds			
	Water Department	Sewer Department	Totals	
Operating revenues:				
Charges for services	\$ 1,964,337	\$ 2,602,212	\$ 4,566,549	\$ 869,937
Operating expenses:				
Personnel services	552,966	350,037	903,003	-
Repairs and maintenance	142,871	62,907	205,778	-
Contracted services	59,701	843,661	903,362	-
Materials and supplies	64,313	23,379	87,692	-
Utilities	111,324	94,653	205,977	-
Insurance	46,375	29,047	75,422	-
Claims incurred	-	-	-	797,772
Administration	-	-	-	300
Capital improvement	32,975	-	32,975	-
Depreciation and amortization	101,138	486,741	587,879	-
Total operating expenses	1,111,663	1,890,425	3,002,088	798,072
Operating income (loss)	852,674	711,787	1,564,461	71,865
Nonoperating revenues (expenses):				
Intergovernmental revenue	106,069	-	106,069	-
Investment income	-	639	639	4,363
Assessment bond interest	-	542,274	542,274	-
Premium	915	5,254	6,169	-
Interest expense	(990)	(641,238)	(642,228)	-
Net nonoperating revenues (expenses)	105,994	(93,071)	12,923	4,363
Change in net position	958,668	618,716	1,577,384	76,228
Total net position - July 1, 2014 (as restated)	1,444,562	29,064,619	30,509,181	1,680,930
Total net position - June 30, 2015	\$ 2,403,230	\$ 29,683,335	\$ 32,086,565	\$ 1,757,158

Town of Bethel, Connecticut

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities			Internal Service Funds
	Enterprise Funds			
	Major Funds			
	Water Department	Sewer Department	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 1,922,865	\$ 4,078,594	\$ 6,001,459	\$ 869,937
Receipts (payments) on due to/from balances	(155,810)	(759,032)	(914,842)	507,958
Payments to suppliers	(380,162)	(1,392,913)	(1,773,075)	-
Payments to employees	(552,966)	(350,037)	(903,003)	-
Claims paid	-	-	-	(821,572)
Administration paid	-	-	-	(300)
Net cash provided by (used in) operating activities	<u>833,927</u>	<u>1,576,612</u>	<u>2,410,539</u>	<u>556,023</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(882,264)	(63,143)	(945,407)	-
Bond anticipation notes issued	111,540	640,000	751,540	-
Refunding bonds issued	-	12,010,000	12,010,000	-
Assessment bond interest	-	542,274	542,274	-
Proceeds from grants	106,069	-	106,069	-
Principal payments (bonds and bond anticipation notes)	(191,540)	(13,975,000)	(14,166,540)	-
Interest payments, net	(75)	(738,115)	(738,190)	-
Net cash provided by (used in) capital and related financing activities	<u>(856,270)</u>	<u>(1,583,984)</u>	<u>(2,440,254)</u>	<u>-</u>
Cash flows from investing activities:				
Investment income	-	639	639	4,363
Increase (decrease) in cash and cash equivalents	(22,343)	(6,733)	(29,076)	560,386
Cash and cash equivalents - July 1, 2014	<u>22,343</u>	<u>980,987</u>	<u>1,003,330</u>	<u>1,251,972</u>
Cash and cash equivalents - June 30, 2015	<u>\$ -</u>	<u>\$ 974,254</u>	<u>\$ 974,254</u>	<u>\$ 1,812,358</u>
Reconciliation to Exhibit G - Cash:				
Cash and cash equivalents per above	\$ -	\$ 974,254	\$ 974,254	\$ 1,812,358
Cash and cash equivalents reported as investments	-	(398,695)	(398,695)	(717,560)
Cash - Exhibit G	<u>\$ -</u>	<u>\$ 575,559</u>	<u>\$ 575,559</u>	<u>\$ 1,094,798</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 852,674	\$ 711,787	\$ 1,564,461	\$ 71,865
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	101,138	486,741	587,879	-
(Increase) decrease in:				
Receivables	(41,472)	1,476,382	1,434,910	-
Due from other funds	-	(759,032)	(759,032)	507,958
Increase (decrease) in:				
Accounts and other payables	77,397	(339,266)	(261,869)	(23,800)
Due to other funds	(155,810)	-	(155,810)	-
Net cash provided by (used in) operating activities	<u>\$ 833,927</u>	<u>\$ 1,576,612</u>	<u>\$ 2,410,539</u>	<u>\$ 556,023</u>

See Notes to Financial Statements.

Town of Bethel, Connecticut
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<u>Pension Trust Funds</u>	<u>Private - Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>Assets</u>			
Cash	\$ -	\$ 27,787	\$ 152,946
Investments:			
Equity mutual funds	-	140,647	-
Bond mutual funds	8,855,659	-	-
Money market mutual funds	950,919	8,535	-
Certificates of deposit	371,357	-	631,201
Bank money market accounts	459,236	-	-
U.S. government obligations	8,125,872	-	-
U.S. government agency securities	467,099	160,099	-
Common stock	13,453,087	-	-
Corporate bonds	618,951	-	-
Total investments	<u>33,302,180</u>	<u>309,281</u>	<u>631,201</u>
Prepaid benefits and fees	402,168	-	-
Due from other funds	<u>1,083,429</u>	<u>-</u>	<u>-</u>
Total assets	<u>34,787,777</u>	<u>337,068</u>	<u>784,147</u>
<u>Liability</u>			
Accounts payable	<u>-</u>	<u>-</u>	<u>784,147</u>
<u>Net Position</u>			
Net position held in trust for pension benefits and other purposes	<u>\$ 34,787,777</u>	<u>\$ 337,068</u>	<u>\$ -</u>

Town of Bethel, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	<u>Pension Trust Funds</u>	<u>Private - Purpose Trust Funds</u>
Additions:		
Contributions:		
Employer	\$ 3,555,429	\$ -
Plan members	537,560	-
Private contributions	<u>-</u>	<u>63,139</u>
Total contributions	<u>4,092,989</u>	<u>63,139</u>
Investment income (loss):		
Change in fair value of investments	19,220	(4,302)
Interest and dividends	<u>848,746</u>	<u>15,233</u>
Total investment income (loss)	867,966	10,931
Less investment expenses	<u>238,735</u>	<u>-</u>
Net investment income (loss)	<u>629,231</u>	<u>10,931</u>
Total additions	<u>4,722,220</u>	<u>74,070</u>
Deductions:		
Benefits	1,756,707	-
Administration	-	131
Scholarships awarded	<u>-</u>	<u>59,200</u>
Total deductions	<u>1,756,707</u>	<u>59,331</u>
Change in net position	2,965,513	14,739
Net position - July 1, 2014	<u>31,822,264</u>	<u>322,329</u>
Net position - June 30, 2015	<u><u>\$34,787,777</u></u>	<u><u>\$ 337,068</u></u>

See Notes to Financial Statements.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**History and organization**

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

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

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

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

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

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund types:

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

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

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

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

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

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

1. Deposits and investments

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

The investment guidelines are as follows:

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

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

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

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

2. Receivables and payables

a. Interfunds

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

b. Property taxes and other receivables

In the government-wide financial statements, all trade, property tax and water and sewer use are shown net of an allowance for uncollectibles. Allowance percentages range from 2 to 37% of outstanding receivable balances and are calculated upon prior collection history.

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

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

Town of Bethel, Connecticut

Notes to Basic Financial Statements
June 30, 2015

3. Restricted assets

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

4. Capital assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the water and sewer departments during the current fiscal year was \$990 and \$641,238, respectively. None of this amount was capitalized.

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**5. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions for the net difference between projected and actual earnings on pension plan investments. This deferred outflow will be amortized over 5 years.

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

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

6. Net position flow assumption

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

7. Compensated absences

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

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

Town of Bethel, Connecticut

**Notes to Financial Statements
June 30, 2015**

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

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

8. Long-term obligations

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

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

9. Fund equity and net position

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

Net investment in capital assets

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

Restricted net position

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

Unrestricted net position

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

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

Nonspendable

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

Restricted

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015Committed

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

Assigned

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

Unassigned

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

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

Minimum Fund Balance Policy

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

10. Use of estimates

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

11. Reclassifications

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

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

- 2. The Board of Finance submits its proposed budget to the annual Town Meeting, which is held on one of the first seven days in May. Those in attendance at the annual Town Meeting may, by majority vote, decrease any appropriations or approve the appropriations as presented. Appropriations may not be increased. The final budget is then automatically referred to a machine vote for approval. The date of the machine vote is also established by the annual Town Meeting, which must be held not less than seven nor more than fourteen days from the date of the annual Town Meeting. Those citizens registered to vote or who have property assessments in excess of \$1,000 are eligible to vote.
3. The Board of Finance, in accordance with the provisions of the Charter and the Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another, with the exception of the wage contingency account. Authority to transfer budgeted funds is vested in the Comptroller for settlement of union contracts and general salary increases approved by the First Selectman only. Management may not authorize any additional appropriations. All additional appropriations less than \$50,000 require Board of Selectmen and Board of Finance approval. Those in excess of \$50,000 require full legislative approval (Town Meeting). During the year, there were \$330,721 of appropriations of which \$64,880 was from fund balance and \$265,841 was from change in revenue estimates.
4. Formal budgetary integration is employed as a management control device during the year.
5. The legal level of control, the level at which expenditures may not exceed appropriations, is at the department level.
6. The Board of Education, which is not a separate legal entity but a function of the Town, is authorized under State law to make any transfers required within their budget at their discretion.
7. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports (Exhibit F) as expenditures in the current year. Generally, aside from the Capital Projects Fund, all unencumbered appropriations lapse at year end. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

B. Budget - GAAP reconciliation

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

C. Donor-restricted endowments

The Town has received certain endowments for various scholarship purposes. The amounts are reflected in net position as restricted for endowments. Investment income, including appreciation of \$38,139 for the Hennessy Scholarship fund, \$60,099 for the Menegay Scholarship fund and \$0 for the Education Scholarship fund, is approved for expenditure by the individual Boards of the benefiting activities and is included in restricted net position.

D. Capital projects authorizations

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

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Road Construction 2014	\$ 1,289,117	\$ 1,289,117	\$ -
Road Construction 2015	<u>1,500,000</u>	<u>597,083</u>	<u>902,917</u>
Totals	<u>\$ 2,789,117</u>	<u>\$ 1,886,200</u>	<u>\$ 902,917</u>

E. Deficit fund balances

The following individual funds had a deficit fund balance at June 30, 2015:

Bennett Property	\$ 35,692
Paramedic Intercept	408,978
Transfer Station	806,451

The deficits should be reduced or eliminated in future years as amounts are received for charges for services.

III. Detailed notes

A. Cash and investments

Deposits - custodial credit risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$28,246,594 of the Town's bank balance of \$29,394,811 (including certificates of deposit and money market accounts) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 25,722,574
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>2,524,020</u>
Total amount subject to custodial credit risk	<u>\$ 28,246,594</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

At June 30, 2015, the Town's investments consisted of the following:

Type of Investment	Fair value	Investment Maturities (in Years)				
		N/A	Less than 1	1-5 Years	6-10 Years	Over 10 Years
Mutual funds and ETFs:						
Equity funds	\$ 140,647	\$ 140,647	\$ -	\$ -	\$ -	\$ -
Bond mutual funds	8,855,659	-	213,508	1,600,833	3,697,289	3,344,029
Money market funds	965,350	-	965,350	-	-	-
Certificates of deposit	5,201,566	-	5,201,566	-	-	-
Bank money market accounts	17,686,960	-	17,686,960	-	-	-
U.S. government obligations	8,125,872	-	4,591,851	3,534,021	-	-
U.S. government agency securities	914,291	-	-	507,357	246,835	160,099
Common stock	13,453,087	13,453,087	-	-	-	-
Corporate bonds	618,951	-	-	618,951	-	-
Total	\$ 55,962,383	\$ 13,593,734	\$ 28,659,235	\$ 6,261,162	\$ 3,944,124	\$ 3,504,128

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

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

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

Average Rating	Money Market Mutual Funds	Bond Mutual Funds	U.S. Government Obligations	U.S. Government Agency Securities	Corporate Bonds
AAA	\$ -	\$ -	\$ 8,125,872	\$ 914,291	\$ 310,130
AA	965,350	-	-	-	308,821
A	-	2,645,478	-	-	-
BB	-	848,696	-	-	-
BBB	-	4,040,403	-	-	-
Unrated	-	1,321,082	-	-	-
Total	\$ 965,350	\$ 8,855,659	\$ 8,125,872	\$ 914,291	\$ 618,951

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

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

	<u>Total</u>	<u>Less Insured Amounts</u>	<u>Amount Subject to Custodial Credit Risk</u>
U.S. government obligations	\$ 8,125,872	\$ 1,000,000	\$ 7,125,872
U.S. government agency securities	914,291	660,099	254,192
Common stock	13,453,087	-	13,453,087
Corporate bonds	618,951	-	618,951
Total	<u>\$ 23,112,201</u>	<u>\$ 1,660,099</u>	<u>\$ 21,452,102</u>

B. Receivables

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

	<u>Property Taxes</u>		
	<u>Taxes</u>	<u>Interest & Lien Fees</u>	<u>Total</u>
Current portion	<u>\$ 719,582</u>	<u>\$ 109,453</u>	<u>\$ 829,035</u>
Long-term portion	\$ 254,802	\$ 109,453	\$ 364,255
Less allowance for uncollectibles	<u>(150,000)</u>	<u>(80,000)</u>	<u>(230,000)</u>
Net long-term portion	<u>\$ 104,802</u>	<u>\$ 29,453</u>	<u>\$ 134,255</u>
Total receivable	<u>\$ 824,384</u>	<u>\$ 138,906</u>	<u>\$ 963,290</u>

	<u>Use Charge Receivables</u>	
	<u>Water Department</u>	<u>Sewer Department</u>
Gross receivable	\$ 262,131	\$ 432,034
Less allowance for uncollectibles	<u>(5,000)</u>	<u>(7,500)</u>
Net receivable	<u>\$ 257,131</u>	<u>\$ 424,534</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**C. Capital assets**

Capital asset activity for the fiscal year was as follows:

	Balance <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,248,810	\$ 678,910	\$ -	\$ 6,927,720
Construction in progress	2,974,031	1,563,724	2,833,286	1,704,469
Total capital assets, not being depreciated	<u>9,222,841</u>	<u>2,242,634</u>	<u>2,833,286</u>	<u>8,632,189</u>
Capital assets, being depreciated:				
Land improvements	2,338,899	36,230	-	2,375,129
Buildings	88,929,745	-	-	88,929,745
Building improvements	14,040,607	182,287	-	14,222,894
Machinery and equipment	7,779,618	995,398	697,751	8,077,265
Intangible assets	131,849	-	-	131,849
Vehicles	6,396,932	878,646	-	7,275,578
Infrastructure	16,174,645	2,833,286	-	19,007,931
Total capital assets, being depreciated	<u>135,792,295</u>	<u>4,925,847</u>	<u>697,751</u>	<u>140,020,391</u>
Total capital assets	<u>145,015,136</u>	<u>7,168,481</u>	<u>3,531,037</u>	<u>148,652,580</u>
Less accumulated depreciation for:				
Land improvements	591,758	95,241	-	686,999
Buildings	19,268,096	1,190,540	-	20,458,636
Building improvements	5,077,540	465,519	-	5,543,059
Machinery and equipment	3,499,445	934,682	687,981	3,746,146
Intangible assets	29,664	6,594	-	36,258
Vehicles	2,478,675	288,464	-	2,767,139
Infrastructure	3,274,605	264,819	-	3,539,424
Total accumulated depreciation	<u>34,219,783</u>	<u>3,245,859</u>	<u>687,981</u>	<u>36,777,661</u>
Total capital assets, being depreciated, net	<u>101,572,512</u>	<u>1,679,988</u>	<u>9,770</u>	<u>103,242,730</u>
Governmental activities capital assets, net	<u>\$ 110,795,353</u>	<u>\$ 3,922,622</u>	<u>\$ 2,843,056</u>	<u>\$ 111,874,919</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 157,072	\$ -	\$ -	\$ 157,072
Construction in progress	1,305,529	817,895	1,120,801	1,002,623
Total capital assets, not being depreciated	<u>1,462,601</u>	<u>817,895</u>	<u>1,120,801</u>	<u>1,159,695</u>
Capital assets, being depreciated:				
Intangible assets	12,144,524	-	-	12,144,524
Buildings	4,272,636	-	-	4,272,636
Building improvements	78,674	-	-	78,674
Distribution and collection system	28,190,179	1,213,221	-	29,403,400
Machinery and equipment	1,532,074	12,883	-	1,544,957
Vehicles	122,666	22,209	-	144,875
Total capital assets, being depreciated	<u>46,340,753</u>	<u>1,248,313</u>	<u>-</u>	<u>47,589,066</u>
Total capital assets	<u>47,803,354</u>	<u>2,066,208</u>	<u>1,120,801</u>	<u>48,748,761</u>
Less accumulated depreciation for:				
Intangible assets	5,078,171	162,957	-	5,241,128
Buildings	3,561,636	62,564	-	3,624,200
Building improvements	50,311	1,597	-	51,908
Distribution and collection system	5,639,351	322,713	-	5,962,064
Machinery and equipment	793,348	34,922	-	828,270
Vehicles	105,767	3,126	-	108,893
Total accumulated depreciation	<u>15,228,584</u>	<u>587,879</u>	<u>-</u>	<u>15,816,463</u>
Total capital assets, being depreciated, net	<u>31,112,169</u>	<u>660,434</u>	<u>-</u>	<u>31,772,603</u>
Business-type capital assets, net	<u>\$ 32,574,770</u>	<u>\$ 1,478,329</u>	<u>\$ 1,120,801</u>	<u>\$ 32,932,298</u>

Town of Bethel, Connecticut
Notes to Financial Statements
June 30, 2015

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

Governmental activities:	
General government	\$ 159,004
Public safety	345,682
Public works	410,042
Library	202,928
Health and welfare	33,883
Education	<u>2,094,320</u>
Total depreciation expense - governmental activities	<u>\$ 3,245,859</u>
Business-type activities:	
Water	\$ 101,138
Sewer	<u>486,741</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 587,879</u>

Construction commitments

The Town has substantially completed the active major construction projects and other projects as of June 30, 2015.

D. Interfund accounts

1. Interfund payables and receivables

A summary of interfund balances as of June 30, 2015 is as follows:

	Corresponding Fund	Due From	Due To
<u>Major funds:</u>			
<u>General fund:</u>			
Health department grants	N/A	\$ -	\$ 38,963
Public safety grants	N/A	-	31,473
Education grants	N/A	-	789,976
Railroad station	N/A	4,794	-
Railroad station renovation	N/A	-	1,559
Paramedic intercept	N/A	405,258	-
General government	N/A	-	11,884
Debt service	N/A	-	223,156
Capital nonrecurring	N/A	92,335	29,479
Bonded projects	N/A	-	1,561,592
Water department	N/A	650,784	-
Sewer department	N/A	-	1,113,010
Transfer station	N/A	802,072	-
Town pension fund	N/A	<u>-</u>	<u>1,083,429</u>
Total general fund		<u>1,955,243</u>	<u>4,884,521</u>
<u>Bonded projects:</u>			
General fund	N/A	1,561,592	-
Debt service	N/A	<u>-</u>	<u>43,374</u>
Total bonded projects		<u>1,561,592</u>	<u>43,374</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

	Corresponding Fund	Due From	Due To
Capital nonrecurring:			
General fund	N/A	\$ 29,479	\$ 92,335
Debt service	N/A	59,898	-
Total capital nonrecurring		<u>89,377</u>	<u>92,335</u>
Water department:			
Sewer department	N/A	-	45,523
General fund	N/A	-	650,784
Total water department		<u>-</u>	<u>696,307</u>
Sewer department:			
Water department	N/A	45,523	-
General fund	N/A	1,113,010	-
Total sewer department		<u>1,158,533</u>	<u>-</u>
<u>Nonmajor governmental funds:</u>			
Health department grants	General Fund	38,963	-
Public safety grants	General Fund	31,473	-
Education grants	General Fund	789,976	-
Railroad station	General Fund	-	4,794
Railroad station renovation	General Fund	1,559	-
Paramedic intercept	General Fund	-	405,258
General government	General Fund	11,884	-
Transfer station	General Fund	-	802,072
Debt service fund	General Fund	223,156	-
Debt service fund	Capital Nonrecurring	-	59,898
Debt service fund	Bonded Projects	43,374	-
Total nonmajor governmental funds		<u>1,140,385</u>	<u>1,272,022</u>
Fiduciary funds:			
Town pension fund	General Fund	<u>1,083,429</u>	<u>-</u>
Grand total		<u>\$ 6,988,559</u>	<u>\$ 6,988,559</u>

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

2. Advance payable and receivable

The advance of \$34,792 between the general fund and Bennett Property relates to a working capital loan. This balance is not scheduled to be collected in the subsequent year.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

3. Interfund transfers

A summary of interfund transfers as of June 30, 2015 is as follows:

	Corresponding Fund	Transfers In	Transfers Out
General fund:			
Capital nonrecurring	N/A	\$ -	\$ 225,000
Bonded projects	N/A	-	598,000
Debt service	N/A	-	351,866
		<hr/>	<hr/>
Total general fund		-	1,174,866
Major – bonded projects:			
General fund	N/A	598,000	-
		<hr/>	<hr/>
Major – capital nonrecurring:			
General fund	N/A	225,000	-
		<hr/>	<hr/>
Nonmajor funds:			
Debt service	General Fund	351,866	-
		<hr/>	<hr/>
Grand total		<u>\$ 1,174,866</u>	<u>\$ 1,174,866</u>

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

E. Short-term obligations - bond anticipation notes

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

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

Governmental activities:

Project	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
General purpose	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000
Fire truck	180,730	-	180,730	-
General purpose - II	1,945,730	1,945,730	1,945,730	1,945,730
General purpose - III	-	2,433,000	-	2,433,000
Bethel firehouse renovations	295,000	100,000	295,000	100,000
Road paving	1,900,000	1,760,000	1,900,000	1,760,000
Public works equipment	707,000	579,730	707,000	579,730
Franc property	755,000	655,000	755,000	655,000
High school renovation	550,000	500,000	550,000	500,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total governmental activities	<u>\$ 7,883,460</u>	<u>\$ 9,523,460</u>	<u>\$ 7,883,460</u>	<u>\$ 9,523,460</u>

The BANs carry an interest rate of 1.25% and mature in August 2015.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**Business-type activities:**

The Town also issued BANS for certain enterprise fund projects.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Water department	\$ 191,540	\$ 111,540	\$ 191,540	\$ 111,540
Sewer department	690,000	640,000	690,000	640,000
Total business-type activities	<u>\$ 881,540</u>	<u>\$ 751,540</u>	<u>\$ 881,540</u>	<u>\$ 751,540</u>

The bond anticipation notes carry an interest rate of 1.25% and mature in August 2015.

In August 2015, the Town reissued bond anticipation notes in the amount of \$9,405,000 with a coupon rate of 1.5% and a true interest cost of .299% maturing in May 2016.

F. Changes in long-term obligations**1. Summary of changes**

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2014)	Additions	Deductions	Refunded	Balance June 30, 2015	Current Portion
(as restated)										
General purpose:										
Refunding bonds	\$ 1,785,000	04/28/10	07/15/20	4.00-5.00%	\$ 1,785,000	-	\$ 205,000	-	\$ 1,580,000	\$ 310,000
Refunding bonds	1,992,000	04/28/10	07/15/20	3.00-5.00%	1,474,200	-	177,100	-	1,297,100	148,600
Refunding bonds	1,630,000	05/14/14	08/01/31	2.00-3.00%	1,630,000	-	-	-	1,630,000	-
Total general purpose					<u>4,889,200</u>	-	382,100	-	4,507,100	458,600
School:										
Improvement bonds	22,760,000	11/15/09	11/15/34	2.25-4.25%	19,910,000	-	950,000	18,960,000	-	-
Refunding bonds	4,648,000	04/28/10	07/15/20	3.00-5.00%	3,335,800	-	442,900	-	2,892,900	371,400
Refunding bonds	18,405,000	04/28/15	11/15/34	1.00-5.00%	-	18,405,000	-	-	18,405,000	925,000
Total school					<u>23,245,800</u>	18,405,000	1,392,900	18,960,000	21,297,900	1,296,400
Total bonds					28,135,000	18,405,000	1,775,000	18,960,000	25,805,000	1,755,000
Premium					736,572	127,424	91,794	-	772,202	-
Total bonds and notes and related liabilities					28,871,572	18,532,424	1,866,794	18,960,000	26,577,202	1,755,000
Capital lease payable					743,941	568,396	439,433	-	872,904	233,068
Compensated absences					3,539,784	1,022,198	788,774	-	3,773,208	482,719
Net pension liability					9,975,059	3,983,000	4,460,539	-	9,497,520	-
Net OPEB obligation					3,946,866	1,579,481	495,703	-	5,030,644	-
Total long-term obligations					<u>\$ 47,077,222</u>	<u>\$ 25,685,499</u>	<u>\$ 8,051,243</u>	<u>\$ 18,960,000</u>	<u>\$ 45,751,478</u>	<u>\$ 2,470,787</u>

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

Enterprise funds (1):

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2014 (as restated)	Additions	Deductions	Refunded	Balance June 30, 2015	Current Portion
Improvement bonds	\$ 4,300,000	08/01/06	08/01/31	4.125-5.5%	\$ 175,000	\$ -	\$ 175,000	\$ -	\$ -	\$ -
Improvement bonds	15,460,000	11/15/09	11/15/34	2.25-4.25%	12,980,000	-	620,000	12,360,000	-	-
Refunding bonds	625,000	04/28/10	07/15/20	3.00-5.00%	260,000	-	130,000	-	130,000	130,000
Refunding bonds	2,975,000	05/14/14	08/01/31	2.00-3.25%	2,975,000	-	-	-	2,975,000	205,000
Refunding bonds	12,010,000	04/07/15	11/15/34	1.00-5.00%	-	12,010,000	-	-	12,010,000	570,000
Total bonds					16,390,000	12,010,000	925,000	12,360,000	15,115,000	905,000
Premium					79,794	101,379	9,300	-	171,873	-
Total bonds and related liabilities					16,469,794	12,111,379	934,300	12,360,000	15,286,873	905,000
Net pension liability					386,773	194,796	261,681	-	319,888	-
Net OPEB obligation					164,485	47,042	-	-	211,527	-
Total enterprise funds					\$ 17,021,052	\$ 12,353,217	\$ 1,195,981	\$ 12,360,000	\$ 15,818,288	\$ 905,000

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

The following is a summary of debt maturities:

Year Ending June 30,	Debt Maturities			
	Bonds	General Purpose Interest	Sewer Bonds	Sewer Interest
2016	\$ 1,755,000	\$ 1,024,878	\$ 905,000	\$ 545,182
2017	1,785,000	931,887	785,000	505,032
2018	1,595,000	864,438	770,000	483,657
2019	1,740,000	788,613	775,000	456,532
2020	1,760,000	701,113	780,000	423,282
2021	1,790,000	615,713	790,000	388,657
2022	1,795,000	532,738	795,000	352,682
2023	1,800,000	451,038	800,000	317,307
2024	1,285,000	383,257	800,000	282,413
2025	1,275,000	337,458	800,000	253,350
2026	950,000	305,069	620,000	230,031
2027	940,000	276,719	615,000	206,481
2028	930,000	244,019	1,100,000	180,281
2029	930,000	206,819	605,000	151,281
2030	930,000	169,619	920,000	122,356
2031	925,000	137,144	600,000	96,413
2032	915,000	108,972	900,000	73,160
2033	910,000	78,750	590,000	51,100
2034	900,000	47,075	585,000	30,538
2035	895,000	15,658	580,000	10,145
TOTALS	\$ 25,805,000	\$ 8,220,977	\$ 15,115,000	\$ 5,159,880

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

2. Statutory debt limitations

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 134,859,204	\$ 13,530,560	\$ 121,328,644
Schools	269,718,408	21,797,900	247,920,508
Sewers	224,765,340	-	224,765,340
Urban renewal	194,796,628	-	194,796,628
Pension deficit	179,812,272	-	179,812,272

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$419,561,968.

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

3. Capital leases

At June 30, 2015, the Town is committed under capital leases for computers and vehicles. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease term) and; therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Computers and vehicles totaling \$2,679,080, net of accumulated depreciation of \$1,616,137, are recorded under the capital lease as of June 30, 2015. This year, \$258,396 was included in depreciation expense.

The following is a schedule of the future minimum lease payments under this capital lease and the present value of the net minimum lease payments as of June 30, 2015:

Year Ending	
<u>June 30,</u>	
2016	\$ 246,503
2017	246,503
2018	235,131
2019	231,339
Less amount representing interest	<u>(86,572)</u>
Present value of minimum lease payments	<u>\$ 872,904</u>

In September 2015, the Town of Bethel entered into a lease purchase agreement for equipment relating to energy efficiency equipment and improvements. The amount of the lease is \$4,305,492 with an interest rate of 2.65%. Lease payments are semi-annual with a 15 year duration. Lease payments begin on December 22, 2016 and end on December 22, 2030. The amount of the semi-annual lease payment is \$421,049 for the first two payments and then payments vary from \$128,000 to \$236,862 for the remainder of the lease payments.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

4. Authorized/unissued bonds

The amounts of authorized, unissued bonds are as follows:

General purpose	\$ 24,610,024
Schools	7,174,225
Sewer (enterprise fund)	509,896
Water (enterprise fund)	<u>1,449,000</u>
Total	<u>\$ 33,743,145</u>

5. Current year advance refunding

In April 2015, the Town issued \$18,405,000 of general obligation refunding bonds and \$12,010,000 of sewer refunding bonds with an average interest rate of 3.71%. These refunding bonds were issued to advance refund and defease debt issued in 2009. The refunding resulted in an economic gain of \$1,611,307, with a total savings of \$2,036,160.

6. Prior year advance refunding

In prior years, the Town defeased certain general obligation and sewer bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the defeased bonds are not included in the Town's financial statements. At June 30, 2015, \$28,180,000 of general obligation and sewer bonds outstanding are considered defeased.

7. Conduit debt

The Bethel Baseball Association was desirous of having lighting installed at the baseball field at Mitchell Park. The Association and the Town executed an agreement that has the Town purchase, finance and install the lighting, and the Association would be responsible for the lease payments related to the financing. The lease agreement is payable over a 10 year period due in August 2022. The cost of the equipment is \$130,500 with total financing costs over the 10 years of \$43,365. The agreement between the Association and Town requires the Association to pay the Town annual installments through 2020.

As of June 30, 2015, the outstanding balance of the capital lease was \$109,748. The Town has no obligation to pay the lease beyond the payment received from the lease payment received from the Association.

G. Restricted net position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$79,812 at June 30, 2015.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**H. Fund balance classifications**

As of June 30, 2015, fund balance components are as follows:

Fund Balance Component	General Fund	Bonded Projects	Capital Nonrecurring	Nonmajor Funds	Total
<u>Nonspendable:</u>					
Advance to other funds	\$ 34,792	\$ -	\$ -	\$ -	\$ 34,792
<u>Restricted:</u>					
Health and welfare:					
Small Cities grant	-	-	-	10,792	10,792
Health grants	-	-	-	38,963	38,963
Public safety:					
Police equipment	-	-	-	31,473	31,473
School lunch program	-	-	-	68,202	68,202
General government:					
Railroad station operations	-	-	-	243,826	243,826
Historic documents preservation	-	-	-	11,610	11,610
Total restricted	-	-	-	404,866	404,866
<u>Committed:</u>					
General government:					
Railroad station improvements	-	-	-	35,265	35,265
Planning and Zoning commission	-	-	-	90,623	90,623
Library operations	-	-	-	51,985	51,985
Education grant programs	-	-	-	829,303	829,303
Education (general)	264,119	-	-	-	264,119
Approved CNR projects	-	-	1,387,914	-	1,387,914
Total committed	264,119	-	1,387,914	1,007,176	2,659,209
<u>Assigned:</u>					
Future debt service payments	-	-	-	1,071,085	1,071,085
<u>Unassigned</u>	15,284,996	(7,935,703)	-	(1,251,121)	6,098,172
Total	\$ 15,583,907	\$ (7,935,703)	\$ 1,387,914	\$ 1,232,006	\$ 10,268,124

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

IV. Other information

A. Risk management

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

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

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

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

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

	Claims Payable <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims Paid <u>Paid</u>	Claims Payable <u>June 30</u>
2013-2014	\$ 61,000	\$ 1,139,131	\$ 1,121,131	\$ 79,000
2014-2015	79,000	797,772	821,572	55,200

B. Commitments and litigation

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

C. Pension plans

1. Plan description

Plan administration

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

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

Plan membership

As of July 1, 2014, the plans' membership consists of the following:

	<u>Town</u>	<u>Police</u>
Retirees and beneficiaries currently receiving benefits	101	11
Terminated employees entitled to benefits but not yet receiving them	5	-
Active plan members	<u>136</u>	<u>35</u>
Totals	<u>242</u>	<u>46</u>

2. Benefit provisions

Town

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

Town of Bethel, Connecticut

Notes to Financial Statements

June 30, 2015

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

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

Police

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

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

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

3. ContributionsTown

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

Police

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

The Town's contributions are actuarially determined on an annual basis using the entry age normal method for the Town plan and the Police plan. For the year ended June 30, 2015, The Town's contributions were 40.53% and 19.61% of covered payroll, respectively, for the Town and Police plans. Administration costs are financed from investment earnings.

4. Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Insurance and Pension Commission of the Town. It is the policy of the Town's Insurance and Pension Commission to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Commission's adopted asset allocation policy as of June 30, 2015:

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

5. Concentrations

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

6. Rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.40% and 2.67%, for the Town and Police plans, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**7. Net pension liability**

The components of the net pension liability at June 30, 2015, were as follows:

	<u>Town</u>	<u>Police</u>
Total pension liability	\$ 30,307,889	\$ 14,297,296
Plan fiduciary net position	<u>25,738,059</u>	<u>9,049,718</u>
Net pension liability (asset)	<u>\$ 4,569,830</u>	<u>\$ 5,247,578</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>84.92%</u>	<u>63.30%</u>

8. Actuarial assumptions

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

	<u>Town</u>	<u>Police</u>
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value
Amortization method	Level percent	Level percent
Inflation	2.70%	2.70%
Salary increase	3.00%	3.75%, average
Investment rate of return	6.75%, net of pension plan investment expense, including inflation	6.75%, net of pension plan investment expense, including inflation
Mortality rates	Based on the RP-2000 Mortality Table for Employees, Healthy and Disabled Annuitants with generational projection per Scale BB	Based on the RP-2000 Mortality Table for Employees, Healthy and Disabled Annuitants with generational projection per Scale BB.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	Town and Police Plans' <u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	2.57%
Broad U.S. Equities	5.69%

The total weighted average expected rate of return is 4.44% (excludes inflation).

9. Discount rate

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**10. Changes in the net pension liability**

The Town's net pension liability was measured at June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The changes in net pension liability for each plan for the fiscal year were as follows:

Town Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 28,821,007	\$ 23,295,676	\$ 5,525,331
Service cost	824,737	-	824,737
Interest	1,958,065	-	1,958,065
Contributions - employer	-	3,083,429	(3,083,429)
Contributions - member	-	285,418	(285,418)
Net investment income	-	369,456	(369,456)
Benefit payments, including refunds of member contributions	(1,295,920)	(1,295,920)	-
Net change	1,486,882	2,442,383	(955,501)
Balance at June 30, 2015	\$ 30,307,889	\$ 25,738,059	\$ 4,569,830

Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2014	\$ 13,363,089	\$ 8,526,588	\$ 4,836,501
Service cost	476,144	-	476,144
Interest	918,850	-	918,850
Contributions - employer	-	472,000	(472,000)
Contributions - member	-	252,142	(252,142)
Net investment income	-	259,775	(259,775)
Benefit payments, including refunds of member contributions	(460,787)	(460,787)	-
Net change	934,207	523,130	411,077
Balance at June 30, 2015	\$ 14,297,296	\$ 9,049,718	\$ 5,247,578

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**11. Sensitivity of the net pension liability to changes in the discount rate**

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

Town

	1% Decrease <u>(5.75%)</u>	Current Discount <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability	\$ 7,979,721	\$ 4,569,830	\$ 1,659,914

Police

	1% Decrease <u>(5.75%)</u>	Current Discount <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension liability	\$ 7,341,163	\$ 5,247,578	\$ 3,536,630

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

For the year ended June 30, 2015, the Town recognized pension expense of \$1,733,938. The Town reported deferred outflows of resources related to pensions from the following sources:

Net difference between projected and actual earnings on pension plan investments	<u>\$ 1,277,067</u>
---	---------------------

Actual investment earnings below (or above) projected earnings are amortized over 5 years.

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

Year Ending June 30:	
2016	\$ 319,267
2017	319,267
2018	319,267
2019	<u>319,266</u>
Total	<u>\$1,277,067</u>

13. Defined contribution retirement savings plan

As of July 1, 2013, Town employees and certain Board of Education employees not covered by the Town's defined benefit plan are eligible to participate in the Town of Bethel Money Purchase Defined Contribution Plan administered by the Town. The Board of Selectmen has the authority to establish and amend the plan. For 2015, there were 8 employees eligible to participate in the plan. The Town and employees are both required to contribute 5% of earnings. During the year, the Town recognized pension expense of \$14,616 and employee contributions totaled \$14,616.

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

The Town had no liability to the plan at June 30, 2015.

14. Plan StatementsCombining Statement of Fiduciary Net Position
Pension Trust Funds

	Town Pension Fund	Police Pension Fund	Total
<u>Assets</u>			
Investments:			
Bond mutual funds	\$ 6,432,201	\$ 2,423,458	\$ 8,855,659
Money market mutual funds	685,959	264,960	950,919
Certificates of deposit	245,004	126,353	371,357
Bank money market accounts	459,236	-	459,236
U.S. government obligations	5,879,059	2,246,813	8,125,872
U.S. government agency securities	337,795	129,304	467,099
Common stock	9,854,671	3,598,416	13,453,087
Corporate bonds	447,859	171,092	618,951
Total investments	24,341,784	8,960,396	33,302,180
Prepaid benefits and fees	312,846	89,322	402,168
Due from other funds	1,083,429	-	1,083,429
Total assets	25,738,059	9,049,718	34,787,777
<u>Net Position</u>			
Held in trust for employees' pension benefits	\$ 25,738,059	\$ 9,049,718	\$ 34,787,777

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

Combining Statement of Changes In Fiduciary Net Position
Pension Trust Funds

	Town Pension Fund	Police Pension Fund	Total
Additions:			
Contributions:			
Employer	\$ 3,083,429	\$ 472,000	\$ 3,555,429
Plan members	285,418	252,142	537,560
Total contributions	3,368,847	724,142	4,092,989
Investment income (loss):			
Change in fair value of investments	(71,473)	90,693	19,220
Interest and dividends	619,016	229,730	848,746
Total investment income (loss)	547,543	320,423	867,966
Less investment expenses	178,087	60,648	238,735
Net investment income (loss)	369,456	259,775	629,231
Total additions	3,738,303	983,917	4,722,220
Deductions:			
Benefits	1,295,920	460,787	1,756,707
Change in net position	2,442,383	523,130	2,965,513
Net position - July 1, 2014	23,295,676	8,526,588	31,822,264
Net position - June 30, 2015	\$ 25,738,059	\$ 9,049,718	\$ 34,787,777

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**C. Pension plans - Connecticut State Teachers' Retirement System****1. Plan description**

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

2. Benefit provisions

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

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

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

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

3. ContributionsState of Connecticut

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

Employer (School Districts)

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

Employees

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>54,853,282</u>
Total	<u>\$ 54,853,282</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2015, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2015, the Town recognized pension expense and revenue of \$4,115,564 for on-behalf amounts for the benefits provided by the State.

5. Actuarial assumptions

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

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

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

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.0%	7.3%
Developed non-U.S. equities	18.0%	7.5%
Emerging markets (non-U.S.)	9.0%	8.6%
Core fixed income	7.0%	1.7%
Inflation linked bond fund	3.0%	1.3%
Emerging market bond	5.0%	4.8%
High yield bonds	5.0%	3.7%
Real estate	7.0%	5.9%
Private equity	11.0%	10.9%
Alternative investments	8.0%	0.7%
Liquidity fund	6.0%	0.4%
Total	100.0%	

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

6. Discount rate

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

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

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement System Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2014.

D. Other post-employment benefit plans

1. Plan description

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

2. Classes of employees covered

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

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

3. Benefit provisions and contributions

a. Benefit provisions

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**b. Employer contributions**

The Town's contributions are actuarially determined on an annual basis using the projected unit credit method. The Town, Police and Board of Education's total plan contribution was \$495,703.

c. Employee contributions

There are no employee contributions to the plan.

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

4. Funded status and funding progress

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

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

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

5. Actuarial methods and assumptions

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

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015

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

Valuation date	July 1, 2013
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Remaining amortization period:	
Town	24 years closed
Police	24 years closed
Board of Education	24 years closed

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

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

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

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

The changes in the NOO were as follows:

	<u>Town</u>	<u>Police</u>	<u>Board of Education</u>
Annual required contribution	\$ 542,163	\$ 525,634	\$ 565,304
Interest on net OPEB obligation	53,591	1,227	109,637
Adjustment to annual required contribution	<u>(72,356)</u>	<u>98,789</u>	<u>(197,466)</u>
Annual OPEB cost	523,398	625,650	477,475
Contributions made	<u>161,536</u>	<u>3,699</u>	<u>330,468</u>
Change in net OPEB obligation	361,862	621,951	147,007
Net OPEB obligation - July 1, 2014	<u>1,315,632</u>	<u>2,261,244</u>	<u>534,475</u>
Net OPEB obligation - June 30, 2015	<u>\$1,677,494</u>	<u>\$ 2,883,195</u>	<u>\$ 681,482</u>

Town of Bethel, Connecticut

Notes to Financial Statements
June 30, 2015**7. Three year trend information**

<u>Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB</u>
<u>Town Plan</u>			
2015	\$ 523,398	30.1%	\$1,677,494
2014	482,799	34.1%	1,315,632
2013	453,468	34.4%	997,648
<u>Police Plan</u>			
2015	\$ 625,650	0.6%%	\$2,883,195
2014	550,309	0.7%	2,261,244
2013	514,584	0.7%	1,714,709
<u>Board of Education Plan</u>			
2015	\$ 477,475	69.2%	\$ 681,482
2014	466,359	38.3%	534,475
2013	440,244	72.6%	405,294

E. Changes in nonmajor fund balance

For the fiscal year ended 2015, the Board of Education Contingency Fund was combined with the general fund and is no longer presented as a nonmajor fund. As a result, the beginning fund balance for other governmental funds changed from \$1,317,658 to \$1,228,920 and general fund changed from \$13,723,009 to \$13,811,747. The difference of \$88,713 is the beginning fund balance for the Board of Education Contingency Fund.

F. Prior period adjustment

The government-wide net position was restated as follows:

	<u>Government - Wide</u>	<u>Business- Type</u>	<u>Water</u>	<u>Sewer</u>
Net position, as previously reported as of June 30, 2014	\$ 84,083,501	\$ 30,814,178	\$ 1,611,058	\$ 29,203,120
To remove net pension obligation previously recorded	2,451,157	81,776	54,517	27,259
To record beginning net pension liability (NPL)	(9,975,059)	(386,773)	(221,013)	(165,760)
Net position, as restated as of July 1, 2014	\$ 76,559,599	\$ 30,509,181	\$ 1,444,562	\$ 29,064,619

**Required
Supplementary
Information**

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Schedule of Changes in Net Pension Liability

Last Two Years

	2015	2014
Total pension liability:		
Service cost	\$ 824,737	\$ 1,132,089
Interest	1,958,065	829,900
Benefit payments, including refunds of member contributions	<u>(1,295,920)</u>	<u>(1,200,025)</u>
Net change in total pension liability	1,486,882	761,964
Total pension liability - July 1	<u>28,821,007</u>	<u>28,059,043</u>
Total pension liability - June 30 (a)	<u>\$ 30,307,889</u>	<u>\$ 28,821,007</u>
Plan fiduciary net position:		
Contributions - employer	\$ 3,083,429	\$ 2,559,953
Contributions - member	285,418	307,290
Net investment income	369,456	1,941,532
Benefit payments, including refunds of member contributions	(1,295,920)	(1,200,025)
Administrative expense	<u>-</u>	<u>(39,913)</u>
Net change in plan fiduciary net position	2,442,383	3,568,837
Plan fiduciary net position - July 1	<u>23,295,676</u>	<u>19,726,839</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 25,738,059</u>	<u>\$ 23,295,676</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 4,569,830</u>	<u>\$ 5,525,331</u>

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Schedule of Changes in Net Pension Liability

Last Two Years

	2015	2014
Total pension liability:		
Service cost	\$ 476,144	\$ 473,342
Interest	918,850	280,634
Benefit payments, including refunds of member contributions	<u>(460,787)</u>	<u>(334,882)</u>
Net change in total pension liability	934,207	419,094
Total pension liability - July 1	<u>13,363,089</u>	<u>12,943,995</u>
Total pension liability - June 30 (a)	<u><u>\$ 14,297,296</u></u>	<u><u>\$ 13,363,089</u></u>
Plan fiduciary net position:		
Contributions - employer	\$ 472,000	\$ 375,000
Contributions - member	252,142	228,856
Net investment income	259,775	724,429
Benefit payments, including refunds of member contributions	(460,787)	(334,882)
Administration expense	<u>-</u>	<u>(14,881)</u>
Net change in plan fiduciary net position	523,130	978,522
Plan fiduciary net position - July 1	<u>8,526,588</u>	<u>7,548,066</u>
Plan fiduciary net position - June 30 (b)	<u><u>\$ 9,049,718</u></u>	<u><u>\$ 8,526,588</u></u>
Net pension liability (asset) - June 30 (a)-(b)	<u><u>\$ 5,247,578</u></u>	<u><u>\$ 4,836,501</u></u>

Town of Bethel, Connecticut
Town Plan
Required Supplementary Information
Schedule of Net Pension Liability

Last Two Years

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

Schedule of Investment Returns

Last Two Years

	2015	2014
Annual money weighted rate of return, net investment expense	<u>2.40%</u>	<u>9.61%</u>

Town of Bethel, Connecticut

Police Plan

Required Supplementary Information
Schedule of Net Pension Liability

Last Two Years

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

Schedule of Investment Returns

Last Two Years

	2015	2014
Annual money weighted rate of return, net investment expense	<u>2.67%</u>	<u>9.40%</u>

Town of Bethel, Connecticut

Town Plan

Required Supplementary Information
Schedule of Contributions

Last Ten Years

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 2,013,334	\$ 3,083,429	\$ (1,070,095)	\$ 7,607,181	40.53%
2014	1,986,076	2,559,953	(573,877)	7,739,426	33.08%
2013	2,086,345	1,859,681	226,664	7,678,530	24.22%
2012	1,918,557	1,736,824	181,733	7,711,696	22.52%
2011	2,029,673	1,356,000	673,673	7,503,503	18.07%
2010	2,173,082	1,300,000	873,082	7,219,991	18.01%
2009	1,901,896	1,300,000	601,896	6,925,811	18.77%
2008	1,747,968	1,318,052	429,916	6,633,769	19.87%
2007	1,607,110	875,000	732,110	6,320,397	13.84%
2006	1,436,323	1,001,859	434,464	5,976,798	16.76%

Town of Bethel, Connecticut
Police Plan
Required Supplementary Information
Schedule of Contributions
Last Ten Years

Fiscal year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 612,450	\$ 472,000	\$ 140,450	\$ 2,407,527	19.61%
2014	593,686	375,000	218,686	2,337,955	16.04%
2013	579,931	340,319	239,612	2,337,478	14.56%
2012	566,342	385,084	181,258	2,357,269	16.34%
2011	621,153	369,028	252,125	2,180,272	16.93%
2010	600,090	255,777	344,313	2,242,755	11.40%
2009	415,392	235,628	179,764	2,116,480	11.13%
2008	395,519	200,659	194,860	1,983,690	10.12%
2007	267,643	212,985	54,658	2,011,476	10.59%
2006	341,526	446,156	(104,630)	1,834,711	24.32%

Town of Bethel, Connecticut

Town Plan

Notes to Required Supplementary Information
June 30, 2015

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

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

Actuarial cost method	Frozen Initial Liability Method
Amortization method	Level percent, closed
Remaining amortization period	13 years
Asset valuation method	Fair value
Inflation	2.00%
Salary increases	3.00%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut

Police Plan

Notes to Required Supplementary Information

June 30, 2015

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

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

Actuarial cost method	Frozen Initial Liability Method
Amortization method	Level percent, closed
Remaining amortization period	13 years
Asset valuation method	Fair value
Inflation	2.00%
Salary increases	4.50%, average
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Town of Bethel, Connecticut

Required Supplementary Information
Schedules of Funding Progress

Bethel Other Post-Employment Benefit Plans

Last Three Valuations

	A	B	(A-B)	(A/B)	C	[(A-B)/C]
Actuarial Valuation Date July 1	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Over (Under) Funded AAL	Funded AAL Ratio	Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
<u>Town Plan</u>						
2013	\$ -	\$ 7,581,613	\$ (7,581,613)	0.0%	N/A	N/A
2011	-	7,320,090	(7,320,090)	0.0%	N/A	N/A
2009	-	4,144,000	(4,144,000)	0.0%	N/A	N/A
<u>Police Plan</u>						
2013	\$ -	\$ 5,291,619	\$ (5,291,619)	0.0%	N/A	N/A
2011	-	4,053,220	(4,053,220)	0.0%	N/A	N/A
2009	-	2,994,000	(2,994,000)	0.0%	N/A	N/A
<u>Board of Education Plan</u>						
2013	\$ -	\$ 4,125,282	\$ (4,125,282)	0.0%	N/A	N/A
2011	-	3,145,288	(3,145,288)	0.0%	N/A	N/A
2009	-	5,922,000	(5,922,000)	0.0%	N/A	N/A

N/A - No valuations performed for fiscal years 2010, 2012 and 2014

Town of Bethel, Connecticut

Required Supplementary Information
Schedules of Employer Contributions

Bethel Other Post-Employment Benefit Plans

Last Seven Years

Town Plan

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

Police Plan

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

Board of Education Plan

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

Town of Bethel, Connecticut

Other Post-Employment Benefit Plans

Notes to Required Supplementary Information

June 30, 2015

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

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

Actuarial Cost Method	Projected unit credit
Amortization Method	Level percent
Remaining amortization period	24 years, closed
Asset Valuation Method	Fair Value
Investment Rate of Return	4.00%
Healthcare inflation rate - Initial	7.70%
Healthcare inflation rate - Ultimate	4.40%
Inflation rate	2.75%

Town of Bethel, Connecticut

Connecticut State Teachers' Retirement System

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

June 30, 2015

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

Schedule of Contributions

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

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

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

Town of Bethel, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information

June 30, 2015

Changes of benefit terms	None
	In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted more closely to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2010.
Actuarial Cost Method	Entry age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	22.4 years
Asset Valuation Method	4 year smoothed market
Inflation	3.00%
Salary Increases	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.50%, net of pension plan investment expense, including inflation