

Charles Heaven & Co.
Certified Public Accountants

TOWN OF WASHINGTON
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2016

Town of Washington
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June 30, 2016

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Washington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut'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, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of June 30, 2016, and the respective changes in financial position 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 on Pages 4 through 10, budgetary comparison information on Pages 41 through 45, the schedule of changes in net pension liability and related ratios on Page 46, the schedule of employer contributions on Page 47 and schedule of investment returns on Page 48 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 Washington, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and 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 combining and individual nonmajor fund financial statements and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2017, on our consideration of the Town of Washington, 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 Washington, Connecticut's internal control over financial reporting and compliance.

Charles Heaven & Co., CPAs

January 11, 2017

This discussion is intended to provide readers a narrative overview and analysis of the financial activities of the Town of Washington, Connecticut (the "Town") for the fiscal year ended June 30, 2016. The information presented here should be considered in conjunction with the Town's basic financial statements that follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 and the statement of activities, which are the government-wide statements, report information about the Town finances as a whole and about its activities in a way that helps the reader determine whether the Town is better or worse off as a result of the year's activities.

The statement of net position reflects all of the Town's assets and deferred outflows of resources, and all of its liabilities and deferred inflows of resources, the net result of which is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Town's financial position is improving or deteriorating. However, significant changes in net position can also occur from year to year due to changes in accounting standards issued by the Governmental Accounting Standards Board (GASB). To assess the overall financial condition of the Town other nonfinancial factors such as the property tax base and the condition of the Town's infrastructure also need to be considered.

The statement of activities presents information showing how the government'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, such as uncollected property taxes and earned but unused vacation leave that will result in cash flows in future fiscal periods are reported in this statement.

The government-wide financial statements distinguish functions of the Town that are principally supported by tax revenues, grants 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, public works, health and welfare, culture and recreation, education, and other activities. The Town does not report any funds that carry on business-type activities.

The basic government-wide financial statements can be found on pages 11 and 12 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the Town report governmental funds and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is to say the Town's most basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on cash and other financial resources that can be readily converted to cash flow in and out, and balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a near or short-term view of the Town's finances that may be useful in evaluating the 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 government'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.

The Town maintains twelve individual 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 Fund, Town Aid Road Fund, Capital Non-Recurring, Land Acquisition Open Space, each of which is considered to be a major fund. The remaining eight funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been included as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 to 16 of this report.

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. This includes pension trust funds, private purpose trust funds, and the Town's Alcohol and Drug Abuse Prevention Fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Washington's own programs.

The basic fiduciary fund financial statements can be found on pages 17 and 18 of this report.

NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They also provide required supplementary information regarding the Town's progress in funding its liability to provide pension benefits to its employees. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's pension liability and General Fund budget information.

The notes to the basic financial statements can be found on pages 19 to 40 of this report. Required supplementary information and supplemental schedules can be found on pages 41 to 55 of this report.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Town's assets and deferred outflows of resources of $24,834,305 exceeded the sum of its liabilities and deferred inflows of resources of $1,747,277 resulting in net position of $23,087,028. Of this amount, $15,719,516 was invested in capital assets, while $596,378 was restricted for road improvements and $88,374 was restricted for purposes of various nonmajor Town funds. The remaining net position of $6,682,760 was available to meet the Town's ongoing obligations to its citizens and creditors.
- At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of $7,739,058, an increase of $602,478 from last fiscal year. The total fund balance of the General Fund of $3,935,838 represented 23.60% of fiscal year 2016-2017 budgeted appropriations of $16,676,102, while its unassigned fund balance of $2,646,341, available for spending at the Town's discretion, represented 15.87% of that same amount.
- The Town's long-term debt at June 30, 2016 consisted of its obligation of $146,147 for earned but unused employee compensated absences, net pension liability of $509,272, and landfill – transfer station closure and postclosure care costs of $24,000.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $23,087,028 at the close of the fiscal year.

Town of Washington - Net Position

	2016	2015
Assets		
Current assets	$ 8,965,794	$ 8,322,161
Capital assets, net	15,719,516	14,214,937
Total assets	24,685,310	22,537,098
Deferred Outflows of Resources	148,995	84,890
Liabilities		
Current liabilities	1,057,128	856,866
Long-term liabiities	676,419	592,430
Total liabilites	1,733,547	1,449,296
Deferred Inflows of Resources	13,730	7,002
Net Position		
Net investment in capital assets	15,719,516	14,214,937
Restricted	684,752	650,843
Unrestricted	6,682,760	6,299,910
Total Net Position	$ 23,087,028	$ 21,165,690

The largest portion of the Town's net position $15,719,516 (67.5%) reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges). The Town uses these assets to provide services to its citizens; consequently these assets are not available for spending. Of the Town's remaining net position, $6,682,760 (29.0%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's net position increased $1,921,338 during the fiscal year.

Town of Washington Governmental Activities - Changes in Net Position

	2016		2015	
	$	% to Total	$	% to Total
Revenues:				
Program:				
Charges for services	$ 996,067	5.66%	$ 886,553 *	5.27%
Operating grants and contributions	235,253	1.34%	245,147	1.46%
Capital grants and contributions	815,992	4.64%	550,597	3.27%
General:				
Property taxes	15,325,719	87.14%	14,925,605	88.70%
Grants and contributions, not restricted to specific programs	124,399	0.71%	144,893	0.86%
Unrestricted investment earnings	42,227	0.24%	32,999	0.20%
Lease income and other miscellaneous	48,740	0.28%	41,325 *	0.25%
Total Revenues	17,588,397	100.00%	16,827,119	100.00%
Expenses:				
General government	1,857,540	11.86%	1,708,165	10.77%
Public safety	835,129	5.33%	802,963	5.06%
Highways (public works)	1,960,544	12.51%	2,271,786	14.32%
Sanitation	411,354	2.63%	410,088	2.58%
Social services	20,796	0.13%	18,691	0.12%
Health	86,924	0.55%	81,597	0.51%
Parks and recreation	326,265	2.08%	323,287	2.04%
Education	9,716,505	62.02%	9,681,272	61.02%
Other	452,002	2.89%	566,740	3.57%
Total Expenses	15,667,059	100.00%	15,864,589	100.00%
Extraordinary Item:				
Impairment gain (loss) on propane explosion damage - net of insurance recovery	-		509,242	
Change in Net Position	1,921,338		1,471,772	
Net Position, Beginning of Year	21,165,690		19,693,918	
Net Position, End of Year	$ 23,087,028		$ 21,165,690	

* Reclassed $57,267 from lease income and other miscellaneous to charges for services, for proper program comparison.

The following is an analysis of significant changes in activity from the prior year:

- The increase in charges for services is primarily due to fees related to building inspection activity.
- The increase in capital grants and contributions is due to reimbursement from the Local Capital Improvement Grant for the new Town Garage.

- The increase in property tax revenue, including interest and liens, is mainly due to an increase in the mill rate. The mill rate increased by 0.25 mills to 13.75 mills.
- The increase in the general government expenditures is partially due to the increase in building inspector activity expenditures and an increase in depreciation expense.
- The decrease in the highways (public works) is due to the mild winter and decrease in the depreciation expense.
- The increase in expenditures includes $35,233 in education expenses, as assessed by Regional School District # 12 (determined by a separate approved taxpayer budget).
- The decrease in other expenses is mainly due to the completion of the Propane Stage Renovation Project.

FINANCIAL ANALYSIS OF THE GOVERNMENT'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 *expendable* 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 government's net resources available for spending at the end of the fiscal year.

At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of $7,739,058. This fund balance is classified as follows for the major funds: nonspendable prepayments of $18,516, $596,378 was restricted for road improvements, $2,248,446 was committed for capital non-recurring expenditures, $337,593 was committed to land acquisition for open space, $13,400 was committed for revaluation, $6,569 was committed for conservation and development, $167,459 was committed for legal litigation, $79,588 was committed for health reimbursement benefits, and $1,003,965 was assigned for the subsequent year's budgeted deficit. The $2,646,341 unassigned fund balance of the General Fund was available for spending at the Town's discretion. The nonmajor fund balances are classified as follows: $85,534 was nonspendable, $21,840 was restricted, $417,048 was committed, and $96,381 was assigned for recycling purposes. Information detailing the allocation of fund balance for nonmajor fund purposes is on pages 49 and 50.

The General Fund is the chief operating fund of the Town. As a measure of the General Fund's liquidity, it may be useful to compare its fund balance to the ensuing year's budgeted appropriations. Total fund balance of the General Fund at fiscal year-end represented 23.6% of fiscal year 2016-2017 budgeted appropriations, while its unassigned fund balance represented 15.87% of that same amount.

The fund balance of the Capital Non-Recurring Fund decreased $234,135 during the fiscal year as expenditures and appropriated transfers exceeded revenue. The Town Aid Road Fund increased by $32,428 by expending less than the fiscal year's grant allocation. The Land Acquisition Open Space Fund decreased by $375. The combined fund balances of all nonmajor funds increased $90,393 during the fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund budget provided for $684,040 use of fund balance to finance approved appropriations. However, actual revenues and transfer in were $743,774 greater than budgetary projections, while expenditures and operating transfers were $654,433 less than approved appropriations, resulting in an actual addition of fund balance of $714,167 and a positive budgetary variance of $1,398,207.

Additional appropriations to the original budget totaled $340,875. Additions to original departmental appropriations included $67,150 transfer to the Non-recurring Capital Expenditure Fund, continuing appropriations of $245,225, and $28,500 increase in the public safety department.

Transfers in include amounts returned to the General Fund of $83,229 and $160,004 from the Non-recurring Capital Expenditure Fund and Highway Garage Fund, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The breakdown of capital assets, net of accumulated depreciation is as follows:

	2015	2016
Land	$ 1,141,215	$ 1,141,215
Construction in Progress		
Mygatt Road Reconstruction	30,275	30,275
Bridge Reconstruction	167,592	362,398
Storage Building	-	104,100
Land Improvements	69,696	55,884
Building & Improvements	5,017,618	4,837,463
Machinery & Equipment	1,422,373	1,803,059
Infrastructure	6,366,168	7,385,122
	$ 14,214,937	$ 15,719,516

During the fiscal year, the Town's net investment in capital assets increased by $1,504,579. This increase results from current year additions over current year depreciation, as follows:

Additions:	
Work in Progress	
Storage building	$ 104,100
Infrastructure	194,806
Building Improvements: Sand/Salt building	26,111
Machinery, equipment, and vehicles	787,713
Infrastructure: paving and other road improvements	1,409,534
Current Year Depreciation	(1,017,685)
Net Increase	$ 1,504,579

Additional information on the Town's capital assets can be found in Note 7 on page 32 of this report.

Debt

The Town's long-term debt at June 30, 2016 consisted of its obligation of $146,147 for earned but unused employee compensated absences, $509,272 net pension liability, and $24,000 for landfill – transfer station closure and postclosure care costs.

The Town is also contingently liable for its pro rata share of the Regional School District No. 12 debt. At June 30, 2016, the Town's pro rata share (45.82%) was $618,570.

Additional information on the Town's debt can be found in Note 8 on page 33 of this report and the Statement of Debt Limitation on page 55.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors affecting the Town, including those that were considered in preparing the Town's General Fund budget for the 2016-2017 fiscal year, and those that will affect future budgets are as follows:

The Town's Mill rate for the 2016-2017 fiscal year has remained the same as the prior year, at 13.75 mills.

The $16,676,102, 2016/2017 General Fund expenditure budget, which increased by $405,383 from the prior fiscal year original budget, includes a $415,588 increase in the amount that the Town is assessed by Regional School District No. 12 along with the following changes:

- Cost of living increase
- New revaluation appropriation of $54,000
- Transfers to the Nonrecurring Capital Fund, net of grant reimbursement, decrease of $192,448.

It is expected that general State financial aid will remain level at best.

At the end of the FY 2015/2016 fiscal year, the General Fund balance was at $3,935,838. Of the General Fund balance, $1,003,965 was assigned for the FY 2016/2017 operations, to help moderate any tax impact from the higher expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Washington's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the first Selectman, Bryan Memorial Town Hall, PO Box 303, Washington Depot, CT 06794.

Town of Washington
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	$ 4,511,657
Investments	4,058,660
Property taxes receivable - net	333,434
Prepaid expenditures	37,516
Mortgage receivable	10,000
Grant receivable	14,527
Total current assets	8,965,794
Noncurrent Assets	
Capital assets:	
Assets not being depreciated	1,339,082
Assets, net of depreciation of $20,724,376	14,380,434
Total noncurrent assets	15,719,516
Total Assets	**24,685,310**
Deferred Outflows of Resources	
Difference between projected and actual earnings on pension plan investments	**148,995**
Liabilities	
Current Liabilities	
Accounts payable	529,474
Performance bonds held	155,397
Overpaid property taxes	9,532
Grant payable	359,725
Long-term liabilities due within one year	3,000
Total current liabilities	1,057,128
Noncurrent Liabilities	
Due in more than one year	676,419
Total Liabilities	**1,733,547**
Deferred Inflows of Resources	
Difference between pension expected and actual experience	**13,730**
Net Position	
Net investment in capital assets	15,719,516
Restricted for:	
Cemetery perpetual care principal - nonexpendable	66,534
Road improvements	596,378
Senior Center	8,690
Community beautification	4,286
Document preservation	8,864
Unrestricted	6,682,760
Total Net Position	$ **23,087,028**

The accompanying notes are an integral part of these financial statements.

Town of Washington
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Total Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
General government	$ 1,857,540	$ 712,703	$ 3,000	$ ---	$ (1,141,837)
Public safety	835,129	46,823	---	---	(788,306)
Highways (public works)	1,960,544	---	---	815,992	(1,144,552)
Sanitation	411,354	108,526	---	---	(302,828)
Social services	20,796	8,422	---	---	(12,374)
Health	86,924	---	---	---	(86,924)
Parks and recreation	326,265	92,724	---	---	(233,541)
Education	9,716,505	---	232,253	---	(9,484,252)
Other	452,002	26,869	---	---	(425,133)
Total governmental activities	$ 15,667,059	$ 996,067	$ 235,253	$ 815,992	(13,619,747)
General revenues:					
Property taxes, interest and lien fees					15,325,719
Grants and contributions not restricted to specific programs					124,399
Investment earnings					42,227
Lease income and other miscellaneous					48,740
Total general revenues					15,541,085
Change in net position					1,921,338
Net position - July 1, 2015					21,165,690
Net position - June 30, 2016					$ 23,087,028

The accompanying notes are an integral part of these financial statements.

Town of Washington
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds					
		Special Revenue Fund	Capital Project Funds			
	General Fund	Town Aid Road Fund	Capital Non-Recurring	Land Acquisition Open Space	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	$ 2,031,407	$ 896,378	$ 1,332,328	$ 31,171	$ 220,373	$ 4,511,657
Investments - at fair value	2,110,775	-	1,265,224	306,422	376,239	4,058,660
Property tax receivable, net	340,434	-	-	-	-	340,434
Mortgage receivable	-	-	-	-	10,000	10,000
Prepaid expenditures	18,516	-	-	-	19,000	37,516
Due from other funds	-	-	306,927	-	-	306,927
Grant receivable	-	-	14,527	-	-	14,527
Total Assets	$ 4,501,132	$ 896,378	$ 2,919,006	$ 337,593	$ 625,612	$ 9,279,721
Liabilities:						
Accounts payable	$ 213,830	$ -	$ 310,835	$ -	$ 4,809	$ 529,474
Performance bonds payable	155,397	-	-	-	-	155,397
Overpaid property taxes	9,532	-	-	-	-	9,532
Due to other funds	6,927	300,000	-	-	-	306,927
Unearned revenue	-	-	359,725	-	-	359,725
Total Liabilities	385,686	300,000	670,560	-	4,809	1,361,055
Deferred Inflows of Resources:						
Unavailable revenue - property tax	179,608	-	-	-	-	179,608
Fund Balances:						
Nonspendable:						
Prepayments	18,516	-	-	-	19,000	37,516
Perpetual Care Principal	-	-	-	-	66,534	66,534
Restricted for:						
Road improvements	-	596,378	-	-	-	596,378
Senior Center	-	-	-	-	8,690	8,690
Community beautification	-	-	-	-	4,286	4,286
Document preservation	-	-	-	-	8,864	8,864
Committed to:						
Parks and recreation	-	-	-	-	90,872	90,872
Cemetery operation	-	-	-	-	12,667	12,667
Capital non-recurring expenditures	-	-	2,248,446	-	-	2,248,446
Land acquisition for open space	-	-	-	337,593	-	337,593
Affordable housing	-	-	-	-	213,509	213,509
Down payment assistance program	-	-	-	-	100,000	100,000
Revaluation	13,400	-	-	-	-	13,400
Conservation and Development Plan	6,569	-	-	-	-	6,569
Legal litigation	167,459	-	-	-	-	167,459
Health reimbursement benefits	79,588	-	-	-	-	79,588
Assigned for:						
Recycling	-	-	-	-	96,381	96,381
Subsequent year budgeted deficit	1,003,965	-	-	-	-	1,003,965
Unassigned	2,646,341	-	-	-	-	2,646,341
Total Fund Balances	3,935,838	596,378	2,248,446	337,593	620,803	7,739,058
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 4,501,132	$ 896,378	$ 2,919,006	$ 337,593	$ 625,612	$ 9,279,721

The accompanying notes are an integral part of these financial statements.

Town of Washington
Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2016

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following :

Total Fund Balances for Governmental Funds		**$ 7,739,058**
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	$ 37,461,577	
Less accumulated depreciation	(21,742,061)	15,719,516
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Property taxes, interest, and liens receivable	$ 179,608	
Allowance for doubtful accounts	(7,000)	
Deferred outflows related to the net difference between projected and actual earnings on pension plan investments	148,995	321,603
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences	$ (146,147)	
Postclosure landfill costs	(24,000)	
Net pension liability	(509,272)	
Deferred inflows related to the differences between pension expected and actual experiences	(13,730)	(693,149)
Total Net Position of Governmental Activities		**$ 23,087,028**

The accompanying notes are an integral part of these financial statement.

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

	Major Funds					
		Special Revenue Fund	Capital Project Funds			
	General Fund	Town Aid Road Fund	Capital Non-Recurring	Land Acquisition Open Space	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes	$ 15,316,259	$ -	$ -	$ -	$ -	$ 15,316,259
Interest and lien fees on property taxes	168,567	-	-	-	-	168,567
Intergovernmental	264,860	330,184	173,320	-	315,488	1,083,852
Contribution in lieu of taxes	91,792	-	-	-	-	91,792
Investment income	19,676	2,244	16,161	1,625	2,521	42,227
Lease income	48,740	-	-	-	-	48,740
Licenses and permits	757,392	-	-	-	-	757,392
Program fees and other receipts	14,268	-	-	-	224,407	238,675
Total Revenues	**16,681,554**	**332,428**	**189,481**	**1,625**	**542,416**	**17,747,504**
Expenditures:						
Current:						
General government	1,777,488	-	-	2,000	419	1,779,907
Public safety	663,628	-	-	-	-	663,628
Highways	950,052	-	-	-	-	950,052
Sanitation	398,254	-	-	-	16,100	414,354
Health	84,007	-	-	-	-	84,007
Recreation	185,802	-	-	-	97,071	282,873
Social services	12,034	-	-	-	8,762	20,796
Education	9,716,505	-	-	-	-	9,716,505
Other	414,216	-	-	-	17,405	431,621
Capital outlay	18,770	300,000	2,468,487	-	14,026	2,801,283
Total Expenditures	**14,220,756**	**300,000**	**2,468,487**	**2,000**	**153,783**	**17,145,026**
Excess (Deficiency) of Revenues Over Expenditures	2,460,798	32,428	(2,279,006)	(375)	388,633	602,478
Other Financing Sources (Uses):						
Operating transfers in (out)	(1,746,631)	-	2,044,871	-	(298,240)	-
Total Other Financing Sources (Uses)	**(1,746,631)**	**-**	**2,044,871**	**-**	**(298,240)**	**-**
Net Change in Fund Balances	714,167	32,428	(234,135)	(375)	90,393	602,478
Fund Balances:						
Beginning of Year	3,221,671	563,950	2,482,581	337,968	530,410	7,136,580
End of Year	**$ 3,935,838**	**$ 596,378**	**$ 2,248,446**	**$ 337,593**	**$ 620,803**	**$ 7,739,058**

The accompanying notes are an integral part of these financial statements.

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

Amounts reported for governmental activities in the statement of activities are different due to the following:

Net Change in Fund Balances-Total Governmental Funds			**$ 602,478**
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful life lives and reported as depreciation expense as follows:			
Total capital outlay	$	2,522,264	
Less current year depreciation		(1,017,685)	
			1,504,579
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.			
Property taxes receivable - net	$	(159,107)	
Change in deferred outflows related the net difference between projected and actual earnings on pension plan investments		64,105	
Change in deferred inflows related to the differences between pension expected and actual experiences		(6,728)	(101,730)
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 the governmental funds.			
Change in compensated absences liability	$	(9,231)	
Change in postclosure landfill costs		3,000	
Change net pension liability		(77,758)	(83,989)
Change in Net Position of Governmental Activities			**$ 1,921,338**

The accompanying notes are an integral part of these financial statements.

Town of Washington
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust Funds	Pension Trust Funds	Prevention of Alcohol and Drug Abuse Agency Fund
Assets:			
Cash and cash equivalents	$ 5,025	$ 69,742	$ 7,110
Accrued interest	-	3,191	-
Investments - at fair value	592,429	3,028,567	-
Total Assets	597,454	3,101,500	7,110
Liabilities:			
Due to beneficiaries	-	-	7,110
Net Position			
Restricted for other purposes	597,454	-	-
Held in trust for pension benefits	-	3,101,500	-
Total Net Position	$ 597,454	$ 3,101,500	$ -

The accompanying notes are an integral part of these financial statements.

Town of Washington
Statement of Changes in Fiduciary Net Position
Private Purpose & Pension Trust Funds
Year Ended June 30, 2016

	Private Purpose Trust Funds	Pension Trust Funds
Additions:		
Town contributions	$ 19,500	$ 146,664
Investment income:		
Net appreciation (depreciation) in fair values of investments	9,149	(850)
Interest and dividends	12,407	76,476
Gross investment income	21,556	75,626
Less: investment expense	3,265	16,142
Net investment income	18,291	59,484
Total additions	37,791	206,148
Deductions:		
Pension benefits	30,598	150,434
Net Increase - Change in Net Position	7,193	55,714
Net Position - Beginning of year	590,261	3,045,786
Net Position - End of year	$ 597,454	$ 3,101,500

The accompanying notes are an integral part of these financial statements.

Note "1" - Summary of Significant Accounting Policies

The accompanying basic financial statements of the Town of Washington, Connecticut (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

A. Reporting Entity:

The Town of Washington, Connecticut was incorporated in 1779 under the provisions of the Connecticut General Statutes, and has a population of approximately 4,000 living within an area of 38.7 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Shepaug Regional School District #12, of which the Towns of Washington, Roxbury and Bridgewater are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Washington residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for reviewing/revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United State of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financial accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Codification has been considered and as a result, the potential component units discussed below are not included in the Town's reporting entities because of their operational significance and financial relationship with the Town.

- Regional School District No. 12 – The School District provides educational services and facilities for the Towns of Washington, Roxbury and Bridgewater, Connecticut. The Town pays a proportional share of the expenses of the district.
- Washington Volunteer Fire Department, Inc. and Washington Ambulance Association, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

B. Jointly Governed Organizations:

Lake Waramaug Authority

The Lake Waramaug Authority (the "Lake Authority") was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated $9,999 and expended $11,733 for the operation of the Lake Authority for the year ended June 30, 2016.

Note "1" - Summary of Significant Accounting Policies (continued)

B. Jointly Governed Organizations (continued)

Lake Waramaug Interlocal Commission

The Lake Waramaug Interlocal Commission (the "Commission") was created by the Town of Washington, Warren and Kent to improve the lake water quality and control water pollution. The Town appropriated and expended $12,300 for the operation of the Commission for the year ended June 30, 2016.

Northwest Hills Council of Governments

The Town and twenty other local municipalities each appoint the governing board of the Northwest Hills Council of Governments (the "NHCOG") to provide a regional forum for information exchange and regional planning. The NHCOG is supported by assessments to the twenty-one member Towns based upon population census. The Town of Washington appropriated and expended $2,821 for the operation of the NHCOG for the year ended June 30, 2016.

C. 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 Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* included 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.*

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid-management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materially.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns, in the fund financial statements. The other seven nonmajor funds are aggregated into one column in the financial statements under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

Note "1" - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting:

Government-Wide Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Fund Financial Statements

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 revenues to be available if they are collected within 60 days 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.

Property taxes, charges for services, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* included 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.

Note "1" - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

The Town reports the following major governmental funds:

General Fund:

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

Special Revenue Fund:

The Town Aid Road Fund accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

Capital Projects Funds:

The Capital Non-Recurring Expenditure Fund, as authorized by General Statutes of Connecticut, accounts for financing all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment.

The Land Acquisition Open Space Fund accounts for the purchase of land for open space.

The Town also reports the following eight Nonmajor Governmental Funds:

Special Revenue Funds, account for specific revenues that are legally restricted to expenditures for particular purpose:

Judea Cemetery Fund – accounts for the sale of plots, along with the related expenditures for maintaining and improving the cemetery.

Park and Recreation Fund – accounts for fees from recreational leisure programs and its related expenditures.

Senior Center Fund – accounts for charges for services and contributions restricted for senior citizens functions and activities.

Greenway Community Fund – accounts for contributions restricted for ground maintenance and improvements.

Document Preservation Fund – accounts for recording fees and state grants restricted for document preservation and its related expenditures.

Recycling Fund – accounts for recycling rebates and monies received from the dissolution of the Bristol Resource Recycling, restricted for the purposes of recycling bins and the updating of the Transfer Station.

Note "1" - Summary of Significant Accounting Policies (continued)

D. Measurement Focus and Basis of Accounting (continued)

Capital Project Funds, account for major capital facilities and the acquisition of equipment:

Affordable Housing Fund – accounts for the purchase of land and related cost used to provide affordable housing.

The Highway Garage Fire Fund accounts for the replacement of building and equipment lost in the Town Garage Fire on May 7, 2012.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

Pension Trust Funds - The pension funds account for the accumulation of resources to be used for retirement benefits.

Agency Funds - The agency funds account for financial resources held as a custodian for outside groups and agencies. The Town's Alcohol and Drug Abuse Prevention Fund accounts for resources used for the prevention of alcohol and drug abuse, on behalf of outside groups and agencies.

Private Purpose Trust Funds - The private purpose trust fund type reports all trust arrangements, other than those properly reported in a pension trust fund or investment trust fund, under which principal and income benefit individuals, private organizations, or other governments. The Volunteer Incentive Program Trust Funds accumulate resources used to pay the volunteers vested benefits upon normal retirement age of 65.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualified public depository" as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds do not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

Note "1" - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)

Receivables

In the government-wide financial statements, property taxes are shown net of an allowance for uncollectibles of $7,000. The allowance is calculated based upon prior years collections.

In the fund financial statements, all property taxes receivable at June 30, 2016, which have not been collected within 60 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 60 days period have been recorded as revenue.

Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installment, July 1 and January 1. Motor vehicle taxes are payable in one installment on July 1, with the Motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than $5,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair 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.

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

Assets	Years
Land improvements	25
Buildings	40
Building improvements	6-20
Infrastructure	30
Machinery, Equipment and Vehicles	5-15

Deferred Outflows and Deferred Inflows of Resources

The statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The Town reports deferred outflows of resources related to pension for the differences between projected and actual earnings on plan investments. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

Note "1" - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)

The statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. The Town reports deferred inflows of resources related to pension for the difference between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

For governmental funds' balance sheet, the Town reports an additional deferred inflow of resources for unavailable revenue from property taxes. Property tax income is recognized as revenue in the period that the amounts become available.

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On the fund financial statements, short-term interfund loans are classified as interfund "due from/to other funds". These amounts are eliminated in the statement of net assets.

Compensated Absences

Eligible employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Under various agreements employees may accumulate unused sick leave to be paid upon retirement. Sick leave and vacation leave expenditures are recognized in the fund financial statements in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for accrued vacation and sick leave earning is reported in the government-wide statements.

Grant Payable

Grant payable is comprised of the State of Connecticut, Small Town Economic Assistance Program (STEAP) of $359,725 which will be recognized as expenditures are incurred.

Accrued Liabilities and Long-term Debt

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Note "1" - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued)

Fund Equity and Net Position – Governmental Funds

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as authorized by the Town's Board of Selectmen and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the General Fund for positive amounts and in any other fund that have a fund balance deficit.

The Town does not have a minimum fund balance policy.

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

Net Investment in Capital Assets

This category presents all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category. Debt issued for non-capital purpose is 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 represents the net position of the Town, which are not restricted. A deficit will require future funding.

F. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

Note "1" - Summary of Significant Accounting Policies (continued)

G. Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note "2" – Stewardship, Compliance, and Accountability

Budgetary Compliance – The General Fund

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectmen and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including $20,000 per department per year, however no more than one additional appropriation per department can be made without town meeting approval.

The original General Fund budget increased by continuing appropriations of $19,969 and by additional appropriations of $67,150.

Budgetary Compliance - Other Governmental Funds:

The Town does not budget for its other Governmental Funds. Considering a cost-benefit analysis, it is not practical for the town to report budgetary information for the other governmental funds on a combined basis. Budgets for the various special revenue funds and capital project funds that are utilized to account for specific grant programs are established in accordance with requirements for the grantor agencies. Such budgets do not lapse and may comprise more than one fiscal year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

Note "3" – Cash and Cash Equivalents, Deposits and Investments

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2016:

	Governmental Funds	Fiduciary Funds
Deposits:		
Demand Accounts	$ 710,714	$ 81,877
Certificates of Deposit	4,058,660	---
Total Deposits	4,769,374	81,877
Petty Cash and Cash on Hand	95,281	---
Cash Equivalents:		
Repurchase agreements	3,704,494	---
State short-term investment fund (STIF)	1,168	---
	8,570,317	81,877
Less: Certificates of Deposits classified as investments	4,058,660	---
Total Cash and Cash Equivalents	$ 4,511,657	$ 81,877

B. Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2016, the carrying amount of the Town's deposits, including certificates of deposits of $4,058,660 classified as investments, was $8,652,194 and the bank balance was $8,601,867. Of the Town's bank balance $3,963,753 was exposed to custodial credit risk as follows:

Uninsured and uncollaterialized	$ 3,567,378
Uninsured and collaterialized held by pledging Bank's trust department not in the town's name	396,375
Total amount subject to custodial credit risk	$ 3,963,753

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2016, the Town's cash equivalents amounted to $3,705,662. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The State of Connecticut Short-Term Investment Fund (STIF) is a "2a7-Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

	Standard and Poor's
State of Connecticut Short-Term Investment Fund (STIF)	AAAm

Amounts held in the repurchase agreement accounts were collateralized with collateral held by the banks' trust departments or agents, but not in the Town's name.

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)

D. Investments

At June 30, 2016, the Town's investments consisted of the following:

Types of Investments	Fair Value	Average Credit Rating	Investment Maturity
Primary Government			
Certificate of deposit	$ 1,021,409	*	4/04/2017
Certificate of deposit	1,009,656	*	8/17/2017
Certificate of deposit	600,853	*	5/06/2018
Certificate of deposit	306,422	*	4/04/2017
Certificate of deposit	264,066	*	9/19/2017
Certificate of deposit	255,568	*	10/02/2018
Certificate of deposit	163,163	*	6/19/2017
Certificate of deposit	144,986	*	12/17/2017
Certificate of deposit	140,609	*	3/22/2018
Certificate of deposit	61,284	*	4/04/2017
Certificate of deposit	39,092	*	4/13/2017
Certificate of deposit	26,222	*	10/09/2017
Certificate of deposit	21,711	*	3/08/2018
Certificate of deposit	2,521	*	1/10/2017
Certificate of deposit	1,098	*	7/24/2017
Total Primary Government	$ 4,058,660		

* Included in deposits above, therefore, insured and collateralized to the extent described above.

Types of Investments	Fair Value	Average Credit Rating	Investment Maturity
Fiduciary Funds			
Corporate bonds	$ 213,505	Detailed below	Detailed below
Common stock	241,511	N/A	N/A
Municipal bond	25,863	Not rated	1/01/2018
Exchange traded & Closed End Funds	182,437	N/A	N/A
Mutual funds	2,957,680	N/A	N/A
Total Fiduciary Funds	$ 3,620,996		

- Ratings by a nationally recognized rating organization are provided where applicable to indicate the associated credit risk. N/A indicates rating is not applicable.

- 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 or any State or political subdivision or in obligations of the State of Connecticut or political subdivision. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Note "3" – Cash and Cash Equivalents, Deposits and Investments (continued)

D. Investments (continued)

Corporate Bonds:	BAA1	A3	AA2	A1	A2	Total
Average Credit Rating	$ 27,300	$ 24,887	$ 55,609	$ 52,428	$ 53,281	$ 213,505

	1-5 Years	6-10 Years	Over 10 Years	Total
Investment Maturity	$ 213,505	$ ---	$ ---	$ 213,505

E. Fair Value Measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair values of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2016 whose fair value was determined using Level 3 inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the Town as of June 30, 2016.

	Fair Value Measurements Using		
Investments by Fair Value Level	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Total**
Certificate of Deposit	$ -	$ 4,058,660	$ 4,058,660
Corporate Bonds	-	213,505	213,505
Common Stock	241,511	-	241,511
Municipal Bonds	-	25,863	25,863
Exchange Traded & Closed End Funds	-	182,437	182,437
Mutual Funds	2,957,680	-	2,957,680
Total Investments by Fair Value Level	$ 3,199,191	$ 4,480,465	$ 7,679,656

The Town's investments that are classified in Level 1 are measured on a recurring basis, using market quotations for investments that have quoted prices in active markets. The Town's investments that are classified in Level 2 are measured using matrix pricing techniques using various pricing vendors. Matrix pricing is used to value securities based on their relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by our custodian bank.

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Property taxes	$ 263,787
Accrued interest and lien fees on taxes	76,647
Gross receivables	340,434
Less: Allowance for uncollectibles	7,000
Net Receivables	$ 333,434

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

	Transfers From Other Funds	Transfers To Other Funds	Net Transfers
Major Governmental Funds:			
General Fund	$ 160,004	$ 1,906,635	$ (1,746,631)
Capital Non-Recurring	2,128,100	83,229	2,044,871
Nonmajor Governmental Funds:			
Judea Cemetery Fund	12,000	---	12,000
Highway Garage Fire Fund	---	310,240	(310,240)
Total	$ 2,300,104	$ 2,300,104	$ ---

Transfers are used to (1) move revenues from the fund the statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Note "6" - Operating Deficiencies and/or Fund Deficits:

At June 30, 2016, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	Operating Deficiency	Fund Deficit
Major Funds		
Capital Non-Recurring Fund	$ 1,979,006	$ ---
Land Acquisition Open Space	$ 375	$ ---
Non-major Funds		
Judea Cemetery Fund	$ 12,466	$ ---
Park and Recreation Fund	$ 4,160	$ ---
Greenway Committee Fund	$ 650	$ ---

Note "7" - Capital Assets:

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities:	Beginning Balance	Additions	Reclass and Disposals	Ending Balance
Capital Assets - Not Depreciated:				
Land	$ 1,141,215	$ ---	$ ---	$ 1,141,215
Mygatt Road - Reconstruction (WIP)	30,275	---	---	30,275
Bridge Reconstruction (WIP)	167,592	194,806	---	362,398
Storage Building (WIP)	---	104,100	---	104,100
Total Capital Assets Not Depreciated	1,339,082	298,906	---	1,637,988
Capital Assets - Depreciated:				
Land Improvements	532,685	---	---	532,685
Building & Improvements	6,847,546	26,111	---	6,873,657
Machinery & Equipment	4,714,661	787,713	---	5,502,374
Infrastructure	21,505,339	1,409,534	---	22,914,873
Total Capital Assets Being Depreciated	33,600,231	2,223,358		35,823,589
Less: Accumulated Depreciation				
Land Improvements	462,989	13,812	---	476,801
Building & Improvements	1,829,928	206,266	---	2,036,194
Machinery & Equipment	3,292,288	407,027	---	3,699,315
Infrastructure	15,139,171	390,580	---	15,529,751
Total Accumulated Depreciation	20,724,376	1,017,685	---	21,742,061
Capital Assets Being Depreciated - Net	12,875,855	1,205,673	---	14,081,528
Capital Assets - Net	$14,214,937	$ 1,504,579	$ ---	$15,719,516

Depreciation is charged to the following Governmental Activities:	
General government services	$ 76,003
Public safety	170,536
Public works	725,000
Health & Welfare	2,917
Parks and recreation	43,229
Total depreciation expense	$ 1,017,685

Note "8" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2016. The General Fund has historically been used to liquidate the following Long-Term Debt:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Compensated Absences					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	$ 136,916	$ 20,587	$ 11,356	$ 146,147	$ ---
Net Pension Liability	431,514	217,758	140,000	509,272	---
Landfill - Transfer Station Closure and PostClosure Care Costs					
Liability for closure and postclosure care costs of the Town of Washington's Landfill, as explained in Notes	27,000	---	3,000	24,000	3,000
Total	$ 595,430	$ 238,345	$ 154,356	$ 679,419	$ 3,000

Note "9" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 12 serial bonds payable through June 1, 2016 and the bank term loan of $1,350,000 due August 15, 2018. The amount (45.82%) attributable to the Town is $618,570. Additionally, The Town is continuing working with the State Department of Environmental Protection and Legal Counsel to resolve a water compliance order resulting from road salt storage.

Note "10" - Pension Plans:

A. Defined Contribution Plan

The Town provides retirement benefits through a single-employer defined contribution pension plan for all eligible employees not participating in the defined benefit pension plan. The Board of Selectmen has oversight and fiduciary responsibility for the plan.

All eligible employees working a minimum of 1,500 hours during the year are eligible for inclusion in the plan. The plan provides that benefits are vested in accordance with the following vesting schedule. The Town contributes an amount equal to 7% of each eligible employee's base compensation. During the year, the Town's contributions totaled $6,664. As of June 30, 2016 the plan had two participants. Town Contributions are subject to the following vesting schedule:

Full Years of Credited Service	Vested Percentage of Accrued Benefit
less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plan:

General Information about the Pension Plan

The Town of Washington is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. The plan does not issue stand-alone financial statements. At January 1, 2015, the latest actuarial valuation date, PERS membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	21
Total	51

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must work at least 1,000 hours per year, complete one full year of continuous service and attain a minimum age of twenty-five.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. A participant must work for a minimum of five years in order to qualify for normal retirement. The annual benefit is 1.25% of Average Monthly Compensation multiplied by years of Credited Service to June 30, 1993 and 1.5% of the average monthly compensation multiplied by years of credited service beginning July 1, 1993. The maximum years of credited service is 40 years. Final average earnings are the highest average years of compensation over the highest five consecutive calendar years within the last ten years of employment. The plan contains a provision for early retirement at age fifty-five and after fifteen years of credited service at a reduced benefit.

Participants separation from service prior to early or normal retirement date, are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

Full Years of Credited Service	Vested Percentage of Accrued Benefit
less than 3	0%
3	20%
4	40%
5	60%
6	80%
7 or more	100%

Plan Amendments:

On September 16, 2013 the Town executed an amendment that froze participation in the plan, to new employees, as of July 1, 2013. Employees who have not met the eligibility requirements by July 1, 2013 are not eligible to participate in the plan.

Note "10" - Pension Plans (continued)

E. Defined Benefit Pension Plans (continued)

Authority:

The Board of Selectmen has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions.

Funding Policy:

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. There are no legal or contractual limitations on the maximum amount of the Town's contribution.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employer's contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: All funds are invested in fixed income and equity securities through trust agreement with Union Savings Bank and are reported at fair values as discussed in the notes.

Investments:

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee of the Board of Finance by a majority vote of its members. It is the policy of the Board of Finance to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across the board selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation
Domestic Equities	70%
Fixed Income	30%
Total	100%

The following investments represent 5 percent or more of plan net assets:

Vanguard Ftse All World	$ 205,161	6.65%
Vanguard High Dividend Yield	$ 323,357	10.48%
Vanguard Short Term CP Admiral Shares	$ 396,066	12.84%
Vanguard 500 Index Fund	$ 1,021,553	33.11%

Rate of Return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plans (continued)

Net Pension Liability

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

Total pension liability	$ 3,594,301
Plan fiduciary net position	3,085,029
Net pension liability	$ 509,272

Plan fiduciary net position as percentage of the total pension liability 85.83%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2015, using the following actuarial assumptions, applied to all periods included in the June 30, 2016 measurement:

Inflation	Not separately stated
Salary Increases	3.5%, average, including inflation
Investment Rate of Return	5.5%, net of pension plan investment expense, including inflation

Mortality rates were based on the 1983 Group Annuity Male Mortality Table for males and the same table set back six years for females.

The long-term expected rate of return on pension plan investments was determined using a blended rate, an average of past performance. The rate best estimates expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and 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 total weighted average expected rate of return is 5.50%.

Best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized below.

Assets Class	Long-Term Expected Real Rate of Return
Domestic Equities	6.10%
Fixed Income	4.10%

Discount Rate

The discount rate used to measure the total pension liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates. Therefore, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions, 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.

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plans (continued)

Net Pension Liability of the Town

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a)-(b)**
Balances as of June 30, 2016	$ 3,467,361	$ 3,035,847	$ 431,514
Changes for the Year:			
Service cost	94,845	---	94,845
Interest on total pension liability	190,974	---	190,974
Differences between expected and actual Experience	(8,445)	---	(8,445)
Employer contributions	---	140,000	(140,000)
Net investment income	---	59,616	(59,616)
Benefit payments	(150,434)	(150,434)	---
Net changes	126,940	49,182	77,758
Balances as of June 30, 2016	$ 3,594,301	$ 3,085,029	$ 509,272

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 5.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current rate.

	1% Decrease to 4.50%	Current Discount Rate of 5.50%	1% Increase To 6.50%
Net Pension Liability	$ 890,767	$ 509,272	$ 181,335

Pension Expense: Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Town recognized pension expense of $160,381. At June 30, 2016, the Town reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experiences	$ 13,730	$ ---
Net difference between projected and actual earning on pension plan investments	---	148,995
Total	$ 13,730	$ 148,995

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plans (continued)

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

Year Ending June 30,	
2016	$ 40,838
2017	40,838
2018	40,837
2019	19,616
2020	(1,716)
Thereafter	(5,148)
	$ 135,265

Note "11" - Volunteer Firefighter and EMT Service Incentive Program:

The Town of Washington is the Plan Administrator, of an Award Program for the benefit of its Volunteer Firefighters and its Volunteer Emergency Medical Technicians (EMT). The Town, at its discretion, provides an annual contribution to the program. The Town's volunteer contribution is $500 per eligible volunteer for the volunteer firefighters and a fixed lump sum for the EMT award plan. The total contributions for the year 2015-2016 for the Firefighters and EMT were $9,500 and $10,000, respectively. The volunteers become fully vested after ten years of service. The normal retirement age for receiving benefits is age 65, although participants may apply for hardship distributions under certain circumstances as prescribed by the United States Department of Labor. The plan also has provisions for participant withdrawal prior to normal retirement age once vested at 100%.

The financial statements are prepared using the accrual basis of accounting. Town contributions are recognized in the period that the contributions are due. Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values. Since the trust fund established to hold plan assets is subject to claims of the Town's general creditors, the plan is reported as an expendable trust fund.

Although reported in the same fund types, Management has determined that the above volunteer plans should be reported in Private Purpose Trust Funds, instead of Pension Trust Funds, to better comply with the plans.

Note "12" - Landfill closure and postclosure care liability

In accordance with State and Federal laws and regulations, the Town has placed a final cover on its Washington Landfill and has stopped accepting demolition waste for burial. (The Town of Washington stopped accepting municipal solid waste, household garbage, in March of 1987.) The Town will perform certain maintenance and monitoring functions at the site for thirty years after closure. The $24,000 reported as landfill closure and postclosure care liability, represents the cumulative amount of postclosure care cost as of June 30, 2016. Actual cost may be higher due to inflation, changes in technology or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by future tax revenue. The Town has not set up a trust for this liability and is not aware of any legal requirement to do so.

Note "13" - Commitments and Litigation

It is the opinion of Town officials that there are no material or substantial claims against the Town, which will be finally determined so as to result in a judgment or judgments against the Town, which would materially affect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

The Town is self-insured for employees' health insurance co-pays and/or deductibles according to benefit policies established by the Board of Selectmen and Board of Finance. The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

The Town currently accounts for the funding of the employee health insurance co-pays in the General Fund. The Town has committed $79,588 of fund balance to cover the amount over and above the approved budgeted amounts.

The Town establishes deductible claims liabilities based on estimates of claims that have been incurred but not reported at the balance sheet date. Claims liabilities are recorded in accordance with GASB Statements No. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and incremental claim adjustment expenses. The claims accrual does not include other allocated or unallocated claims adjustment expenses. The Town purchases commercial health insurance coverage over and above the employees' deductible.

	Claims Payable July 1	Current Year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2015-2016	$ 9,078	$ 79,214	$ 74,889	$ 13,403

Note "14" – Risk Management

The Town is exposed to various risks of loss related to public official liability, police liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters for which the Town carries insurance.

The Town of Washington is a member of the Connecticut Interlock Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies, formed by the Connecticut Conference of Municipalities (CCM) for the purpose of establishing and administering an interlock risk management program pursuant to the provisions of Section 7-479a et. Seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's workers' compensation pool, a risk sharing pool. The workers' compensation pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

Note "15" – Impairment Gain on Explosion Loss:

On August 19, 2012 a propane tank explosion caused damage to the Bryan Memorial Town Hall. The damage was mostly isolated to the basement and stage of the Town Hall. For financial reporting, the final settlement with the insurance company has resettled in a cumulative net gain of $877,883 and was reported as an extraordinary item. A breakout, by year, of the impairment gain on the explosion damage net of insurance recovery, as described in the statement of activities is below

2013	$ 486,322
2014	(117,681)
2015	509,242
	$ 877,883

The governmental fund financial statements report the insurance recovery as another financing source and reports the restoration costs as expenditures.

Note "16" - Implementation of Current GASB Pronouncements

In fiscal year 2016, the Town adopted two new statements of financial accounting standard issued by the Governmental Accounting Standards Board (GASB). The new statements include: Statement No. 72, *Fair Value Measurement and Application* and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

Note "17" - Implementation of Future GASB Pronouncements

The GASB has issued several pronouncements that have effective dates that may impact the June 30, 2017 financial statements. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*

Statement No. 77, *Tax Abatement Disclosures.*

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*

Statement No. 79, *Certain External Investment Pools and Pool Participants.*

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*

Statement No. 82, *Pension Issues - an amendment of GASB Statements No 67, No. 68, and No. 73.*

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenue			
Property taxes	$ 14,793,057	$ 15,291,305	$ 498,248
Interest and lien fees on property taxes	75,000	168,567	93,567
State of Connecticut - Grants:			
Veterans tax relief	1,000	1,568	568
Totally disabled	150	104	(46)
Judicial fines	1,000	960	(40)
Elderly homeowners	26,750	20,673	(6,077)
Mashantuck Pequot/Mohegan fund	8,844	9,302	458
Educational cost sharing grant	240,147	232,253	(7,894)
Other State grants	205,606	-	(205,606)
Telephone access tax	24,000	24,954	954
Refund from Regional School District 12	-	62,798	62,798
Contributions in lieu of taxes	69,000	91,792	22,792
Investment income	12,000	19,676	7,676
Lease income	46,200	48,740	2,540
Other fees and receipts:			
Building inspection - net of expenditures	52,000	393,434	341,434
Building inspection - Excess revenue over budget offsets expenditures	-	(289,434)	(289,434)
Selectman licenses, fees and permits	146,800	111,187	(35,613)
Private duty police	20,000	46,823	26,823
Private duty police - Excess revenue over budget offsets expenditures	-	(26,823)	(26,823)
Town Clerk's fees including conveyance taxes	200,000	205,948	5,948
Scrap metal sales and other receipts	6,000	14,268	8,268
Total Revenue	15,927,554	16,428,095	500,541
Other Financing Sources - Operating Transfers In:			
Non-recurring Capital Exp. Fund	-	83,229	83,229
Highway Garage Fund	-	160,004	160,004
Total Revenues and Other Financing Sources	$ 15,927,554	$ 16,671,328	$ 743,774

The accompanying notes are an integral part of these financial statements.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
Selectmen	$ 148,308	$ -	$ 148,308	$ 144,165	$ (4,143)
Assessor	78,796	-	78,796	73,816	(4,980)
Tax Collector	67,682	-	67,682	65,157	(2,525)
Town Clerk	73,833	-	73,833	63,850	(9,983)
Town Treasurer	14,618	-	14,618	14,648	30
Building Department	8,125	-	8,125	301,868	293,743
Building Department - Excess revenue over budget	-	-	-	(289,434)	(289,434)
Probate Court	5,815	-	5,815	5,815	-
Elections	29,800	-	29,800	26,695	(3,105)
Auditor	25,000	-	25,000	27,243	2,243
Board of Assessment Appeals	2,350	-	2,350	726	(1,624)
Planning Commision	32,941	-	32,941	23,664	(9,277)
Zoning Commission	54,441	-	54,441	58,018	3,577
Zoning Board of Appeals	7,614	-	7,614	11,560	3,946
Inland Wetlands	81,589	-	81,589	63,692	(17,897)
Historic District Commission	8,673	-	8,673	5,440	(3,233)
Conservation Commission	6,264	-	6,264	4,140	(2,124)
Housing Commission	849	-	849	202	(647)
Operation of Town Hall	103,388	-	103,388	86,062	(17,326)
Town Garage / Salt Building	37,250	-	37,250	25,726	(11,524)
Surety Bonds and Insurance	169,368	-	169,368	165,586	(3,782)
Accident & Health Insurance and committed reimbursable costs	368,400	-	368,400	340,149	(28,251)
Office Expense	43,468	-	43,468	40,696	(2,772)
Payroll Taxes	120,167	-	120,167	110,597	(9,570)
Board of Finance	34,304	-	34,304	34,215	(89)
Economic Develop Coordinator	55,000	-	55,000	45,549	(9,451)
Total General Government	1,578,043	-	1,578,043	1,449,845	(128,198)
Public Safety					
Fire Marshal	54,297	-	54,297	47,759	(6,538)
Fire Department	179,350	-	179,350	174,835	(4,515)
Police	309,726	28,500	338,226	362,469	24,243
Private duty police - Excess revenue over budget	-	-	-	(26,823)	(26,823)
Emergency Management	62,431	-	62,431	56,233	(6,198)
Open Burning Official	599	-	599	599	-
Lake Waramaug Authority	9,999	-	9,999	11,733	1,734
EMT Awards	11,500	-	11,500	10,000	(1,500)
Total Public Safety	627,902	28,500	656,402	636,805	(19,597)

The accompanying notes are an integral part of these financial statements.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Highways					
General Maintenance	640,850	-	640,850	**521,842**	(119,008)
Winter Maintenance	459,446	-	459,446	**397,329**	(62,117)
Street Lighting	30,500	-	30,500	**30,881**	381
Total Highways	1,130,796	-	1,130,796	**950,052**	(180,744)
Sanitation					
Transfer Station	295,283	-	295,283	**269,615**	(25,668)
Recycling	140,700	-	140,700	**128,639**	(12,061)
Total Sanitation	435,983	-	435,983	**398,254**	(37,729)
Conservation of Health					
Paramedic Service	29,797	-	29,797	**29,797**	-
Health Department	40,187	-	40,187	**38,972**	(1,215)
Visiting Nurses Associations	24,000	-	24,000	**15,238**	(8,762)
Hepatitis B Vaccinations	100	-	100	**-**	(100)
Total Conservation of Health	94,084	-	94,084	**84,007**	(10,077)
Recreation					
Parks and Recreation	132,611	-	132,611	**128,245**	(4,366)
Senior Center / Veterans Hall	63,516	-	63,516	**54,057**	(9,459)
After School Arts Program	3,500	-	3,500	**3,500**	-
Total Recreation	199,627	-	199,627	**185,802**	(13,825)
Social Services	13,332	-	13,332	**12,034**	(1,298)
Other Expenditures					
Gunn Memorial Library	162,000	-	162,000	**162,000**	-
Pension Expense	155,164	-	155,164	**154,254**	(910)
Council on Governments	2,821	-	2,821	**2,821**	-
Interlocal Advisory Board	12,300	-	12,300	**12,300**	-
Annual Repairs	50,000	-	50,000	**42,256**	(7,744)
New Preston Cemetery	3,000	-	3,000	**3,000**	-
Animal Control	34,650	-	34,650	**32,790**	(1,860)
Newsletter and Website	9,000	-	9,000	**4,795**	(4,205)
Propane Incident					
Stage Renovations	-	-	-	**18,770**	18,770
Total Other Expenditures	428,935	-	428,935	**432,986**	4,051
Education	9,779,303	-	9,779,303	**9,779,303**	-

The accompanying notes are an integral part of these financial statements.

Town of Washington
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2016

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Continuing Appropriations					
Revaluation	-	13,400	13,400	-	(13,400)
Conservation and Development	-	6,569	6,569	-	(6,569)
Legal litigation	60,000	145,668	205,668	**38,209**	(167,459)
Health reimbursement benefit	-	79,588	79,588	-	(79,588)
Total Continuing appropriations	60,000	245,225	305,225	**38,209**	(267,016)
Total Expenditures	14,348,005	273,725	14,621,730	**13,967,297**	(654,433)
Other Financing Uses - Operating Transfers Out					
Judea Cemetery	12,000	-	12,000	**12,000**	-
Non-recurring Capital Exp. Fund	1,910,714	67,150	1,977,864	**1,977,864**	-
Total transfers out	1,922,714	67,150	1,989,864	**1,989,864**	-
Total Expenditures and Other Financing Uses	16,270,719	340,875	16,611,594	**15,957,161**	(654,433)
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(343,165)	(340,875)	(684,040)	**714,167**	1,398,207
Fund Balance at beginning of year	343,165	340,875	684,040	**3,221,671**	2,537,631
Fund Balance at end of year	$ -	$ -	$ -	$ **3,935,838**	$ 3,935,838

The accompanying notes are an integral part of these financial statements.

Town of Washington
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2016

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) present a comparison of the original and final legally-adopted budget with actual data on a budgetary basis.

Continuing Appropriations - The Town budgets for committed fund balance as continuing appropriations. Pursuant to the legislative authority, these continuing appropriations do not lapse at year end, but are carried forward until expended or changed by legislative authority.

The over expenditure in the propane incident budget line is due to an insurance recovery claim timing difference. The receipts from the claim were recognized as the cash was received, while the expenditures were recognized as incurred. Since the Town's budgetary policy is to budget for insurance claims net of expenditures, had the expenditure been incurred in the same year as the insurance receipts, this over expenditure would be nonexistent. Therefore, this is not considered a violation of statutory provision.

Reconciliation between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

For budgeting purposes the Town recognizes as revenue educational refunds of prior year fund balances and other credits from Regional School District #12. GAAP requires that refunds for prior year and other credits be offset against educational expenditures.

The Town, for budget purposes, recognizes building inspection fees and private duty-police fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on a percentage of revenue. For GAAP purposes, the gross revenue and expenditures are recognized resulting in the adjustment shown below.

	General Fund		
	Total Revenues and Other Financing Sources	Total Expenditures and Transfers/ Other Financing Uses	Fund Balance
Actual - Non-GAAP Budgetary Basis Statement - June 30, 2016	$ 16,671,328	$ 15,957,161	$ 3,935,838
Prior Year Refund from RSD #12 Offsets Expenditures	(62,798)	(62,798)	-
To Gross up Revenue and Expenditures:			
Building Department	289,434	289,434	-
Private Duty Police	26,823	26,823	-
To Offset Operating Transfers In (Out)	(243,233)	(243,233)	
Actual GAAP - June 30, 2016	$ 16,681,554	$ 15,967,387	$ 3,935,838

Town of Washington
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Fiscal Years

	2016	2015	2014
Total pension liability:			
Service cost	$ 94,845	$ 102,325	$ 98,203
Interest	190,974	184,048	176,212
Difference between expected and actual experience	(8,445)	(7,780)	-
Benefit payments, including refunds of member contributions	(150,434)	(137,463)	(117,455)
Net change in total pension liability	126,940	141,130	156,960
Total pension liability - beginning	3,467,361	3,326,231	3,169,271
Total pension liability - ending	3,594,301	3,467,361	3,326,231
Plan fiduciary net position			
Contributions - employer	140,000	159,275	172,775
Net investment income	59,616	60,532	336,327
Benefit payments, including refunds of member contributions	(150,434)	(137,463)	(117,455)
Net change in plan fiduciary net position	49,182	82,344	391,647
Plan fiduciary net position - beginning	3,035,847	2,953,503	2,561,856
Plan fiduciary net position - ending	3,085,029	3,035,847	2,953,503
Net Pension Liability - Ending	$ 509,272	$ 431,514	$ 372,728
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.83%	87.55%	88.79%
Covered Employee Payroll	$ 915,138	$ 965,273	$ 924,764
Net Pension Liability as a percentage of covered employee payroll	55.65%	44.70%	40.31%

Town of Washington
Schedule of Employer Contributions
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$ 128,579	$ 135,255	$ 151,353	$ 172,775	$ 155,330	$ 164,697	$ 144,849	$ 130,743	$ 124,624	$ 126,880	$ 126,128
Contributions in relation to the actuarially determined contribution	140,000	159,275	172,775	172,775	160,179	165,000	140,000	130,743	124,624	126,000	156,000
Contribution Deficiency (Excess)	$ (11,421)	$ (24,020)	$ (21,422)	$ -	$ (4,849)	$ (303)	$ 4,849	$ -	$ -	$ 880	$ (29,872)
Covered employee payroll	$ 915,138	$ 965,273	$ 924,764	$ 975,124	$ 959,248	$ 981,076	$ 872,321	$ 901,743	$ 762,608	$ 824,763	$ 810,138
Contributions as a percentage of covered employee payroll	15.30%	16.50%	18.68%	17.72%	16.70%	16.82%	16.05%	14.50%	16.34%	15.28%	19.26%

Notes to Schedule

Valuation date: January 1, 2015
Measurement date: June 30, 2016
Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate method with no supplemental liability
Amortization method	Not applicable, cost method does not identify actuarial liabilities separately
Remaining amortization period	Not applicable
Asset valuation method	Fair market value
Inflation	Not separately stated
Salary increases	3.5%
Investment rate of return	5.5%
Retirement age	100% normal retirement age
Mortality	1983 group annuity male mortality table (setback six years for female)

Other items:

Changes in benefit terms	None
Changes of assumptions	None

Town of Washington
Schedule of Investment Returns
Last Three Fiscal Years

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.97%	2.00%	12.64%

Town of Washington
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds						Capital Project Funds		
	Judea Cemetery	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	Affordable Housing Fund	Highway Garage Fire Fund	Total
Assets:									
Cash and cash equivalents	$ 13,887	$ 73,470	$ 5,071	$ 4,286	$ 8,864	$ 96,381	$ 18,414	$ -	$ 220,373
Investment - at market	65,314	21,711	3,619	-	-	-	285,595	-	376,239
Mortgage receivable	-	-	-	-	-	-	10,000	-	10,000
Prepaid expenditures	-	19,000	-	-	-	-	-	-	19,000
Total Assets	$ 79,201	$ 114,181	$ 8,690	$ 4,286	$ 8,864	$ 96,381	$ 314,009	$ -	$ 625,612
Liabilities:									
Accounts Payable	$ -	$ 4,309	$ -	$ -	$ -	$ -	$ 500	$ -	$ 4,809
Due to general fund	-	-	-	-	-	-	-	-	-
Total Liabilities	-	4,309	-	-	-	-	500	-	4,809
Fund balances:									
Nonspendable:									
Prepayments	-	19,000	-	-	-	-	-	-	19,000
Perpetual Care Principal	66,534	-	-	-	-	-	-	-	66,534
Restricted for:									
Social services	-	-	8,690	-	-	-	-	-	8,690
Community beautification	-	-	-	4,286	-	-	-	-	4,286
Document preservation	-	-	-	-	8,864	-	-	-	8,864
Committed to:									
Parks and recreation	-	90,872	-	-	-	-	-	-	90,872
Cemetery operation	12,667	-	-	-	-	-	-	-	12,667
Affordable housing	-	-	-	-	-	-	213,509	-	213,509
Down payment assistance program	-	-	-	-	-	-	100,000	-	100,000
Assigned for:									
Recycling	-	-	-	-	-	96,381	-	-	96,381
Total Fund Balances	79,201	109,872	8,690	4,286	8,864	96,381	313,509	-	620,803
Total Liabilities and Fund Balance	$ 79,201	$ 114,181	$ 8,690	$ 4,286	$ 8,864	$ 96,381	$ 314,009	$ -	$ 625,612

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

	Special Revenue Funds						Capital Project Funds		
	Judea Cemetery Fund	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	Affordable Housing Fund	Highway Garage Fire Fund	Total
Revenues:									
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 315,488	$ 315,488
Investment income	284	187	13	5	3	158	1,694	177	2,521
Program fees and other receipts	4,000	92,724	8,422	-	2,134	108,526	-	8,601	224,407
Total Revenues	4,284	92,911	8,435	5	2,137	108,684	1,694	324,266	542,416
Expenditures:									
Cemetery expenditures	16,750	-	-	-	-	-	-	-	16,750
Programs and Activities	-	97,071	8,262	655	419	16,100	500	-	123,007
Capital outlay	-	-	-	-	-	-	-	14,026	14,026
Total Expenditures	16,750	97,071	8,262	655	419	16,100	500	14,026	153,783
Excess (Deficiency) of revenues over expenditures	(12,466)	(4,160)	173	(650)	1,718	92,584	1,194	310,240	388,633
Other Financing Sources:									
Operating transfers in	12,000	-	-	-	-	-	-	(310,240)	(298,240)
Net Change in Fund Balances	(466)	(4,160)	173	(650)	1,718	92,584	1,194	-	90,393
Fund Balances:									
Beginning of Year	79,667	114,032	8,517	4,936	7,146	3,797	312,315	-	530,410
End of Year	$ 79,201	$ 109,872	$ 8,690	$ 4,286	$ 8,864	$ 96,381	$ 313,509	$ -	$ 620,803

Town of Washington
Combining Statement of Fiduciary Net Position
Private Purpose & Pension Trust Funds
Year Ended June 30, 2016

	Private Purpose Trust Funds			Pension Trust Funds		
	Volunteer Incentive Programs			Defined Benefit	Defined Contribution	
	Firefighters	EMT	Totals	Plan	Plan	Totals
Assets:						
Cash and cash equivalents	$ 2,829	$ 2,196	$ 5,025	$ 69,742	$ -	$ 69,742
Accrued interest	-	-	-	3,191	-	3,191
Investments - at fair value	431,388	161,041	592,429	3,012,096	16,471	3,028,567
Total Assets	$ 434,217	$ 163,237	$ 597,454	$ 3,085,029	$ 16,471	$ 3,101,500
Net Position:						
Restricted for other purposes	$ 434,217	$ 163,237	$ 597,454	$ -	$ -	$ -
Held in trust for pension benefits	-	-	-	3,085,029	16,471	3,101,500
Total Net Position	$ 434,217	$ 163,237	$ 597,454	$ 3,085,029	$ 16,471	$ 3,101,500

Town of Washington
Combining Statement of Changes in Fiduciary Net Position
Private Purpose & Pension Trust Funds
Year Ended June 30, 2016

	Private Purpose Trust Funds			Pension Trust Funds		
	Volunteer Incentive Programs			Defined Benefit	Defined Contribution	
	Firefighters	EMT	Totals	Plan	Plan	Totals
Additions:						
Town contributions	$ 9,500	$ 10,000	$ 19,500	$ 140,000	$ 6,664	$ 146,664
Investment income:						
Change in fair values of investment	6,314	2,835	9,149	(718)	(132)	(850)
Interest and dividends	8,665	3,742	12,407	76,476	-	76,476
Gross investment income	14,979	6,577	21,556	75,758	(132)	75,626
Less: investment expense	2,270	995	3,265	16,142	-	16,142
Net investment income	12,709	5,582	18,291	59,616	(132)	59,484
Total additions	22,209	15,582	37,791	199,616	6,532	206,148
Deductions:						
Pension benefits	-	30,598	30,598	150,434	-	150,434
Change in Net Position	22,209	(15,016)	7,193	49,182	6,532	55,714
Net Position - Beginning of year	412,008	178,253	590,261	3,035,847	9,939	3,045,786
Net Position - End of year	$ 434,217	$ 163,237	$ 597,454	$ 3,085,029	$ 16,471	$ 3,101,500

Town of Washington
Fiduciary Fund Type - Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2016

ALCOHOL AND DRUG ABUSE PREVENTION FUND

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets:				
Cash	$ 4,462	$ 6,805	$ 4,157	$ 7,110
Liabilities:				
Due to Participants	$ 4,462	$ 6,805	$ 4,157	$ 7,110

Town of Washington
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)
Year Ended June 30, 2016

	Taxes Receivable July 1, 2015	LAWFUL CORRECTIONS Lawful Additions	LAWFUL CORRECTIONS Corrections Reductions	Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS Taxes	COLLECTIONS Interest, liens and other costs	COLLECTIONS Refunds and Adjustments	COLLECTIONS Total Net Collections	Taxes Receivable June 30, 2016
Grand List : October 1,										
2014	$ 15,094,820	$ 96,058	$ (37,738)	$ -	$ 15,153,140	$ 15,029,097	$ 55,020	$ 996	$ 15,085,113	$ 125,039
2013	143,621	9,777	(1,128)	-	152,270	80,566	19,149	275	99,990	71,979
2012	76,959	3,048	(140)	(4,860)	75,007	39,695	16,577	72	56,344	35,384
2011	38,772	-	(51)	-	38,721	14,101	8,594	-	22,695	24,620
2010	10,458	-	(49)	-	10,409	9,097	7,421	-	16,518	1,312
2009	7,300	-	(49)	-	7,251	5,939	6,153	-	12,092	1,312
2008	7,131	-	-	-	7,131	5,849	7,067	-	12,916	1,282
2007	1,457	-	-	-	1,457	-	-	-	-	1,457
2006	1,402	-	-	-	1,402	-	50	-	50	1,402
Suspense book collections	-	-	-	13,426	13,426	13,426	13,563	-	26,989	-
Totals	$ 15,381,920	$ 108,883	$ (39,155)	$ 8,566	$ 15,460,214	$ 15,197,770	$ 133,594	$ 1,343	$ 15,332,707	$ 263,787

Town of Washington
Statement of Debt Limitation
Connecticut General Statutes, Section 7-374 (b)
Year Ended June 30, 2016

Total tax collections (including interest and lien fees) for the year ended June 30, 2016	$	15,332,707
Reimbursement for revenue loss on :		
Tax relief for elderly - (CGS 12-129d)		20,673
Total Receipts From Taxation For The Year Ended June 30, 2016 (Base)	$	15,353,380

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	$ 34,545,105	$ -	$ -	$ -	$ -
4 1/2 times Base	-	69,090,210	-	-	-
3 3/4 times Base	-	-	57,575,175	-	-
3 1/4 times Base	-	-	-	49,898,485	-
3 times Base	-	-	-	-	46,060,140
Total Debt Limitation	**34,545,105**	**69,090,210**	**57,575,175**	**49,898,485**	**46,060,140**
Indebtedness:					
Shepaug Regional School District #12 Bonds payable (Town's share is 45.82%)					
Bank term loan due August 15, 2018 - $1,350,000	-	618,570	-	-	-
Total Indebtedness	-	618,570	-	-	-
Debt Limitation In Excess Of Outstanding And Authorized Debt	**$ 34,545,105**	**$ 68,471,640**	**$ 57,575,175**	**$ 49,898,485**	**$ 46,060,140**

NOTE: In no case shall total indebtedness exceed seven times annual receipts from taxation.

Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Finance
Town of Washington
Washington, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut's basic financial statements, and have issued our report thereon dated January 11, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Charles Heaven & Co., CPAs

Charles Heaven & Co.

January 11, 2017

AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS

Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT

Board of Finance
Town of Washington
Washington, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Washington, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Washington, Connecticut's major state programs for the year ended June 30, 2016. The Town of Washington, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Washington, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the State Single Audit Act and which are described in the accompanying schedule of findings and questioned costs as item 2016-1. Our opinion on each major state program is not modified with respect to these matters.

The Town of Washington, Connecticut's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Washington, Connecticut's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Washington, Connecticut, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Town of Washington, Connecticut's basic financial statements. We have issued our report thereon dated January 11, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Charles Heaven & Co., CPAs

CHARLES HEAVEN & CO.
January 11, 2017

Town of Washington
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2016

State Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management		
Property Tax Relief For Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	$ 20,673
Property Tax Reimbursement - Disability Exemption	11000-OPM20600-17011	104
Property Tax Relief For Veterans	11000-OPM20600-17024	1,568
Local Capital Improvement	12050-OPM20600-40254	350,000
Municipal Grants-In-Aid	12052-OPM20600-43587	158
Department of Transportation		
Highway Planning & Construction	12062-DOT57513-22108	9,965
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	300,000
Judicial Branch		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	1,155
Connecticut State Library		
Historical Documents Preservation Grant	12060-CSL66094-35150	3,000
Total State Financial Assistance before exempt programs		**686,623**
Exempt Programs		
State Department of Education		
Education Cost Sharing	11000-SDE64370-17041	221,935
Office of Policy and Management		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	9,302
Total Exempt programs		**231,237**
Total State Financial Assistance		**$ 917,860**

See accompanying Notes to Schedule

Town of Washington
State Financial Assistance Programs
Notes to Schedule
For the Year Ended June 30, 2016

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Washington under programs of the State of Connecticut for the fiscal year ended June 30, 2016. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: local capital improvement, road repairs, tax relief, education and other public assistance.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for capital lease principal and interest which are reported as expenditures in the year due.

The government-wide financial statements are prepared on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

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

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over financial reporting:

• Material weakness(es) identified?	____ yes	__X__ no
• Significant deficiency(ies) identified?	____ yes	__X__ none reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

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

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

State Grantor and Program	State Core-CT Number	Expenditures
Department of Office of Policy and Management Local Capital Improvement	12050-OPM20600-40254	$ 350,000
Department of Transportation Town Aid road Transportation Fund	12052-DOT57131-43455	$ 300,000
• Dollar threshold used to distinguish between type A and type B Programs		$ 100,000

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

II. FINANCIAL STATEMENT FINDINGS

We issued reported, dated January 11, 2017, on internal control over financial reporting an don compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards.

Our report on compliance indicated no reportable instances of noncompliance.

Our report on internal control over financial reporting indicated no findings or questioned costs.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

Finding # 2016-1

Grantor: Office of Policy and Management

State Program Name: Local Capital Improvement

State Grant Program CORE-CT Number: 12050-OPM20600-40254

Criteria

In accordance to the Compliance Supplement to the State Single Audit Act, expenditures for the above grant, should be reported on the Schedule of Expenditures of State Financial Assistance, in the fiscal year they are incurred.

Condition

Expenditures incurred in prior years were not reported on the Schedule of Expenditures of State Financial Assistance until the grant was received, in the current fiscal year.

Context

The expenditures were not recorded on the Schedule of Expenditures of State Financial Assistance as incurred since the project took multiple years to complete and it was not clear that the grant funding would be available.

Effect

None, since the grant funding was based on the incurring of appropriate reimbursable expenditures and not the timing of the reporting.

Cause

The project took multiple years to complete and management was not aware that the expenditures should have been reported in the Schedule of Expenditures of State Financial Assistance, as incurred.

Recommendation

We recommend that management vigorously monitor all the compliance requirements for all grants. To better accomplish this, the Town should consider delegating the monitoring of the compliance requirements to specific official(s).

Views of Responsible Officials and Planned Corrective Actions

Although the Town agrees with the auditors, the Town will evaluate the finding and determine if any changes to the internal control regarding state grants is necessary.