



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF WASHINGTON
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2017**

Town of Washington
Table of Contents
June 30, 2017

	PAGE
Independent Auditor's Report	1-3
Managements' Discussion and Analysis	4-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Net Position - Private Purpose & Pension Trust Funds	18
Notes to Financial Statements	19-41
Required Supplementary Information:	
General Fund:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - General Fund	42-45
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance	46-47
Pension:	
Schedule of Changes in Net Pension Liability and Related Ratios – Last Four Fiscal Years	48
Schedule of Employer Contribution – Last Ten Fiscal Years	49
Schedule of Investment Returns – Last Four Fiscal Years	50
Combining and Individual Fund Statements and Supplemental Schedules:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	51
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	52
Fiduciary Funds	
Combining Statement of Fiduciary Net Position - Private Purpose & Pension Trust Funds	53
Combining Statement of Changes in Fiduciary Net Position - Private Purpose & Pension Trust Funds	54
Statement of Changes in Assets and Liabilities-Agency Fund	55
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)	56
Statement of Debt Limitation	57

Town of Washington
Table of Contents
June 30, 2017

	PAGE
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	58-59
AUDIT OF STATE FINANCIAL ASSISTANCE PROGRAMS:	
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program, on Internal Control Over Compliance in Accordance With the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance	60-62
Schedule of Expenditures of State Financial Assistance	63
Notes to Schedule of State Financial Assistance	64
Schedule of Findings and Questioned Costs	65-66



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, 2017, 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, 2017, 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.

Emphasis of Matter

As described in Note 15 to the financial statements, in 2017, the Town of Washington adopted new accounting guidance, GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68*. Our opinion is not modified with respect to this matter.

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 42 through 47, the schedule of changes in net pension liability and related ratios on Page 48, the schedule of employer contributions on Page 49 and schedule of investment returns on Page 50 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 3, 2018, 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 K. Brown, CPA

January 3, 2018

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, 2017. 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.

Town of Washington
Management's Discussion and Analysis
June 30, 2017

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 and 15 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, 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 41 of this report. Required supplementary information and supplemental schedules can be found on pages 42 to 57 of this report.

Town of Washington
Management's Discussion and Analysis
June 30, 2017

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Town's assets and deferred outflows of resources of \$26,503,339 exceeded the sum of its liabilities and deferred inflows of resources of \$1,884,237 resulting in net position of \$24,619,102. Of this amount, \$16,202,534 was invested in capital assets, while \$604,949 was restricted for road improvements and \$86,057 was restricted for purposes of various nonmajor Town funds. The remaining net position of \$7,725,562 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 \$9,454,491, an increase of \$1,117,979 from last fiscal year. The total fund balance of the General Fund of \$5,183,925 represented 30.95% of fiscal year 2017-2018 budgeted appropriations of \$16,748,534, while its unassigned fund balance of \$3,866,662, available for spending at the Town's discretion, represented 23.09% of that same amount.
- The Town's long-term debt at June 30, 2017 consisted of its obligation of \$156,056 for earned but unused employee compensated absences, net pension liability of \$366,224, landfill – transfer station closure and postclosure care costs of \$21,000, and LOSAP program benefits of \$635,647.

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 \$24,619,102 at the close of the fiscal year.

Town of Washington - Net Position

	2016	2017
<u>Assets</u>		
Current assets	\$ 8,965,794	\$ 10,253,939
Capital assets, net	15,719,516	16,202,534
Total assets	24,685,310	26,456,473
<u>Deferred Outflows of Resources</u>	148,995	46,866
<u>Liabilities</u>		
Current liabilities	1,057,128	662,162
Long-term liabilities	676,419	1,175,927
Total liabilities	1,733,547	1,838,089
<u>Deferred Inflows of Resources</u>	13,730	46,148
<u>Net Position</u>		
Net investment in capital assets	15,719,516	16,202,534
Restricted	684,752	691,006
Unrestricted	6,682,760	7,725,562
Total Net Position	\$ 23,087,028	\$ 24,619,102

The largest portion of the Town's net position \$16,202,534 (65.81%) 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, \$7,725,562 (31.38%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's net position increased \$1,532,074 during the fiscal year.

**Town of Washington
Management's Discussion and Analysis
June 30, 2017**

Town of Washington Governmental Activities - Changes in Net Position

	2016		2017	
	\$	% to Total	\$	% to Total
Revenues:				
Program:				
Charges for services	\$ 996,067	5.66%	\$ 941,684	5.29%
Operating grants and contributions	235,253	1.34%	54,646	0.31%
Capital grants and contributions	815,992	4.64%	495,515	2.78%
General:				
Property taxes	15,325,719	87.14%	15,986,219	89.79%
Grants and contributions, not restricted to specific programs	124,399	0.71%	173,289	0.97%
Unrestricted investment earnings	42,227	0.24%	103,799	0.58%
Lease income and other miscellaneous	48,740	0.28%	49,272	0.28%
Total Revenues	17,588,397	100.00%	17,804,424	100.00%
Expenses:				
General government	1,857,540	11.86%	1,852,865	11.40%
Public safety	835,129	5.33%	947,148	5.82%
Highways (public works)	1,960,544	12.51%	2,053,364	12.62%
Sanitation	411,354	2.63%	402,527	2.47%
Social services	20,796	0.13%	18,629	0.11%
Health	86,924	0.55%	86,842	0.53%
Parks and recreation	326,265	2.08%	364,326	2.24%
Education	9,716,505	62.02%	10,117,932	62.18%
Other	452,002	2.89%	428,717	2.63%
Total Expenses	15,667,059	100.00%	16,272,350	100.00%
Change in Net Position	1,921,338		1,532,074	
Net Position, Beginning of Year	21,165,690		23,087,028	
Net Position, End of Year	\$ 23,087,028		\$ 24,619,102	

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

- The decrease in charges for services is due to decreases in the number of building permits, recycling fund revenue, which were offset by an increase in private duty police fees.
- The decrease in operating grants and contributions is due to the decrease in the Education Cost Sharing Grant.
- The decrease in capital grants and contributions is due to reimbursement from the Local Capital Improvement Grant for the new Town Garage in the prior year.
- 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 0.50 mills to 14.25 mills.
- The increase in unrestricted investment earnings is due to earnings on LOSAP assets, which were reclassified to the General Fund, in accordance with GASB guidelines.

**Town of Washington
Management's Discussion and Analysis
June 30, 2017**

- The increase in public safety expense is due to increased private duty policy activity and the transfer of the LOSAP program to the General Fund.
- The increase in highways (public works) is due to the increase in maintenance expense, related to the winter weather.
- The increase in expenditures includes \$401,427 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 \$9,454,491. This fund balance is classified as follows for the major funds: nonspendable prepayments of \$2,840, \$635,647 restricted for the LOSAP program, \$604,949 restricted for road improvements, \$2,713,413 committed for capital non-recurring expenditures, \$338,183 committed to land acquisition for open space, \$45,317 committed for revaluation, \$6,569 committed for conservation and development, \$190,494 committed for legal litigation, \$79,588 committed for health reimbursement benefits, and \$356,808 assigned for the subsequent year's budgeted deficit. The \$3,866,662 unassigned fund balance of the General Fund was available for spending at the Town's discretion. The nonmajor fund balances are classified as follows: \$66,457 nonspendable, \$22,228 restricted, \$420,718 committed, and \$104,618 assigned for recycling purposes. Information detailing the allocation of fund balance for nonmajor fund purposes is on pages 51 and 52.

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 30.95% of fiscal year 2017-2018 budgeted appropriations, while its unassigned fund balance represented 23.09% of that same amount.

The fund balance of the Capital Non-Recurring Fund increased \$464,967 during the fiscal year as revenue and appropriated transfers exceeded expenditures. The Town Aid Road Fund increased by \$8,571 by expending less than the fiscal year's grant allocation. The Land Acquisition Open Space Fund increased by \$590. The combined fund balances of all nonmajor funds decreased by \$6,782 during the fiscal year.

**Town of Washington
Management's Discussion and Analysis
June 30, 2017**

GENERAL FUND BUDGETARY HIGHLIGHTS

The final amended General Fund budget provided for \$726,465 use of fund balance to finance approved appropriations. However, actual revenues and transfer in were \$721,914 greater than budgetary projections, while expenditures and operating transfers were \$616,991 less than approved appropriations, resulting in an actual addition of fund balance of \$612,440 and a positive budgetary variance of \$1,338,905.

Additional appropriations to the original budget totaled \$267,016. All of the additional appropriations were comprised of continuing appropriations.

Transfers in include amounts returned to the General Fund of \$34,359 from the Non-recurring Capital Expenditure Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

	2016	2017
Land	\$ 1,141,215	\$ 1,141,215
Construction in Progress		
Mygatt Road Reconstruction	30,275	30,275
Bridge Reconstruction	362,398	629,336
Bryan Memorial Plaza	-	237,779
Storage Building	104,100	104,100
Land Improvements	55,884	50,705
Building & Improvements	4,837,463	4,670,796
Machinery & Equipment	1,803,059	1,491,101
Infrastructure	7,385,122	7,847,227
	<u>\$ 15,719,516</u>	<u>\$ 16,202,534</u>

During the fiscal year, the Town's net investment in capital assets increased by \$483,018. This increase results from current year additions over current year depreciation, as follows:

Additions:	
Work in Progress	\$ 504,717
Building Improvements	41,408
Machinery, equipment, and vehicles	113,188
Infrastructure: paving and other road improvements	893,051
Current Year Depreciation	(1,069,346)
Net Increase	<u>\$ 483,018</u>

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

**Town of Washington
Management's Discussion and Analysis
June 30, 2017**

Debt

The Town's long-term debt at June 30, 2017 consisted of its obligation of \$156,056 for earned but unused employee compensated absences, \$366,224 net pension liability, \$635,647 owed to LOSAP participants, and \$21,000 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, 2017, the Town's pro rata share (48.54%) was \$436,860.

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 57.

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 2017-2018 fiscal year, and those that will affect future budgets are as follows:

The Town's Mill rate for the 2017-2018 fiscal year has remained the same as the prior year, at 14.25 mills.

The \$16,748,534, 2017/2018 General Fund expenditure budget, which increased by \$72,432 from the prior fiscal year original budget, includes a \$315,998 decrease in the amount that the Town is assessed by Regional School District No. 12 along with the following changes:

- Cost of living increase
- Transfers to the Nonrecurring Capital Fund, net of grant reimbursement, increase of \$127,656.

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

At the end of the FY 2016/2017 fiscal year, the General Fund balance was at \$5,183,925. Of the General Fund balance, \$356,808 was assigned for the FY 2017/2018 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, 2017

	Governmental Activities
Assets	
Current assets	
Cash and cash equivalents	\$ 6,345,977
Investments	3,704,834
Property taxes receivable - net	180,288
Prepaid expenditures	2,840
Mortgage receivable	20,000
Total current assets	<u>10,253,939</u>
Noncurrent Assets	
Capital assets:	
Assets not being depreciated	2,142,705
Assets, net of depreciation of \$22,811,407	14,059,829
Total noncurrent assets	<u>16,202,534</u>
Total Assets	<u><u>26,456,473</u></u>
Deferred Outflows of Resources	
Difference between pension expected and actual experience	<u>46,866</u>
Liabilities	
Current Liabilities	
Accounts payable	132,390
Performance bonds held	165,790
Overpaid property taxes	1,257
Grant payable	359,725
Long-term liabilities due within one year	3,000
Total current liabilities	<u>662,162</u>
Noncurrent Liabilities	
Due in more than one year	<u>1,175,927</u>
Total Liabilities	<u><u>1,838,089</u></u>
Deferred Inflows of Resources	
Difference between projected and actual earnings on pension plan investments	<u>46,148</u>
Net Position	
Net investment in capital assets	16,202,534
Restricted for:	
Cemetery perpetual care principal - nonexpendable	66,457
Road improvements	604,949
Senior Center	6,669
Community beautification	3,317
Document preservation	9,614
Unrestricted	7,725,562
Total Net Position	<u><u>\$ 24,619,102</u></u>

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

Town of Washington
Statement of Activities
Year Ended June 30, 2017

Statement of Activities		Program Revenues			Total
Year Ended June 30, 2017					Net (Expense)
Functions/Programs	Expenses	Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
Governmental Activities:					
General government	\$ 1,852,865	\$ 657,132	\$ 4,000	\$ ---	\$ (1,191,733)
Public safety	947,148	150,909	---	---	(796,239)
Highways (public works)	2,053,364	---	---	495,515	(1,557,849)
Sanitation	402,527	8,199	---	---	(394,328)
Social services	18,629	6,170	---	---	(12,459)
Health	86,842	---	---	---	(86,842)
Parks and recreation	364,326	86,583	---	---	(277,743)
Education	10,117,932	---	50,646	---	(10,067,286)
Other	428,717	32,691	---	---	(396,026)
Total governmental activities	\$ 16,272,350	\$ 941,684	\$ 54,646	\$ 495,515	(14,780,505)

General revenues:

Property taxes, interest and lien fees	15,986,219
Grants and contributions not restricted to specific programs	173,289
Investment earnings	103,799
Lease income and other miscellaneous	49,272
Total general revenues	16,312,579

Change in net position 1,532,074

Net position - July 1, 2016	23,087,028
Net position - June 30, 2017	\$ 24,619,102

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

Town of Washington
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds					
	Special		Capital Project Funds			
	Revenue Fund			Land	Other	Total
	General Fund	Town Aid Road Fund	Capital Non-Recurring	Acquisition Open Space	Governmental Funds	Governmental Funds
Assets:						
Cash and cash equivalents	\$ 3,675,294	\$ 604,949	\$ 1,819,074	\$ 29,854	\$ 216,806	\$ 6,345,977
Investments - at fair value	1,739,681	-	1,279,609	308,329	377,215	3,704,834
Property tax receivable, net	187,288	-	-	-	-	187,288
Mortgage receivable	-	-	-	-	20,000	20,000
Prepaid expenditures	2,840	-	-	-	-	2,840
Total Assets	\$ 5,605,103	\$ 604,949	\$ 3,098,683	\$ 338,183	\$ 614,021	\$ 10,260,939
Liabilities:						
Accounts payable	\$ 106,845	\$ -	\$ 25,545	\$ -	\$ -	\$ 132,390
Performance bonds payable	165,790	-	-	-	-	165,790
Overpaid property taxes	1,257	-	-	-	-	1,257
Unearned revenue	-	-	359,725	-	-	359,725
Total Liabilities	273,892	-	385,270	-	-	659,162
Deferred Inflows of Resources:						
Unavailable revenue - property tax	147,286	-	-	-	-	147,286
Fund Balances:						
Nonspendable:						
Prepayments	2,840	-	-	-	-	2,840
Perpetual Care Principal	-	-	-	-	66,457	66,457
Restricted for:						
Volunteer Firefighter & EMT Service Program	635,647	-	-	-	-	635,647
Road improvements	-	604,949	-	-	-	604,949
Senior Center	-	-	-	-	6,669	6,669
Community beautification	-	-	-	-	3,317	3,317
Document preservation	-	-	-	-	9,614	9,614
After school programs	-	-	-	-	2,628	2,628
Committed to:						
Parks and recreation	-	-	-	-	90,360	90,360
Cemetery operation	-	-	-	-	14,762	14,762
Capital non-recurring expenditures	-	-	2,713,413	-	-	2,713,413
Land acquisition for open space	-	-	-	338,183	-	338,183
Affordable housing	-	-	-	-	215,596	215,596
Down payment assistance program	-	-	-	-	100,000	100,000
Revaluation	45,317	-	-	-	-	45,317
Conservation and Development Plan	6,569	-	-	-	-	6,569
Legal litigation	190,494	-	-	-	-	190,494
Health reimbursement benefits	79,588	-	-	-	-	79,588
Assigned for:						
Recycling	-	-	-	-	104,618	104,618
Subsequent year budgeted deficit	356,808	-	-	-	-	356,808
Unassigned	3,866,662	-	-	-	-	3,866,662
Total Fund Balances	5,183,925	604,949	2,713,413	338,183	614,021	9,454,491
Total Liabilities, Deferred Inflows of Resources and Fund Balances						
	\$ 5,605,103	\$ 604,949	\$ 3,098,683	\$ 338,183	\$ 614,021	\$ 10,260,939

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, 2017

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 **\$ 9,454,491**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 39,013,941	
Less accumulated depreciation	<u>(22,811,407)</u>	16,202,534

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	\$ 147,286	
Allowance for doubtful accounts	(7,000)	
Deferred outflows related to the net difference between projected and actual earnings on pension plan investments	<u>46,866</u>	187,152

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	\$ (156,056)	
Postclosure landfill costs	(21,000)	
Net pension liability	(366,224)	
Deferred inflows related to the differences between pension expected and actual experiences	(46,148)	
Length of Service Award Plans liability	<u>(635,647)</u>	(1,225,075)

Total Net Position of Governmental Activities **\$ 24,619,102**

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, 2017

	Major Funds					
	General Fund	Special	Capital Project Funds		Other Governmental Funds	Total Governmental Funds
		Revenue Fund	Capital Non-Recurring	Land Acquisition		
		Town Aid Road Fund		Open Space		
Revenues:						
Property taxes	\$ 15,912,273	\$ -	\$ -	\$ -	\$ -	\$ 15,912,273
Interest and lien fees on property taxes	106,268	-	-	-	-	106,268
Intergovernmental	119,733	329,965	169,550	-	-	619,248
Contribution in lieu of taxes	104,202	-	-	-	-	104,202
Investment income	67,702	3,606	26,611	2,090	3,790	103,799
Lease income	49,272	-	-	-	-	49,272
Licenses and permits	770,742	-	-	-	-	770,742
Program fees and other receipts	35,165	-	-	-	135,777	170,942
Total Revenues	17,165,357	333,571	196,161	2,090	139,567	17,836,746
Expenditures:						
Current:						
General government	1,763,405	-	-	1,500	1,386	1,766,291
Public safety	734,343	-	-	-	-	734,343
Highways	1,093,296	-	-	-	-	1,093,296
Sanitation	405,995	-	-	-	214	406,209
Health	83,925	-	-	-	-	83,925
Recreation	188,795	-	-	-	132,028	320,823
Social services	10,430	-	-	-	8,199	18,629
Education	10,117,932	-	-	-	-	10,117,932
Other	420,696	-	-	-	16,522	437,218
Capital outlay	-	325,000	1,415,101	-	-	1,740,101
Total Expenditures	14,818,817	325,000	1,415,101	1,500	158,349	16,718,767
Excess (Deficiency) of Revenues Over Expenditures	2,346,540	8,571	(1,218,940)	590	(18,782)	1,117,979
Other Financing Sources (Uses):						
Operating transfers in (out)	(1,695,907)	-	1,683,907	-	12,000	-
Total Other Financing Sources (Uses)	(1,695,907)	-	1,683,907	-	12,000	-
Net Change in Fund Balances	650,633	8,571	464,967	590	(6,782)	1,117,979
Fund Balances:						
Beginning of Year, as restated	4,533,292	596,378	2,248,446	337,593	620,803	8,336,512
End of Year	\$ 5,183,925	\$ 604,949	\$ 2,713,413	\$ 338,183	\$ 614,021	\$ 9,454,491

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, 2017**

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

Net Change in Fund Balances-Total Governmental Funds **\$ 1,117,979**

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	\$ 1,552,364	
Less current year depreciation	<u>(1,069,346)</u>	
		483,018

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	\$ (32,322)	
Change in deferred outflows related the net difference between projected and actual earnings on pension plan investments	(195,143)	
Change in deferred inflows related to the differences between pension expected and actual experiences	<u>60,596</u>	
		(166,869)

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	\$ (9,909)	
Change in postclosure landfill costs	3,000	
Change in Length of Service Award Plan liability	(38,193)	
Change net pension liability	<u>143,048</u>	
		97,946

Change in Net Position of Governmental Activities **\$ 1,532,074**

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

Town of Washington
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Pension Trust Funds	Prevention of Alcohol and Drug Abuse Agency Fund
Assets:		
Cash and cash equivalents	\$ 69,227	\$ 11,248
Accrued interest	3,194	-
Investments - at fair value	<u>3,387,347</u>	<u>-</u>
Total Assets	3,459,768	11,248
Liabilities:		
Due to beneficiaries	<u>-</u>	<u>11,248</u>
Net Position		
Held in trust for pension benefits	<u>3,459,768</u>	<u>-</u>
Total Net Position	\$ <u>3,459,768</u>	\$ <u>-</u>

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

Town of Washington
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2017

	Pension Trust Funds
Additions:	
Town contributions	\$ 146,829
Investment income:	
Net appreciation (depreciation) in fair values of investments	300,858
Interest and dividends	80,834
Gross investment income	<u>381,692</u>
Less: investment expense	17,531
Net investment income	<u>364,161</u>
Total additions	510,990
Deductions:	
Pension benefits	<u>152,722</u>
Net Increase - Change in Net Position	358,268
Net Position - Beginning of year	<u>3,101,500</u>
Net Position - End of year	<u><u>\$ 3,459,768</u></u>

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

Town of Washington
Notes to 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 the Government Accounting Standards Board Codification have 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 \$13,854 and expended \$10,193 for the operation of the Lake Authority for the year ended June 30, 2017.

Town of Washington
Notes to Financial Statements

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 \$12,300 and expended \$12,290 for the operation of the Commission for the year ended June 30, 2017.

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 “NHCOC”) to provide a regional forum for information exchange and regional planning. The NHCOC is supported by assessments to the twenty-one member Towns based upon population census. The Town of Washington appropriated and expended \$2,790 for the operation of the NHCOC for the year ended June 30, 2017.

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 eight 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.

Town of Washington
Notes to Financial 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. Therefore, governmental fund financial statements 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.

Town of Washington
Notes to Financial Statements

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.

After School Fund - accounts for tuition restricted for after school activity expenditures.

Town of Washington
Notes to Financial Statements

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.

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.

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. Volunteer Firefighter and EMT Service Program investments are restricted for the Length of Service Award Plan, and as such, are reported as restricted fund balance in the General Fund.

Town of Washington
Notes to Financial Statements

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, 2017, 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:

<u>Assets</u>	<u>Years</u>
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.

Town of Washington
Notes to Financial Statements

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 an unused State of Connecticut, Small Town Economic Assistance Program (STEAP) grant 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.

Town of Washington
Notes to Financial Statements

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.

Town of Washington
Notes to Financial Statements

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 \$267,016.

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.

Town of Washington
Notes to Financial Statements

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, 2017:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand Accounts	\$ 628,511	\$ 80,475
Certificates of Deposit	<u>4,092,121</u>	<u>---</u>
Total Deposits	4,720,632	80,475
 Petty Cash and Cash on Hand	 42,167	 ---
Cash Equivalents:		
Repurchase agreements	4,654,228	---
State short-term investment fund (STIF)	<u>1,175</u>	<u>---</u>
	9,418,202	80,475
Less: Certificates of Deposits classified as investments	<u>3,072,225</u>	<u>---</u>
Total Cash and Cash Equivalents	<u>\$ 6,345,977</u>	<u>\$ 80,475</u>

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, 2017, the carrying amount of the Town's deposits, including certificates of deposits of \$3,072,225 classified as investments, was \$9,498,677 and the bank balance was \$9,829,434. Of the Town's bank balance \$3,938,449 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,544,604
Uninsured and collateralized held by pledging	
Bank's trust department not in the town's name	<u>393,845</u>
Total amount subject to custodial credit risk	<u>\$ 3,938,449</u>

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, 2017, the Town's cash equivalents amounted to \$4,655,403. 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.

State of Connecticut Short-Term Investment Fund (STIF)	<u>Standard and Poor's</u> 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.

Town of Washington
Notes to Financial Statements

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

D. Investments

At June 30, 2017, the Town's investments consisted of the following:

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Primary Government			
Certificate of deposit	\$ 1,027,765	*	5/04/2019
Certificate of deposit	606,881	*	5/06/2018
Certificate of deposit	308,329	*	5/04/2019
Certificate of deposit	265,005	*	2/26/2020
Certificate of deposit	259,713	*	10/02/2018
Certificate of deposit	165,651	*	6/19/2019
Certificate of deposit	146,004	*	12/17/2017
Certificate of deposit	141,596	*	3/22/2018
Certificate of deposit	61,666	*	5/04/2019
Certificate of deposit	39,000	*	4/14/2019
Certificate of deposit	26,222	*	10/09/2017
Certificate of deposit	21,863	*	3/08/2018
Certificate of deposit	2,530	*	1/10/2019
Common Stock	41,505	N/A	N/A
Mutual Fund	591,104	N/A	N/A
Total Primary Government	<u>\$ 3,704,834</u>		

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

The common stock and mutual fund investments included in the General Fund are restricted for the Volunteer Firefighter and EMT Service Incentive Program Plan.

<u>Types of Investments</u>	<u>Fair Value</u>	<u>Average Credit Rating</u>	<u>Investment Maturity</u>
Fiduciary Funds			
Corporate bonds	\$ 208,176	Detailed below	Detailed below
Common stock	192,515	N/A	N/A
Preferred stock	19,585	N/A	N/A
Municipal bond	25,132	Not rated	1/01/2018
Exchange traded & Closed End Funds	195,036	N/A	N/A
Mutual funds	2,746,903	N/A	N/A
Total Fiduciary Funds	<u>\$ 3,387,347</u>		

- 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.

Town of Washington
Notes to Financial Statements

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

D. Investments (continued)

Corporate Bonds:	<u>BAA1</u>	<u>A3</u>	<u>AA2</u>	<u>A1</u>	<u>A2</u>	<u>Total</u>
Average Credit Rating	\$ 26,500	\$ 24,412	\$ 53,828	\$ 51,089	\$ 52,347	\$ 208,176
Investment Maturity	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>			<u>Total</u>
	\$ 208,176	\$ ---	\$ ---			\$ 208,176

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, 2017 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, 2017.

Investments by Fair Value Level	Fair Value Measurements Using		Total
	Quoted Prices in	Significant Other	
	Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	
	\$	\$	
Certificate of Deposit	-	3,072,225	\$ 3,072,225
Corporate Bonds	-	208,176	208,176
Common Stock	234,020	-	234,020
Preferred Stock	19,585	-	19,585
Municipal Bonds	-	25,132	25,132
Exchange Traded & Closed End Funds	-	195,036	195,036
Mutual Funds	3,338,007	-	3,338,007
Total Investments by Fair Value Level	\$ 3,591,612	\$ 3,500,569	\$ 7,092,181

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.

Town of Washington
Notes to Financial Statements

Note "4" – Property Taxes Receivable:

Property taxes receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows:

<u>Receivables:</u>	
Property taxes	\$ 155,093
Accrued interest and lien fees on taxes	<u>32,195</u>
Gross receivables	187,288
Less: Allowance for uncollectibles	<u>7,000</u>
<u>Net Receivables</u>	<u>\$ 180,288</u>

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

	<u>Transfers From Other Funds</u>	<u>Transfers To Other Funds</u>	<u>Net Transfers</u>
Major Governmental Funds:			
General Fund	\$ 34,359	\$ 1,730,266	\$ (1,695,907)
Capital Non-Recurring	1,718,266	34,359	1,683,907
Nonmajor Governmental Funds:			
Judea Cemetery Fund	<u>12,000</u>	<u>---</u>	<u>12,000</u>
Total	<u>\$ 1,764,625</u>	<u>\$ 1,764,625</u>	<u>\$ ---</u>

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, 2017, the following individual funds had operating deficiencies and/or fund deficits, none of which constitutes a violation of statutory provisions.

	<u>Operating Deficiency</u>	<u>Fund Deficit</u>
Non-major Funds		
Park and Recreation Fund	\$ 19,512	\$ ---
Senior Center Fund	\$ 2,021	\$ ---
Greenway Committee Fund	\$ 969	\$ ---

Town of Washington
Notes to Financial Statements

Note "7" - Capital Assets:

Capital asset activity for the year ended June 30, 2017 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Reclass and Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital Assets - Not Depreciated:				
Land	\$ 1,141,215	\$ ---	\$ ---	\$ 1,141,215
Mygatt Road - Reconstruction (WIP)	30,275	---	---	30,275
Bridge Reconstruction (WIP)	362,398	266,938	---	629,336
Bryan Memorial Plaza	---	237,779	---	237,779
Storage Building (WIP)	104,100	---	---	104,100
Total Capital Assets Not Depreciated	1,637,988	504,717	---	2,142,705
Capital Assets - Depreciated:				
Land Improvements	532,685	---	---	532,685
Building & Improvements	6,873,657	41,408	---	6,915,065
Machinery & Equipment	5,502,374	113,188	---	5,615,562
Infrastructure	22,914,873	893,051	---	23,807,924
Total Capital Assets Being Depreciated	35,823,589	1,047,647	---	36,871,236
Less: Accumulated Depreciation				
Land Improvements	476,801	5,179	---	481,980
Building & Improvements	2,036,194	208,075	---	2,244,269
Machinery & Equipment	3,699,315	425,146	---	4,124,461
Infrastructure	15,529,751	430,946	---	15,960,697
Total Accumulated Depreciation	21,742,061	1,069,346	---	22,811,407
Capital Assets Being Depreciated - Net	14,081,528	(21,699)	---	14,059,829
Capital Assets - Net	\$15,719,516	\$ 483,018	\$ ---	\$16,202,534
<u>Depreciation is charged to the following Governmental Activities:</u>				
General government services				\$ 82,161
Public safety				174,625
Public works				766,414
Health & Welfare				2,917
Parks and recreation				43,229
Total depreciation expense				\$ 1,069,346

Town of Washington
Notes to Financial Statements

Note "8" - Long-Term Debt:

The following is a summary of activity for the year ended June 30, 2017. The General Fund has historically been used to liquidate the following Long-Term Debt:

	<u>Balance</u> <u>July 1,</u> <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2017</u>	<u>Due Within</u> <u>One Year</u>
<u>Compensated Absences</u>					
Various vested employee benefits as explained in Note "1", summary of significant accounting policies	\$ 146,147	\$ 21,512	\$ 11,603	\$ 156,056	\$ ---
<u>Total Pension Liability</u>	509,272	359,487	502,535	366,224	---
<u>Length of Service Award Plan</u>					
Beginning balance, restated to follow GASB guideline	597,454	38,193	---	635,647	---
<u>Landfill - Transfer Station Closure and PostClosure Care Costs</u>					
Liability for closure and postclosure care costs of the Town of Washington's Landfill, as explained in Notes	24,000	---	3,000	21,000	3,000
<u>Total</u>	<u>\$ 1,276,873</u>	<u>\$ 419,192</u>	<u>\$ 517,138</u>	<u>\$ 1,178,927</u>	<u>\$ 3,000</u>

Note "9" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 12 serial bonds payable through June 1, 2017 and the bank term loan of \$900,000 due August 15, 2018. The amount (48.54%) attributable to the Town is \$436,860. 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 \$6,829. As of June 30, 2017 the plan had two participants.

Town of Washington
Notes to Financial Statements

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, 2016, the latest actuarial valuation date, PERS membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	13
Active plan members	<u>19</u>
Total	<u>50</u>

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:

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

Town of Washington
Notes to Financial Statements

Note “10” - Pension Plans (continued)

E. Defined Benefit Pension Plans (continued)

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.

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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equities	70%
Fixed Income	30%
Total	<u>100%</u>

Town of Washington
Notes to Financial Statements

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plans (continued)

Investments (continued)

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

Vanguard Ftse All World	\$ 216,379	6.30%
Vanguard High Dividend Yield	\$ 382,359	11.13%
Vanguard Short Term CP Admiral Shares	\$ 436,542	12.71%
Vanguard 500 Index Fund	\$ 1,175,129	34.21%

Rate of Return: The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.61%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability at June 30, 2017 were as follows:

Total pension liability	\$ 3,801,066
Plan fiduciary net position	<u>3,434,842</u>
Net pension liability	<u>\$ 366,224</u>

Plan fiduciary net position as percentage of the total pension liability 90.37%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2016, using the following actuarial assumptions, applied to all periods included in the June 30, 2017 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%.

Town of Washington
Notes to Financial Statements

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plans (continued)

Actuarial Assumptions (continued)

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, 2017 are summarized below.

<u>Assets Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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.

Net Pension Liability of the Town

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2016	\$ 3,594,301	\$ 3,085,029	\$ 509,272
Changes for the Year:			
Service cost	91,439	---	91,439
Interest on total pension liability	201,809	---	201,809
Differences between expected and actual			
Experience	66,239	---	66,239
Employer contributions	---	140,000	(140,000)
Net investment income	---	362,535	(362,535)
Benefit payments	(152,722)	(152,722)	---
Net changes	<u>206,765</u>	<u>349,813</u>	<u>(143,048)</u>
Balances as of June 30, 2017	\$ <u>3,801,066</u>	\$ <u>3,434,842</u>	\$ <u>366,224</u>

Town of Washington
Notes to Financial Statements

Note "10" - Pension Plans (continued)

B. Defined Benefit Pension Plans (continued)

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.

	<u>1% Decrease</u> <u>to 4.50%</u>	<u>Current Discount Rate</u> <u>of 5.50%</u>	<u>1% Increase</u> <u>To 6.50%</u>
Net Pension Liability	\$ 759,166	\$ 366,224	\$ 27,865

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

For the year ended June 30, 2017, the Town recognized pension expense of \$131,499. At June 30, 2017, the Town reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Inflows</u> <u>of Resources</u>	<u>Deferred Outflows</u> <u>of Resources</u>
Differences between expected and actual experiences	\$ ---	\$ 46,866
Net difference between projected and actual earning on pension plan investments	46,148	---
Total	\$ <u>46,148</u>	\$ <u>46,866</u>

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,

2018	\$ 10,051
2019	10,050
2020	(11,171)
2021	(32,503)
2022	5,644
Thereafter	<u>18,647</u>
	\$ <u>718</u>

Town of Washington
Notes to Financial Statements

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 2016-2017 for the Firefighters and EMT were \$12,000 and \$12,500, 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 fund financial statements recognize benefit payments as expenditures within the General Fund at the time they are due and payable. Volunteer Firefighter and EMT contributions represent the reclassification of unrestricted General Fund assets to the programs' grantor/rabbi trust restricted investments.

The programs' account established to hold assets are not legally protected from the Town's creditors. Authority to invest the Programs' assets is vested in the Town in accordance with a statutory prudent person rule. The Town accounts for the Program's assets as restricted investments in the General Fund. See the fair value measurement disclosures on the Program's assets. Accordingly, as of June 30, 2017, the Town's Volunteer Firefighter and EMT Service Incentive Program plans are included in the General Fund, and are no longer a Fiduciary Fund.

The beginning of the year fund balance on the General Fund financial statements increased by \$597,454, from \$3,935,838 to \$4,533,292. This balance is restated to recognize the Volunteer Firefighter and EMT Service Incentive Program Plans in the General Fund, in compliance with new GASB guidelines.

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 \$21,000 reported as landfill closure and postclosure care liability, represents the cumulative amount of postclosure care cost as of June 30, 2017. 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.

Town of Washington
Notes to Financial Statements

Note "13" - Commitments and Litigation (continued)

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 <u>July 1</u>	Current Year Claims and Changes in <u>Estimates</u>	Claims Paid <u>Paid</u>	Claims Payable <u>June 30</u>
2016-2017	\$ <u>13,403</u>	\$ <u>97,757</u>	\$ <u>97,038</u>	\$ <u>14,122</u>

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.

Town of Washington
Notes to Financial Statements

Note "15" - Implementation of Future GASB Pronouncements

The GASB has issued pronouncements that have an effective date that may impact the June 30, 2018 financial statements. Management has not currently determined what, if any, impact implementation of the following pronouncements may have on the financial statements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 82, *Pension Issues - An Amendment of GASB Statement No. 67, 68 and 73*

Statement No. 83, *Certain Asset Retirement Obligations*

Statement No. 84, *Fiduciary Activities*

Statement No. 87, *Leases*

Note "16" - Prior Period Adjustments and Restatements

As of July 1, 2016, the Town implemented GASB No. 73, *Accounting and Financial Reporting for Pension and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* relating to its Volunteer Firefighter and EMT Program Service Incentive (LOSAP). Prior to the adoption of GASB 73, the Town reported assets accumulated for LOSAP benefit plans in a Trust and Agency Fund. In accordance to the Town Ordinance, LOSAP assets are held in a grantor/rabbi trust, which are not protected from the Town's creditors. GASB 73 requires assets in such trust arrangements to be reported as assets of the sponsoring municipality. As a result of adopting GASB 73 the following restatement was made to the beginning fund balance.

General Fund, Fund Financial Statements

Fund balance at June 30, 2016, as originally reported	\$ 3,935,838
Accumulated Volunteer Firefighter & EMT Service Program activity as of June 30, 2016	<u>597,454</u>
Fund balance at June 30, 2016, as restated	<u>\$ 4,533,292</u>

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, 2017

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
Revenue			
Property taxes	\$ 15,518,716	\$ 15,887,523	\$ 368,807
Interest and lien fees on property taxes	75,000	106,268	31,268
State of Connecticut - Grants:			
Judicial fines	-	1,335	1,335
Mashantuck Pequot/Mohegan fund	8,741	8,741	-
State - real property tax	6,117	25,979	19,862
Totally disabled	158	123	(35)
Municipal revenue sharing	25,496	25,496	-
Educational cost sharing grant	98,425	50,646	(47,779)
Veterans exemption		1,255	1,255
Other state and federal grants	-	6,158	6,158
Telephone access tax	24,000	24,750	750
Refund from Regional School District 12	-	76,959	76,959
Contributions in lieu of taxes	69,000	104,202	35,202
Investment income	14,000	42,535	28,535
Lease income	46,920	49,272	2,352
Other fees and receipts:			
Building inspection - net of expenditures	52,000	244,032	192,032
Building inspection - Excess revenue over budget offsets expenditures	-	(192,032)	(192,032)
Selectman licenses, fees and permits	73,080	105,594	32,514
Private duty police	30,000	150,909	120,909
Private duty police - Excess revenue over budget offsets expenditures	-	(120,909)	(120,909)
Town Clerk's fees including conveyance taxes	170,000	270,207	100,207
Other receipts	5,000	35,165	30,165
Total Revenue	<u>16,216,653</u>	<u>16,904,208</u>	<u>687,555</u>
Other Financing Sources - Operating Transfers In:			
Non-recurring Capital Expenditure Fund	<u>-</u>	<u>34,359</u>	<u>34,359</u>
Total Revenues and Other Financing Sources	<u>\$ 16,216,653</u>	<u>\$ 16,938,567</u>	<u>\$ 721,914</u>

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, 2017

	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Expenditures:					
General Government					
Selectmen	\$ 154,195	\$ -	\$ 154,195	\$ 156,812	\$ 2,617
Assessor	85,562	-	85,562	83,283	(2,279)
Tax Collector	71,540	-	71,540	68,318	(3,222)
Town Clerk	75,968	-	75,968	64,840	(11,128)
Town Treasurer	14,904	-	14,904	14,744	(160)
Building Department	9,125	-	9,125	187,221	178,096
Building Department - Excess revenue over budget	-	-	-	(192,032)	(192,032)
Probate Court	5,661	-	5,661	5,661	-
Elections	34,164	-	34,164	31,778	(2,386)
Auditor	26,500	-	26,500	25,700	(800)
Board of Assessment Appeals	2,350	-	2,350	108	(2,242)
Planning Commission	34,222	-	34,222	27,007	(7,215)
Zoning Commission	57,123	-	57,123	59,528	2,405
Zoning Board of Appeals	8,763	-	8,763	9,971	1,208
Inland Wetlands	85,417	-	85,417	74,531	(10,886)
Historic District Commission	9,451	-	9,451	5,840	(3,611)
Conservation Commission	6,774	-	6,774	5,666	(1,108)
Housing Commission	849	-	849	303	(546)
Operation of Town Hall	99,896	-	99,896	95,208	(4,688)
Town Garage / Salt Building	34,750	-	34,750	26,392	(8,358)
Surety Bonds and Insurance	185,172	-	185,172	173,897	(11,275)
Accident & Health Insurance and committed reimbursable costs	347,450	-	347,450	359,876	12,426
Office Expense	42,350	-	42,350	38,692	(3,658)
Payroll Taxes	126,956	-	126,956	118,796	(8,160)
Board of Finance	34,971	-	34,971	34,021	(950)
Economic Develop Coordinator	55,000	-	55,000	54,808	(192)
Total General Government	1,609,113	-	1,609,113	1,530,969	(78,144)
Public Safety					
Fire Marshal	56,584	-	56,584	47,936	(8,648)
Fire Department	194,950	-	194,950	170,324	(24,626)
Police	345,285	-	345,285	431,369	86,084
Private duty police - Excess revenue over budget	-	-	-	(120,909)	(120,909)
Emergency Management	66,222	-	66,222	62,448	(3,774)
Open Burning Official	599	-	599	599	-
Lake Waramaug Authority	13,854	-	13,854	10,193	(3,661)
EMT & Firefighter Awards	12,500	-	12,500	24,500	12,000
Total Public Safety	689,994	-	689,994	626,460	(63,534)

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, 2017

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Highways					
General Maintenance	683,508	-	683,508	563,969	(119,539)
Winter Maintenance	444,001	-	444,001	497,064	53,063
Street Lighting	33,000	-	33,000	32,263	(737)
Total Highways	1,160,509	-	1,160,509	1,093,296	(67,213)
Sanitation					
Transfer Station	298,539	-	298,539	267,557	(30,982)
Recycling	141,900	-	141,900	138,438	(3,462)
Total Sanitation	440,439	-	440,439	405,995	(34,444)
Conservation of Health					
Paramedic Service	31,475	-	31,475	31,475	-
Health Department	41,110	-	41,110	39,928	(1,182)
Visiting Nurses Associations	26,000	-	26,000	12,522	(13,478)
Hepatitis B Vaccinations	100	-	100	-	(100)
Total Conservation of Health	98,685	-	98,685	83,925	(14,760)
Recreation					
Parks and Recreation	144,910	-	144,910	128,150	(16,760)
Senior Center / Veterans Hall	65,573	-	65,573	57,145	(8,428)
After School Arts Program	3,500	-	3,500	3,500	-
Total Recreation	213,983	-	213,983	188,795	(25,188)
Social Services	13,332	-	13,332	10,430	(2,902)
Other Expenditures					
Gunn Memorial Library	167,000	-	167,000	167,000	-
Pension Expense	155,783	-	155,783	150,950	(4,833)
Council on Governments	2,790	-	2,790	2,790	-
Interlocal Advisory Board	12,300	-	12,300	12,290	(10)
Annual Repairs	45,000	-	45,000	47,544	2,544
New Preston Cemetery	3,000	-	3,000	3,000	-
Animal Control	36,017	-	36,017	31,672	(4,345)
Newsletter and Website	9,000	-	9,000	5,450	(3,550)
Propane Incident					
Stage Renovations	-	-	-	1,356	1,356
Total Other Expenditures	430,890	-	430,890	422,052	(8,838)
Education	10,194,891	-	10,194,891	10,194,891	-

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, 2017

Expenditures (continued):	Original Budget	Continuing and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
Continuing Appropriations					
Revaluation	54,000	13,400	67,400	22,083	(45,317)
Conservation and Development	-	6,569	6,569	-	(6,569)
Legal litigation	40,000	167,459	207,459	16,965	(190,494)
Health reimbursement benefit	-	79,588	79,588	-	(79,588)
Total Continuing appropriations	<u>94,000</u>	<u>267,016</u>	<u>361,016</u>	<u>39,048</u>	<u>(321,968)</u>
Total Expenditures	<u>14,945,836</u>	<u>267,016</u>	<u>15,212,852</u>	<u>14,595,861</u>	<u>(616,991)</u>
Other Financing Uses - Operating Transfers Out					
Judea Cemetery	12,000	-	12,000	12,000	-
Non-recurring Capital Exp. Fund	<u>1,718,266</u>	<u>-</u>	<u>1,718,266</u>	<u>1,718,266</u>	<u>-</u>
Total transfers out	<u>1,730,266</u>	<u>-</u>	<u>1,730,266</u>	<u>1,730,266</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>16,676,102</u>	<u>267,016</u>	<u>16,943,118</u>	<u>16,326,127</u>	<u>(616,991)</u>
Excess (deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(459,449)	(267,016)	(726,465)	612,440	1,338,905
Fund Balance at beginning of year	<u>459,449</u>	<u>267,016</u>	<u>726,465</u>	<u>3,935,838</u>	<u>3,209,373</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,548,278</u>	<u>\$ 4,548,278</u>

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, 2017

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 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.

GASB requires that the Volunteer Firefighter & EMT Service Program, also known as, Length of Service Award Plan (LOSAP) be accounted for in the General Fund. For budgeting purposes, the Town recognizes LOSAP contributions as expenditures. Under GAAP, LOSAP contributions do not meet the definition of expenditures, but rather restricted funds to the LOSAP participants. Additionally, the Town does not budget for LOSAP investment activity. GAAP requires the investment activity income to be recorded as revenue and benefit payments and investment fees be recorded as expenditures.

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, 2017

The difference between GAAP and the budgetary basis is as follows:

	General Fund		
	<u>Total Revenues and Other Financing Sources</u>	<u>Total Expenditures and Transfers/ Other Financing Uses</u>	<u>Fund Balance</u>
Actual - Non-GAAP Budgetary Basis Statement - June 30, 2017	\$ 16,938,567	\$ 16,326,127	\$ 4,548,278
Prior Year Refund from RSD #12 Offsets Expenditures	(76,959)	(76,959)	-
To Gross up Revenue and Expenditures:			
Building Department	192,032	192,032	-
Private Duty Police	120,909	120,909	-
To Offset Operating Transfers In (Out)	(34,359)	(34,359)	
LOSAP activity:			
Accumulated LOSAP activity prior to 6/30/2016	-	-	597,454
LOSAP contributions	-	(24,500)	24,500
LOSAP pension benefits	-	8,175	(8,175)
LOSAP investment income and fees	25,167	3,299	21,868
Actual GAAP - June 30, 2017	\$ <u>17,165,357</u>	\$ <u>16,514,724</u>	\$ <u>5,183,925</u>

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

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 91,439	\$ 94,845	\$ 102,325	\$ 98,203
Interest	201,809	190,974	184,048	176,212
Difference between expected and actual experience	66,239	(8,445)	(7,780)	-
Benefit payments, including refunds of member contributions	(152,722)	(150,434)	(137,463)	(117,455)
Net change in total pension liability	206,765	126,940	141,130	156,960
Total pension liability - beginning	3,594,301	3,467,361	3,326,231	3,169,271
Total pension liability - ending	3,801,066	3,594,301	3,467,361	3,326,231
Plan fiduciary net position				
Contributions - employer	140,000	140,000	159,275	172,775
Net investment income	362,535	59,616	60,532	336,327
Benefit payments, including refunds of member contributions	(152,722)	(150,434)	(137,463)	(117,455)
Net change in plan fiduciary net position	349,813	49,182	82,344	391,647
Plan fiduciary net position - beginning	3,085,029	3,035,847	2,953,503	2,561,856
Plan fiduciary net position - ending	3,434,842	3,085,029	3,035,847	2,953,503
Net Pension Liability - Ending	\$ 366,224	\$ 509,272	\$ 431,514	\$ 372,728
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	90.37%	85.83%	87.55%	88.79%
Covered Employee Payroll	\$ 880,632	\$ 915,138	\$ 965,273	\$ 924,764
Net Pension Liability as a percentage of covered employee payroll	41.59%	55.65%	44.70%	40.31%

Town of Washington
Schedule of Employer Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 149,687	\$ 128,579	\$ 135,255	\$ 151,353	\$ 172,775	\$ 155,330	\$ 164,697	\$ 144,849	\$ 130,743	\$ 124,624
Contributions in relation to the actuarially determined contribution	140,000	140,000	159,275	172,775	172,775	160,179	165,000	140,000	130,743	124,624
Contribution Deficiency (Excess)	\$ 9,687	\$ (11,421)	\$ (24,020)	\$ (21,422)	\$ -	\$ (4,849)	\$ (303)	\$ 4,849	\$ -	\$ -
Covered employee payroll	\$ 880,632	\$ 915,138	\$ 965,273	\$ 924,764	\$ 975,124	\$ 959,248	\$ 981,076	\$ 872,321	\$ 901,743	\$ 762,608
Contributions as a percentage of covered employee payroll	15.90%	15.30%	16.50%	18.68%	17.72%	16.70%	16.82%	16.05%	14.50%	16.34%

Notes to Schedule

Valuation date:

January 1, 2016

June 30, 2017

Measurement date: 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 Four Fiscal Years

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	11.61%	1.97%	2.00%	12.64%

Town of Washington
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue Funds							Capital	
								Project Fund	
	Judea Cemetery	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	After School Fund	Affordable Housing Fund	Total
Assets:									
Cash and cash equivalents	\$ 15,997	\$ 68,497	\$ 4,139	\$ 3,317	\$ 9,614	\$ 104,618	\$ 2,628	\$ 7,996	\$ 216,806
Investment - at market	65,222	21,863	2,530	-	-	-	-	287,600	377,215
Mortgage receivable	-	-	-	-	-	-	-	20,000	20,000
Total Assets	<u>\$ 81,219</u>	<u>\$ 90,360</u>	<u>\$ 6,669</u>	<u>\$ 3,317</u>	<u>\$ 9,614</u>	<u>\$ 104,618</u>	<u>\$ 2,628</u>	<u>\$ 315,596</u>	<u>\$ 614,021</u>
Liabilities:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:									
Nonspendable:									
Perpetual Care Principal	66,457	-	-	-	-	-	-	-	66,457
Restricted for:									
Social services	-	-	6,669	-	-	-	-	-	6,669
Community beautification	-	-	-	3,317	-	-	-	-	3,317
Document preservation	-	-	-	-	9,614	-	-	-	9,614
After school programs	-	-	-	-	-	-	2,628	-	2,628
Committed to:									
Parks and recreation	-	90,360	-	-	-	-	-	-	90,360
Cemetery operation	14,762	-	-	-	-	-	-	-	14,762
Affordable housing	-	-	-	-	-	-	-	215,596	215,596
Down payment assistance program	-	-	-	-	-	-	-	100,000	100,000
Assigned for:									
Recycling	-	-	-	-	-	104,618	-	-	104,618
Total Fund Balances	<u>\$ 81,219</u>	<u>\$ 90,360</u>	<u>\$ 6,669</u>	<u>\$ 3,317</u>	<u>\$ 9,614</u>	<u>\$ 104,618</u>	<u>\$ 2,628</u>	<u>\$ 315,596</u>	<u>\$ 614,021</u>
Total Liabilities and Fund Balance	<u>\$ 81,219</u>	<u>\$ 90,360</u>	<u>\$ 6,669</u>	<u>\$ 3,317</u>	<u>\$ 9,614</u>	<u>\$ 104,618</u>	<u>\$ 2,628</u>	<u>\$ 315,596</u>	<u>\$ 614,021</u>

Town of Washington
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue Funds							Capital	
								Project Fund	
	Judea Cemetery Fund	Park and Recreation Fund	Senior Center Fund	Greenway Committee Fund	Document Preservation Fund	Recycling Fund	After School Fund	Affordable Housing Fund	Total
Revenues:									
Investment income	\$ 1,218	\$ 220	\$ 8	\$ 3	\$ 2	\$ 252	\$ -	\$ 2,087	\$ 3,790
Program fees and other receipts	4,350	86,583	6,170	-	2,134	8,199	28,341	-	135,777
Total Revenues	<u>5,568</u>	<u>86,803</u>	<u>6,178</u>	<u>3</u>	<u>2,136</u>	<u>8,451</u>	<u>28,341</u>	<u>2,087</u>	<u>139,567</u>
Expenditures:									
Cemetery expenditures	15,550	-	-	-	-	-	-	-	15,550
Programs and Activities	-	106,315	8,199	972	1,386	214	25,713	-	142,799
Capital outlay	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>15,550</u>	<u>106,315</u>	<u>8,199</u>	<u>972</u>	<u>1,386</u>	<u>214</u>	<u>25,713</u>	<u>-</u>	<u>158,349</u>
Excess (Deficiency) of revenues over expenditures	(9,982)	(19,512)	(2,021)	(969)	750	8,237	2,628	2,087	(18,782)
Other Financing Sources:									
Operating transfers in	12,000	-	-	-	-	-	-	-	12,000
Net Change in Fund Balances	2,018	(19,512)	(2,021)	(969)	750	8,237	2,628	2,087	(6,782)
Fund Balances:									
Beginning of Year	79,201	109,872	8,690	4,286	8,864	96,381	-	313,509	620,803
End of Year	<u>\$ 81,219</u>	<u>\$ 90,360</u>	<u>\$ 6,669</u>	<u>\$ 3,317</u>	<u>\$ 9,614</u>	<u>\$ 104,618</u>	<u>\$ 2,628</u>	<u>\$ 315,596</u>	<u>\$ 614,021</u>

Town of Washington
Combining Statement of Fiduciary Net Position
Pension Trust Funds
Year Ended June 30, 2017

	Defined Benefit Plan	Defined Contribution Plan	Totals
Assets:			
Cash and cash equivalents	\$ 62,398	\$ 6,829	\$ 69,227
Accrued interest	3,194	-	3,194
Investments - at fair value	<u>3,369,250</u>	<u>18,097</u>	<u>3,387,347</u>
Total Assets	\$ 3,434,842	\$ 24,926	\$ 3,459,768
Net Position:			
Held in trust for pension benefits	<u>\$ 3,434,842</u>	<u>\$ 24,926</u>	<u>\$ 3,459,768</u>
Total Net Position	<u>\$ 3,434,842</u>	<u>\$ 24,926</u>	<u>\$ 3,459,768</u>

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

	Defined Benefit Plan	Defined Contribution Plan	Totals
Additions:			
Town contributions	\$ 140,000	\$ 6,829	\$ 146,829
Investment income:			
Change in fair values of investments	299,232	1,626	300,858
Interest and dividends	80,834	-	80,834
Gross investment income	380,066	1,626	381,692
Less: investment expense	17,531	-	17,531
Net investment income	362,535	1,626	364,161
Total additions	502,535	8,455	510,990
Deductions:			
Pension benefits	152,722	-	152,722
Change in Net Position	349,813	8,455	358,268
Net Position - Beginning of year	3,085,029	16,471	3,101,500
Net Position - End of year	<u>\$ 3,434,842</u>	<u>\$ 24,926</u>	<u>\$ 3,459,768</u>

Town of Washington
Fiduciary Fund Type - Agency Fund
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2017

ALCOHOL AND DRUG ABUSE PREVENTION FUND

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assets:				
Cash	\$ <u>7,110</u>	\$ <u>10,058</u>	\$ <u>5,920</u>	\$ <u>11,248</u>
Liabilities:				
Due to Participants	\$ <u>7,110</u>	\$ <u>10,058</u>	\$ <u>5,920</u>	\$ <u>11,248</u>

Town of Washington
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)
Year Ended June 30, 2017

	Taxes Receivable July 1, 2016	LAWFUL CORRECTIONS		Net Transfers (To) From Suspense	Adjusted Taxes Receivable	COLLECTIONS			Taxes Receivable June 30, 2017
		Lawful Additions	Corrections Reductions			Taxes	Interest, liens and other costs	Refunds and Adjustments	Total Net Collections
Grand List : October 1,									
2015 \$	15,869,417 \$	17,510 \$	(22,837) \$	- \$	15,864,090 \$	15,750,500 \$	54,410 \$	524 \$	15,805,434 \$
114,114									
2014	125,039	3,542	(1,116)	(2,382)	125,083	102,108	19,944	(746)	121,306
22,229									
2013	71,979	3,001	(687)	(6,180)	68,113	57,910	19,149	(253)	76,806
9,950									
2012	35,384	-	-	(1,402)	33,982	29,383	15,073	-	44,456
4,599									
2011	24,620	-	-	(1,372)	23,248	19,047	12,178	-	31,225
4,201									
2010	1,312	-	-	(1,312)	-	-	1,054	-	1,054
-									
2009	1,312	-	-	-	1,312	1,312	1,382	-	2,694
-									
2008	1,282	-	-	-	1,282	1,282	1,582	-	2,864
-									
2007	1,457	-	-	-	1,457	1,457	2,058	-	3,515
-									
2006	1,402	-	-	-	1,402	1,377	1,978	(25)	3,330
-									
Suspense book collections	-	-	-	8,680	8,680	8,680	10,977	-	19,657
-									
Totals	\$ 16,133,204 \$	\$ 24,053 \$	\$ (24,640) \$	\$ (3,968) \$	\$ 16,128,649 \$	\$ 15,973,056 \$	\$ 139,785 \$	\$ (500) \$	\$ 16,112,341 \$
155,093									

Town of Washington
Statement of Debt Limitation
Connecticut General Statutes, Section 7-374 (b)
Year Ended June 30, 2017

Total tax collections (including interest and lien fees) for the year ended June 30, 2017 \$ 16,112,341

Reimbursement for revenue loss on :

Tax relief for elderly - (CGS 12-129d) 19,862

Total Receipts From Taxation For The Year Ended June 30, 2017 (Base) \$ 16,132,203

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times Base	\$ 36,297,457	\$ -	\$ -	\$ -	-
4 1/2 times Base	-	72,594,914	-	-	-
3 3/4 times Base	-	-	60,495,761	-	-
3 1/4 times Base	-	-	-	52,429,660	-
3 times Base	-	-	-	-	48,396,609
Total Debt Limitation	<u>36,297,457</u>	<u>72,594,914</u>	<u>60,495,761</u>	<u>52,429,660</u>	<u>48,396,609</u>

Indebtedness:

Shepaug Regional School District #12

Bonds payable (Town's share is 48.54%)

Bank term loan due August 15, 2018 - \$900,000	-	436,860	-	-	-
Total Indebtedness	<u>-</u>	<u>436,860</u>	<u>-</u>	<u>-</u>	<u>-</u>

Debt Limitation In Excess Of

Outstanding And Authorized Debt \$ 36,297,457 \$ 72,158,054 \$ 60,495,761 \$ 52,429,660 \$ 48,396,609

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, 2017, 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 3, 2018.

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.

A handwritten signature in cursive script, appearing to read "Charles Heaven & Co.", followed by a stylized flourish or set of initials.

Charles Heaven & Co.

January 3, 2018

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, 2017. 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, 2017.

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 a 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 Town of Washington, Connecticut, as of and for the year ended June 30, 2017 and have issued our report thereon dated January 3, 2018, 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.

January 3, 2018

Town of Washington
Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2017

State Grantor/Program Title	State Grant Program Core-CT Number	Expenditures
Office of Policy and Management		
Payment in Lieu of Taxes (PILOT) on State-Owned Property	11000-OPM20600-17004	\$ 6,117
Property Tax Relief For Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	19,862
Property Tax Reimbursement - Disability Exemption	11000-OPM20600-17011	123
Property Tax Relief For Veterans	11000-OPM20600-17024	1,255
Local Capital Improvement	12050-OPM20600-40254	28,800
Municipal Grants-In-Aid	12052-OPM20600-43587	158
Regional Performance Incentive Program	12060-OPM20870-35457	6,000
Department of Transportation		
Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	325,000
Judicial Branch		
Non-Budgeted Operating Appropriations	34001-JUD95162-40001	1,335
Connecticut State Library		
Historical Documents Preservation Grant	12060-CSL66094-35150	4,000
Department of Revenue Services		
Other Expenses	11000-DRS16312-10020	30
Total State Financial Assistance before exempt programs		392,680
Exempt Programs		
State Department of Education		
Education Cost Sharing	11000-SDE64370-17041	50,646
Office of Policy and Management		
Municipal Revenue Sharing	12002-OPM20600-17102	25,496
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	8,741
Total Exempt programs		84,883
Total State Financial Assistance		\$ 477,563

See accompanying Notes to Schedule

Town of Washington
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2017

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, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. 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 4-236-22 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, 2017

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?

_____ yes X no

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

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation Town Aid Road Grants Transportation Fund	12052-DOT57131-43455	\$ <u>325,000</u>
• Dollar threshold used to distinguish between type A and type B Programs		\$ <u>100,000</u>

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

II. FINANCIAL STATEMENT FINDINGS

We issued our report, dated January 3, 2018, 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.

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

No findings or questioned costs are reported relating to State Financial Assistance Programs.

IV. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - STATE FINANCIAL ASSISTANCE

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 and Condition

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. 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. 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.

Current Status

The Town delegated a specific official to vigorously monitor all the compliance requirements for all grants.