

TOWN OF STAFFORD, CONNECTICUT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

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To the Members of the Board of Finance
Town of Stafford, 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 Stafford, 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 Stafford, 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 Stafford, Connecticut, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 57-60 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 Stafford, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 the schedule of expenditures of federal awards 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 March 30, 2018, on our consideration of the Town of Stafford, 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 Stafford, Connecticut's internal control over financial reporting and compliance.



O'CONNELL, PACE & COMPANY, P.C.
Certified Public Accountants
Hartford, CT

March 30, 2018

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Our discussion and analysis of the Town of Stafford's (the "Government") financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

- The Increase in Net Position of \$829,854 can be attributable to mainly to the savings in electricity and ZREC revenue of the Utility fund, that is included in governmental activities.
- The Decrease in Fund balance for the Total governmental funds in Exhibit 4 is due to the Combined Utility Capital project expenditures as well as the Combined Utility Project expenditures. The BAN funding was received in February 2016; therefore, the revenue was included in the Statement for June 30, 2016. The Bond Anticipation Note for the Combined Utility Project was received in February 2016; therefore, the revenue was included in the Statement for June 30, 2016.
- On a budgetary basis, the Town's revenues exceeded the expenditures by \$685,469.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the Government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Government's *net position* and changes in them. You can think of the Government's net position—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Position and the Statement of Activities, the Government shows the following activity:

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.
- Business-type activities—The Government charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Government's Water Pollution Control Authority's operations are reported here.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Government's two kinds of funds—*governmental* and *proprietary*—use different accounting approaches.

- *Governmental funds*—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds*—When the Government charges customers for the services it provides—whether to outside customers or to other units of the Government—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Government's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Position in Statement 11. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

THE GOVERNMENT AS A WHOLE

The Government's *combined* net position increased by \$1,081,275 from a year ago—*increasing* from \$92,880,266 to \$93,961,341. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Government.

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|----------------------------|--------------------------|-----------------------------|-------------------------|--------------------------|--------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Assets | | | | | | |
| Current and other assets | 18,421,917 | 22,054,409 | 1,696,264 | 1,549,266 | 20,118,181 | 23,603,675 |
| Capital Assets | <u>121,313,788</u> | <u>119,175,291</u> | <u>1,482,437</u> | <u>1,359,459</u> | 122,796,225 | 120,534,750 |
| Deferred Outflows | 1,764,500 | 2,566,400 | 53,505 | 78,484 | 1,818,005 | 2,644,884 |
| Total Assets | 141,500,205 | 143,796,100 | 3,232,206 | 2,987,209 | 144,732,411 | 146,783,309 |
| Deferred Inflows | 756,105 | 994,968 | 67,516 | 101,087 | 823,621 | 1,096,055 |
| Long-term liabilities outstanding | 47,360,896 | 49,525,388 | 245,307 | 248,526 | 47,606,203 | 49,773,914 |
| Other liabilities | <u>2,268,533</u> | <u>2,990,927</u> | <u>67,516</u> | <u>42,347</u> | <u>2,336,049</u> | <u>3,033,274</u> |
| Total Liabilities | 50,385,534 | 53,511,283 | 380,339 | 391,960 | 50,765,873 | 53,903,243 |
| Net position: | | | | | | |
| Invested in capital assets, net of related debt | 85,334,727 | 80,754,424 | 1,482,437 | 1,359,459 | 86,817,164 | 82,113,883 |
| Restricted for: | | | | | | |
| Expendable | 3,293,717 | 4,627,502 | 0 | 0 | 3,293,717 | 4,627,502 |
| Nonexpendable | 199,947 | 188,280 | 0 | 0 | 199,947 | 188,280 |
| Unrestricted | <u>2,286,280</u> | <u>4,714,611</u> | <u>1,364,233</u> | <u>1,235,790</u> | <u>3,650,513</u> | <u>5,950,401</u> |
| Total Net Position | <u>91,114,671</u> | <u>90,284,817</u> | <u>2,846,670</u> | <u>2,595,249</u> | <u>93,961,341</u> | <u>92,880,066</u> |

Current assets for governmental activities decreased by \$3,614,626, this is mainly due to the Solar/Geo-Thermal Project expenses as well as the Combined Utility Project expenditures of 2,448,275 included in exhibit 4 and statement 6 of the financial statements.

Capital assets for the governmental activities increased by \$2,138,497 which is the net effect of the Construction in progress on the Solar/Geo-Thermal and Combined Utility projects and the Combined Utility project as well as depreciation on the capital assets.

The Business-Type Activities increase in current assets is attributable to the increase fees and user charges. The increase has allowed the Water Pollution Control Authority to have an operating profit for the past three years of \$251,421, \$327,802 and \$206,472 respectively.

The decrease in Total liabilities of \$3,125,749 is due to the receipt of a State Grant for \$500,000, as well as savings in completion of projects that has been used to paid down debt. This relates to the Combined Utility project that allowed the Town to install the Water line up to the new Woodland Springs housing development as well as Middle River Drive as well as other energy improvement projects that have been completed.

The decrease in governmental activities restricted net position of \$1,333,785 is due to the project mentioned above. Also, the decrease in unrestricted net position of \$2,410,465 is primarily due to the decrease in pension and other postemployment benefits of \$926,224.00 as well as the internal service fund net income of \$420,792 included in Exhibit 4a.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

| | Governmental | | Business-Type | | Total | |
|--------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
| | Activities | | Activities | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Program Revenues: | | | | | | |
| Charges for Service | 3,929,385 | 2,938,098 | 1,587,540 | 1,633,309 | 5,516,925 | 4,571,407 |
| Operating Grants and Contributions | 17,206,864 | 16,846,611 | 0 | 0 | 17,206,864 | 16,846,611 |
| Capital Grants and Contributions | 20,179 | 0 | 0 | 0 | 20,179 | 0 |
| | <u>21,156,428</u> | <u>19,784,709</u> | <u>1,587,540</u> | <u>1,633,309</u> | <u>22,743,968</u> | <u>21,418,018</u> |
| General Revenues | | | | | | |
| Property Taxes | 26,007,863 | 25,690,961 | 0 | 0 | 26,007,863 | 25,690,961 |
| Other Taxes | 0 | 377,087 | 0 | 0 | 0 | 377,087 |
| Investment Earnings | 101,882 | (14,590) | 3,274 | 2,145 | 105,156 | (12,445) |
| Grants & Contributions-unrestricted | 1,554,144 | 0 | 0 | 0 | 1,554,144 | 0 |
| Other | 111,284 | 74,862 | 0 | 0 | 111,284 | 74,862 |
| Special Revenues: | | | | | | |
| Net Unrealized Gain (Loss) on Stocks | 107,351 | 0 | 0 | 0 | 107,351 | 0 |
| Total Revenues | 49,038,952 | 45,913,029 | 1,590,814 | 1,635,454 | 50,629,766 | 47,548,483 |
| Expenses: | | | | | | |
| General Government | 5,144,640 | 4,605,028 | 0 | 0 | 5,144,640 | 4,605,028 |
| Public Safety | 1,899,320 | 1,915,156 | 0 | 0 | 1,899,320 | 1,915,156 |
| Public Works | 2,980,583 | 2,751,295 | 0 | 0 | 2,980,583 | 2,751,295 |
| Social Services and Health | 720,847 | 622,683 | 0 | 0 | 720,847 | 622,683 |
| Parks and Recreation | 720,633 | 775,275 | 0 | 0 | 720,633 | 775,275 |
| Planning and Zoning | 5,343 | 2,351 | 0 | 0 | 5,343 | 2,351 |
| Sundry | 1,038,981 | 1,142,911 | 0 | 0 | 1,038,981 | 1,142,911 |
| Education | 35,137,976 | 33,679,894 | 0 | 0 | 35,137,976 | 33,679,894 |
| Interest on Long-Term Debt | 560,775 | 1,058,405 | 0 | 0 | 560,775 | 1,058,405 |
| Sewer | 0 | 0 | 1,339,393 | 1,307,652 | 1,339,393 | 1,307,652 |
| Total Expenses | 48,209,098 | 46,552,998 | 1,339,393 | 1,307,652 | 49,548,491 | 47,860,650 |
| Increase(Decrease) in Net Position | <u>829,854</u> | <u>(639,969)</u> | <u>251,421</u> | <u>327,802</u> | <u>1,081,275</u> | <u>(312,167)</u> |

Increase in Operating Grants of \$360,253 is based on \$352,078 security grant received.

Increase in Education of \$1,458,082 is mainly due to the increase in the State of Connecticut contributions on behalf of the Town of Stafford of \$1,822,451.

THE GOVERNMENT'S FUNDS

In Exhibit 4 the Town actually has a decrease in the change of total governmental funds of in general fund balance of \$2,250,809. The difference between exhibit 4 decrease and the governmental Activities increase of \$829,854 is attributable to the accounting for Capital Assets, Certain Revenues as well as long term liabilities as detailed in exhibit 4a.

In addition, these other changes in fund balances should be noted:

- The Town had an increase in Total Revenue of \$3,129,923. Grant revenue increased by \$360,253 and local sources revenue increased \$991,287.
- The Net Change in Fund Balance for the General Fund was an increase \$598,713 compared to \$525,261 last year.

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- The decrease in Total Governmental Funds of \$2,250,809 is due mainly to the expenditures for the Solar/Geo-Thermal Project and Combined Utility Project.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriations increase the total budget. The Board of Finance is allowed by State Statute to make one additional appropriation up to \$20,000 per line item or department. A second additional appropriation or an appropriation over \$20,000 requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

| Revenues | Final Budget | Actual | Variance |
|--|-------------------------|-------------------|--------------------|
| Property Taxation | \$ 26,851,896 | \$ 26,671,383 | \$ (180,513) |
| Intergovernmental - Other | 1,945,850 | 1,952,587 | 6,737 |
| Local Sources | 1,379,900 | 1,546,223 | 166,323 |
| Investment Income | 25,000 | 38,403 | 13,403 |
| Intergovernmental - Education | 9,874,663 | 9,824,388 | (50,275) |
| Tuition received | 27,500 | 8,607 | (18,893) |
| Grants | - | 40,987 | 40,987 |
| Other Financing Sources | 437,425 | 7,161,566 | 6,724,141 |
| Total Revenues | 40,542,234 | 47,244,144 | 6,701,910 |
| | | | |
| Expenditures | | | |
| General Government | 3,706,625 | 3,612,953 | 93,672 |
| Public Safety | 2,038,938 | 1,953,045 | 85,893 |
| Health | 824,539 | 748,300 | 76,239 |
| Highways and Bridges | 2,188,360 | 1,945,239 | 243,121 |
| Parks and Recreation | 741,807 | 705,177 | 36,630 |
| Planning and Zoning | 6,983 | 5,343 | 1,640 |
| Sundry | 377,170 | 329,976 | 47,194 |
| Education | 27,373,424 | 27,316,815 | 56,609 |
| Stafford Public Library | 530,260 | 520,692 | 9,568 |
| Debt Service | 2,182,064 | 2,481,628 | (299,564) |
| Other Financing Uses | 420,008 | 6,939,507 | (6,519,499) |
| Total Expenditures | 40,390,178 | 46,558,675 | (6,168,497) |
| | | | |
| Increase (Decrease) in Fund Balance | \$ 152,056 | \$ 685,469 | \$ 533,413 |

TOWN OF STAFFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Significant variances are summarized as follows:

- The variance in the local sources revenue is due mainly to the charges for family services as well as increased Town Clerk Fees.
- The variance in Highways and Bridges is mainly due to unavailability of the LOCIP grant estimated by the State of Connecticut of \$111,207. The funds were frozen in December 2016 and were recently released in November 2017.
- The savings in public safety are mainly due to overtime grants were not utilized and reduction in the number of Resident Troopers provided by the State.
- The Board of Education had a savings of \$56,609.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$121,313,788 invested governmental activity capital assets. This amount represents a net increase (including additions and deductions) of \$2,138,497 from last year. This is primarily due to construction in process on the Combined Utility Project. More detailed information about the Government's capital assets is presented in Note 3D to the financial statements.

Debt

At year end, the Government had \$18,568,098 in bonds and notes outstanding. This is a decrease of \$2,260,553 from last year. The Government's general obligation bond rating continues to carry an A1 rating. More detailed information about the Government's long-term liabilities is presented in Note 3E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates which included transfers from various funds to minimize the impact on taxpayers.

The State of Connecticut's Office of Policy and Management ("OPM") has adopted a new law that could possibly affect the Government's budgets in subsequent years. The motor vehicle mill rate will be capped at 37 mills in fiscal-year 2017 and 37 mills in fiscal-year 2018 and annually thereafter. The Towns current mill rate for 17-18 is 33.93.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Stafford, 1 Main Street, Stafford Springs, CT 06076.

TOWN OF STAFFORD, CONNECTICUT
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
YEAR ENDING JUNE 30, 2017

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and equivalents | \$ 12,188,927 | \$ 1,936,981 | \$ 14,125,908 |
| Investments | 777,016 | - | 777,016 |
| Restricted cash and equivalents | 85,286 | - | 85,286 |
| Receivables | | | |
| Taxes, net | 1,524,662 | - | 1,524,662 |
| Accounts | 579,340 | - | 579,340 |
| Usage | - | 155,003 | 155,003 |
| Interest | - | 91,729 | 91,729 |
| Loans | 2,391,887 | - | 2,391,887 |
| Intergovernmental | 248,648 | - | 248,648 |
| Special assessments | 124,408 | - | 124,408 |
| Internal balances | 488,483 | (487,449) | 1,034 |
| Deposit on equipment lease | 1,593 | - | 1,593 |
| Prepays | 11,667 | - | 11,667 |
| Capital assets | | | |
| Nondepreciable | 34,069,702 | - | 34,069,702 |
| Depreciable, net of accumulated depreciation | 87,244,086 | 1,482,437 | 88,726,523 |
| Total Assets | <u>139,735,705</u> | <u>3,178,701</u> | <u>142,914,406</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Difference in projected and actual earnings - pension | 816,846 | 25,006 | 841,852 |
| Change in assumptions - pension | 930,983 | 28,499 | 959,482 |
| Deferred charge on refunding | 16,671 | - | 16,671 |
| Total Deferred Outflows of Resources | <u>1,764,500</u> | <u>53,505</u> | <u>1,818,005</u> |
| LIABILITIES | | | |
| Accounts payable | 1,218,954 | 67,516 | 1,286,470 |
| Accrued payroll and related | 44,723 | - | 44,723 |
| Accrued interest payable | 752,856 | - | 752,856 |
| Risk management claims payable | 252,000 | - | 252,000 |
| Unearned revenues | 731,864 | 71,971 | 803,835 |
| Non-current liabilities | | | |
| Due within one year | 7,578,087 | - | 7,578,087 |
| Due in more than one year | 39,782,809 | 245,307 | 40,028,116 |
| Total Liabilities | <u>50,361,293</u> | <u>384,794</u> | <u>50,746,087</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Difference in expected and actual experience - pension | 24,241 | 742 | 24,983 |
| Total Deferred Inflows of Resources | <u>24,241</u> | <u>742</u> | <u>24,983</u> |
| NET POSITION | | | |
| Net investment in capital assets | 85,334,727 | 1,482,437 | 86,817,164 |
| Restricted | | | |
| Expendable | 3,293,717 | - | 3,293,717 |
| Nonexpendable | 199,947 | - | 199,947 |
| Unrestricted | 2,286,280 | 1,364,233 | 3,650,513 |
| Total Net Position | <u>\$ 91,114,671</u> | <u>\$ 2,846,670</u> | <u>\$ 93,961,341</u> |

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDING JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------|----------------------|------------------------------------|----------------------------------|---|---------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business -type Activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 5,144,640 | \$ 367,618 | \$ - | \$ - | \$ (4,777,022) | \$ - | \$ (4,777,022) |
| Public safety | 1,899,320 | 636,819 | 43,465 | 20,179 | (1,198,857) | - | (1,198,857) |
| Health and social services | 720,847 | 457,420 | 105,670 | - | (157,757) | - | (157,757) |
| Public works | 2,980,583 | 1,156,452 | 470,319 | - | (1,353,812) | - | (1,353,812) |
| Parks and recreation | 720,633 | 62,577 | - | - | (658,056) | - | (658,056) |
| Planning and zoning | 5,343 | - | - | - | (5,343) | - | (5,343) |
| Sundry | 1,038,981 | 106,054 | 504,000 | - | (428,927) | - | (428,927) |
| Education | 35,137,976 | 1,142,445 | 16,083,410 | - | (17,912,121) | - | (17,912,121) |
| Interest on long-term debt | 560,775 | - | - | - | (560,775) | - | (560,775) |
| Total Governmental Activities | \$ 48,209,098 | \$ 3,929,385 | \$ 17,206,864 | \$ 20,179 | (27,052,670) | - | (27,052,670) |
| Business-type activities | | | | | | | |
| Sewer | 1,339,393 | 1,587,540 | - | - | - | 248,147 | 248,147 |
| Total Business-type Activities | 1,339,393 | 1,587,540 | - | - | - | 248,147 | 248,147 |
| Total Primary Government | \$ 49,548,491 | \$ 5,516,925 | \$ 17,206,864 | \$ 20,179 | - | 248,147 | (26,804,523) |
| General Revenues | | | | | | | |
| Property Taxes, payments in lieu of taxes, interest and liens | | | | | 26,007,863 | | 26,007,863 |
| Grants and contributions not restricted to specific programs | | | | | 1,554,144 | | 1,554,144 |
| Unrestricted interest and investment earnings | | | | | 101,882 | 3,274 | 105,156 |
| Other general revenues | | | | | 111,284 | | 111,284 |
| Special items | | | | | | | |
| Net unrealized gain on stock | | | | | 107,351 | | 107,351 |
| Total General Revenues and Special Items | | | | | 27,882,524 | 3,274 | 27,885,798 |
| Change in Net Position | | | | | 829,854 | 251,421 | 1,081,275 |
| Net Position - Beginning of Year (Restated) | | | | | 90,284,817 | 2,595,249 | 92,880,066 |
| Net Position - End of Year | | | | | \$ 91,114,671 | \$ 2,846,670 | \$ 93,961,341 |

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

TOWN OF STAFFORD, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2017

| | General Fund | Educational Grant Fund | Small Cities Grants Fund | Geo-Thermal Solar Project Fund | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------------|-----------------------------|--------------------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and Equivalents | \$ 6,440,099 | \$ 152,758 | \$ 158,886 | \$ - | \$ 3,148,516 | \$ 9,900,259 |
| Investments | 13,086 | - | - | - | 763,930 | 777,016 |
| Restricted cash and equivalents | - | - | - | 85,286 | - | 85,286 |
| Taxes Receivable, Net of Allowance for Uncollectible Amounts | 1,494,110 | - | - | - | 30,552 | 1,524,662 |
| Other Receivables | | | | | | |
| Accounts | 187,940 | - | - | - | 391,400 | 579,340 |
| Loans | - | - | 2,391,887 | - | - | 2,391,887 |
| Intergovernmental | 152,516 | 34,867 | - | - | 61,265 | 248,648 |
| Special assessments | - | - | - | - | 124,408 | 124,408 |
| Due from other funds | 2,916,866 | - | - | 263,729 | 258,952 | 3,439,547 |
| Deposit on equipment lease | 1,593 | - | - | - | - | 1,593 |
| Inventories | - | - | - | - | 11,667 | 11,667 |
| Total Assets | <u>\$ 11,206,210</u> | <u>\$ 187,625</u> | <u>\$ 2,550,773</u> | <u>\$ 349,015</u> | <u>\$ 4,790,690</u> | <u>\$ 19,084,313</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 865,315 | \$ 12,909 | \$ - | \$ 300,000 | \$ 40,730 | \$ 1,218,954 |
| Accrued Payroll and Related | 44,723 | - | - | - | - | 44,723 |
| Due to other funds | 1,021,154 | 186,737 | 24,793 | - | 2,329,408 | 3,562,092 |
| Unearned revenues | 711,027 | - | - | - | 20,837 | 731,864 |
| Total Liabilities | <u>2,642,219</u> | <u>199,646</u> | <u>24,793</u> | <u>300,000</u> | <u>2,390,975</u> | <u>5,557,633</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenues | 1,194,498 | - | - | - | 28,408 | 1,222,906 |
| Total Deferred Inflows of Resources | <u>1,194,498</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,408</u> | <u>1,222,906</u> |
| Fund Balances (Deficits) | | | | | | |
| Nonspendable | - | - | - | - | 199,947 | 199,947 |
| Restricted | 13,086 | - | 2,525,980 | 49,015 | 665,719 | 3,253,800 |
| Committed | - | - | - | - | 894,425 | 894,425 |
| Assigned | 991,288 | - | - | - | 611,216 | 1,602,504 |
| Unassigned | 6,365,119 | (12,021) | - | - | - | 6,353,098 |
| Total Fund Balances | <u>7,369,493</u> | <u>(12,021)</u> | <u>2,525,980</u> | <u>49,015</u> | <u>2,371,307</u> | <u>12,303,774</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 11,206,210</u> | <u>\$ 187,625</u> | <u>\$ 2,550,773</u> | <u>\$ 349,015</u> | <u>\$ 4,790,690</u> | <u>\$ 19,084,313</u> |

See independent auditors' report

TOWN OF STAFFORD, CONNECTICUT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT WIDE STATEMENT OF NET POSITION – GOVERNMENT ACTIVITIES
YEAR ENDING JUNE 30, 2017

| | | |
|--|----|-------------------|
| Fund Balances - Total Governmental Funds | \$ | 12,303,774 |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 121,313,788 |
| Internal service funds are used by management to charge the costs of insurance and general services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | | 2,647,696 |
| Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | | 16,671 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 1,222,906 |
| Deferred outflows - difference between projected and actual earnings | | 816,846 |
| Deferred outflow - change in assumptions | | 930,983 |
| Deferred outflows - difference in expected and actual experience | | (24,241) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Accrued interest payable | | (752,856) |
| Bonds payable | | (47,264,834) |
| Premium on bonds | | 90,900 |
| Capital lease obligations | | 87,169 |
| Compensated absences | | 110,968 |
| Pension obligations payable | | 22,301 |
| Other post-employment benefits obligations payable | | (407,400) |
| Net Position of Governmental Activities | \$ | <u>91,114,671</u> |

See independent auditors' report

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDING JUNE 30, 2017

| | General Fund | Educational Grant Fund | Small Cities Grants Fund | Geo-Thermal Solar Project Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|-----------------------------|--------------------------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Taxes | \$ 26,671,383 | \$ - | \$ - | \$ - | \$ 385,879 | \$ 27,057,262 |
| Intergovernmental | 16,614,854 | 1,107,600 | 62,324 | - | 1,266,885 | 19,051,663 |
| Local sources | 1,556,831 | 121,592 | 85,016 | - | 1,214,828 | 2,978,267 |
| Investment income | 39,483 | - | 51 | - | 118,040 | 157,574 |
| Total Revenues | <u>44,882,551</u> | <u>1,229,192</u> | <u>147,391</u> | <u>-</u> | <u>2,985,632</u> | <u>49,244,766</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | 3,647,046 | - | - | - | 1,580,081 | 5,227,127 |
| Public safety | 1,958,632 | - | - | - | 21,883 | 1,980,515 |
| Health and social services | 705,106 | - | - | - | - | 705,106 |
| Public works | 2,020,924 | - | - | - | 645,434 | 2,666,358 |
| Parks and recreation | 706,714 | - | - | - | 52,899 | 759,613 |
| Planning and zoning | 5,343 | - | - | - | - | 5,343 |
| Sundry | 849,277 | - | 194,850 | - | 32,028 | 1,076,155 |
| Education | 31,763,071 | 1,314,820 | - | - | 629,289 | 33,707,180 |
| Debt service | 2,481,628 | - | - | - | - | 2,481,628 |
| Capital outlay | 50,731 | - | - | 868,194 | 1,519,284 | 2,438,209 |
| Total Expenditures | <u>44,188,472</u> | <u>1,314,820</u> | <u>194,850</u> | <u>868,194</u> | <u>4,480,898</u> | <u>51,047,234</u> |
| Excess (deficiency) of Revenues Over Expenditures | <u>694,079</u> | <u>(85,628)</u> | <u>(47,459)</u> | <u>(868,194)</u> | <u>(1,495,266)</u> | <u>(1,802,468)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | 782,482 | - | - | 300,000 | 129,507 | 1,211,989 |
| Transfers out | (429,507) | - | - | - | (782,482) | (1,211,989) |
| Issuance of BANS | 5,990,000 | - | - | - | - | 5,990,000 |
| Payment on BANS | (6,490,000) | - | - | - | - | (6,490,000) |
| Premium on financing | 51,659 | - | - | - | - | 51,659 |
| Total Other Financing Sources (Uses) | <u>(95,366)</u> | <u>-</u> | <u>-</u> | <u>300,000</u> | <u>(652,975)</u> | <u>(448,341)</u> |
| Net Changes in Fund Balances | 598,713 | (85,628) | (47,459) | (568,194) | (2,148,241) | (2,250,809) |
| Fund Balances - Beginning of Year | <u>6,770,780</u> | <u>73,607</u> | <u>2,573,439</u> | <u>617,209</u> | <u>4,519,548</u> | <u>14,554,583</u> |
| Fund Balances - End of Year | \$ <u>7,369,493</u> | \$ <u>(12,021)</u> | \$ <u>2,525,980</u> | \$ <u>49,015</u> | \$ <u>2,371,307</u> | \$ <u>12,303,774</u> |

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

TOWN OF STAFFORD, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDING JUNE 30, 2017

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

Net Change in Fund Balances - Total Governmental Funds \$ (2,250,809)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

| | |
|-----------------------------|--------------------|
| Capital outlay expenditures | 3,123,382 |
| Depreciation expense | <u>(1,908,067)</u> |
| | <u>1,215,315</u> |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

| | |
|--|--------------------|
| Real Property taxes and other revenues in the General Fund | <u>(1,049,399)</u> |
| | <u>(1,049,399)</u> |

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

| | |
|--|------------------|
| Issuance of long-term debt - bond anticipation notes | (5,938,341) |
| Premium on financing | (51,659) |
| Principal payments on long-term debt | 8,329,371 |
| Principal payments on capital leases | <u>1,080,808</u> |
| | <u>3,420,179</u> |

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

| | |
|--|--------------------|
| Accrued interest | 81,482 |
| Compensated absences | 110,968 |
| Pension and other post employment benefits asset/liability | <u>(1,118,674)</u> |
| | <u>(926,224)</u> |

Internal service funds are used by management to charge the costs of medical, risk management and other claims to individuals funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

420,792

Change in Net Position of Governmental Activities \$ 829,854

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
YEAR ENDING JUNE 30, 2017

| | Business-Type Activities - Enterprise Funds | Governmental Activities |
|--|--|----------------------------|
| | Sewer User Fund | Internal Service Fund |
| ASSETS | | |
| Current assets | | |
| Cash and equivalents | \$ 1,936,981 | \$ 2,288,668 |
| Receivables | - | - |
| Usage | 155,003 | - |
| Interest | 91,729 | - |
| Due from other funds | - | 612,543 |
| Total Current Assets | <u>2,183,713</u> | <u>2,901,211</u> |
| Noncurrent assets | | |
| Capital assets | | |
| Land improvements | 541,500 | - |
| Building and improvements | 2,932,233 | - |
| Machinery and equipment | 1,492,393 | - |
| Construction-in-progress | - | - |
| | <u>4,966,126</u> | <u>-</u> |
| Less - Accumulated depreciation | (3,483,689) | - |
| Total Capital Assets, net of accumulated depreciation | <u>1,482,437</u> | <u>-</u> |
| Total Assets | <u>3,666,150</u> | <u>2,901,211</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Difference in projected and actual earnings - pension | 25,006 | - |
| Change in assumptions - pension | 28,499 | - |
| Total Deferred Outflows of Resources | <u>53,505</u> | <u>-</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | 67,516 | - |
| Due to other funds | 487,449 | 1,515 |
| Risk management claims payable | - | 252,000 |
| Total Current Liabilities | <u>554,965</u> | <u>253,515</u> |
| Noncurrent Liabilities | | |
| Net pension obligation | <u>245,307</u> | <u>-</u> |
| Total Liabilities | <u>800,272</u> | <u>253,515</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Taxes paid in advance | 71,971 | - |
| Difference in expected and actual experience - pension | 742 | - |
| Total Deferred Inflows of Resources | <u>72,713</u> | <u>-</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,482,437 | - |
| Unrestricted | 1,364,233 | 2,647,696 |
| Total Net Position | <u>\$ 2,846,670</u> | <u>2,647,696</u> |

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDING JUNE 30, 2017

| | Business-Type Activities - Enterprise Funds | Governmental Activities |
|---|--|----------------------------|
| | Sewer User Fund | Internal Service Fund |
| OPERATING REVENUES | | |
| Charges for services | \$ 1,587,540 | \$ - |
| Premiums | - | 4,393,880 |
| | <hr/> | <hr/> |
| Total Operating Revenues | 1,587,540 | 4,393,880 |
| | <hr/> | <hr/> |
| OPERATING EXPENSES | | |
| Salaries and benefits | 693,335 | - |
| Repairs, maintenance and rentals | 178,377 | - |
| Utilities | 115,788 | - |
| Supplies and materials | 38,478 | - |
| General and administrative | 162,302 | 641,687 |
| Claims | - | 3,333,931 |
| Depreciation | 151,113 | - |
| | <hr/> | <hr/> |
| Total Operating Expenses | 1,339,393 | 3,975,618 |
| | <hr/> | <hr/> |
| Income from Operations | 248,147 | 418,262 |
| | <hr/> | <hr/> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest income | 3,274 | 2,530 |
| Interest expense | - | - |
| Other non-operating expense - bad debt recovery | - | - |
| | <hr/> | <hr/> |
| Total Non-Operating Revenues (Expenses) | 3,274 | 2,530 |
| | <hr/> | <hr/> |
| Change in Net Position | 251,421 | 420,792 |
| | <hr/> | <hr/> |
| Net Position - beginning of Year | 2,595,249 | 2,226,904 |
| | <hr/> | <hr/> |
| Net Position - End of Year | \$ 2,846,670 | \$ 2,647,696 |
| | <hr/> | <hr/> |

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDING JUNE 30, 2017

| | Business-Type Activities - Enterprise Funds | Governmental Activities |
|---|--|----------------------------|
| | Sewer User Fund | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers and users | \$ 1,620,943 | \$ 3,880,625 |
| Cash payments for operating expenses | 655,649 | (4,070,103) |
| Net Cash from Operating Activities | <u>965,294</u> | <u>(189,478)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCIAL ACTIVITIES | | |
| Lease payments | - | - |
| Capital Assets Purchased | (274,091) | - |
| Net Cash from Capital and Related Financing Activities | <u>(274,091)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | 3,274 | 2,530 |
| Net Increase in Cash and Equivalents | 694,477 | (186,948) |
| Cash and Equivalents - Beginning of Year | <u>1,242,504</u> | <u>2,475,616</u> |
| Cash and Equivalents - End of Year | <u>\$ 1,936,981</u> | <u>\$ 2,288,668</u> |
| RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES | | |
| Income from operations | \$ 248,147 | \$ 418,262 |
| Adjustments to reconcile income from operations to net cash from operating activities | | |
| Depreciation | 151,113 | - |
| Change in net position obligation and related deferred outflows and inflows | 20,013 | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | 60,030 | (513,255) |
| Due from other funds | - | 1,515 |
| Accounts payable | 27,280 | - |
| Due to other funds | 485,338 | - |
| Risk management claims payable | - | (96,000) |
| Taxes paid in advance | (26,627) | - |
| Net Cash from Operating Activities | <u>\$ 965,294</u> | <u>\$ (189,478)</u> |

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDING JUNE 30, 2017

| | <u>Pension Trust Fund s</u> | <u>Private Purpose Trust Funds</u> | <u>Agency Funds</u> |
|--|---------------------------------|--|-------------------------|
| ASSETS | | | |
| Cash | \$ - | \$ 84,475 | \$ 217,825 |
| Investments, at fair value | <u>14,827,265</u> | <u>-</u> | <u>6,636</u> |
| Total Assets | <u>\$ 14,827,265</u> | <u>\$ 84,475</u> | <u>\$ 224,461</u> |
| LIABILITIES | | | |
| Due to Students and Others | <u>\$ -</u> | <u>\$ 1,031</u> | <u>\$ 224,461</u> |
| NET POSITION | | | |
| Restricted for pensions and other purposes | <u>\$ 14,827,265</u> | <u>\$ 83,444</u> | <u>\$ -</u> |

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

TOWN OF STAFFORD, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
YEAR ENDING JUNE 30, 2017

| | Pension Trust Fund s | Private Purpose Trust Funds |
|---|-------------------------|--------------------------------|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 1,114,344 | \$ - |
| Donations | - | 17,355 |
| | 1,114,344 | 17,355 |
| Total Contributions | | |
| | 1,114,344 | 17,355 |
| Investment income | | |
| Net change in fair value of investments | 1,269,477 | - |
| Interest and dividends | - | 170 |
| | 1,269,477 | 170 |
| Total Investment Income | | |
| | 1,269,477 | 170 |
| Total Additions | | |
| | 2,383,821 | 17,525 |
| DEDUCTIONS | | |
| Pension benefits | 918,329 | - |
| Administrative fees | 24,643 | - |
| Sundry | - | 18,070 |
| | 942,972 | 18,070 |
| Total Deductions | | |
| | 942,972 | 18,070 |
| Change in Net Position | 1,440,849 | (545) |
| Net Position - Beginning of Year | 13,386,416 | 83,989 |
| Net Position - End of Year | \$ 14,827,265 | \$ 83,444 |

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Stafford, Connecticut ("Town") is a municipal corporation governed by a selectmen-town meeting form of government. Under this form of government the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the town financial matters.

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

A. FINANCIAL REPORTING ENTITY

Generally accepted accounting principles require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially 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 Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", have been considered and there are no agencies or entities which should be presented with this government.

B. 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 non-fiduciary activities of the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, 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 identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. FUND FINANCIAL STATEMENTS

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any aggregated and presented in a single column. The Town maintains proprietary and fiduciary funds, which are reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise funds and the Internal Service funds are charges to customers for services. Operating expenses for the enterprise funds and the internal service funds included the cost of services, administrative expenses, depreciation costs and benefit costs. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The Town's resources are reflected in the fund financial statements in three broad fund categories, in accordance with generally accepted accounting principles as follows:

FUND CATEGORIES

- a. Governmental Funds – Governmental funds are those through which most general government functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the Town's major governmental funds:

General Fund – The General Fund constitutes the primary operating fund of the Town and is used to account for and report all financial resources not accounted for and reported in another fund. Consolidated in the General Fund are the following funds:

Compensation Fund – is used to fund future payments of unused vacation and sick time.

Town Hall Fund – is used to build a reserve for repairs on the Town Hall

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Zoning Subdivision Fund – is used for fees charged and technical services related for subdivision.

Excess Cost Grant Fund – is used for funding excess cost of Special Education tuition and transportation.

Blight Fund – is used to enforce ordinances regulating blight and state and local health, housing and safety codes and regulations.

Educational Grant Fund – The Educational Grant Fund is used to record all the grants and revenues received from the State of CT and expenditures relating to the Board of Education grants.

Small Cities Grants Fund – is used to provide loans to housing rehabilitation.

Geo-Thermal Solar Project Fund – is used to record the lease purchase capital project for large solar arrays and solar carports at various locations in town, as well as geo-thermal heating/cooling systems for Stafford Elementary School, Stafford Middle School, Stafford High School, and the Library.

The Town also reports the following non-major governmental funds:

Special Revenue Funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specific purpose other than debt service or capital projects. The non-major Special Revenue Funds of the Town are:

Dog Fund – is used to record revenue and expenses related to the Animal Control Officer for the Town of Stafford.

School Cafeteria Fund – is used to report sales and expenditures for the School cafeterias. The Board of Education covers the salary for the Food Service Director.

Town Aid Road Fund – is used for reporting the revenue and expenditures for use on improved and unimproved roads.

Sewer Assessment Fund – is used to record receipts for Sewer Phase II and Sewer Assessment Fund Route 190 West.

Town Commissions Fund – is used to record donations for use in various commissions, mainly the Arts Commission and Community and Civic Affairs Commissions. They both raise money through donations to hold functions for the Town. Examples are the summer concert services and other holiday events.

Preservation Management of Historic Documents Fund – is used to record revenue from the Town Clerk's office and grants from the State of CT to preserve historic documents.

Stafford Service District – is used for the additional taxes paid by the taxpayers located in the service district. Such services include lights, garbage and leaf pickup, sidewalks, etc.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Open Space Fund – is used for fees that were established by zoning regulations for the acquisition of open space.

W.H. Heald Trust Fund – is used for expenses at the High School Library.

Utility Fund – is used for the Zero Renewable Energy Credits (ZREC) revenues from selling power back to Eversource. These revenues as well as the savings in electricity and fuel oil are used to pay the lease payments related to the equipment.

The following are the Town’s non-major capital project funds:

WPCF Upgrade Fund – is used to complete the upgrade on the Water Pollution Control Facility

Staffordville Dam Repair Fund – is used for repairs on the Staffordville Dam

Fire Department Equipment Fund – is used to record money received from the sale of Emergency equipment for future Emergency Services Equipment needs.

School Facilities Capital Improvement Fund – is used for current and future school projects and includes the Board of Educations’ Unexpended funds account as a source of funding as well as Town funds necessary to complete projects.

Energy Improvements Fund – was used for town wide energy improvements as well as the SMS Boiler. The projects were completed as of June 30, 2017.

Sewer Inflow & Infiltration Fund – is used for the BAN proceeds for the WPCA Inflow and infiltration project.

Combined Utility Project Fund – is used for the combined utility project that will expand the sewer and water lines and may include natural gas line from Enfield.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are the Town's permanent funds:

A.H. Colton Fund – is used for maintaining a building in the “hollow” section of town for purposes of allowing people to congregate.

Hyde Park Fund – is used to maintain the Hyde Park located in downtown Stafford.

Orcutt Award Fund – is used to fund a scholarship to a male, graduating high school.

Stafford Cemetery Association Fund – is used to maintain the cemetery on Stafford Street

H.W. Lord Fund – is used by the local high school.

- b. Proprietary Funds – Proprietary funds include enterprise and internal service funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private enterprises or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability. Enterprise funds are used to account for those operations that provide services to the public. Internal Service funds are used to account for those operations that provide services to the Town. The following are the Town's major proprietary funds:

Sewer User Fund – is used to account for the Town's Sewer system program

Internal Service Fund – is used to account for self- insured medical and dental benefits for the general government and Board of Education.

- c. Fiduciary Funds – (Not Included in Government-Wide Financial Statements) - The Fiduciary Funds are used to account for assets held by the Town in an agency capacity on behalf of others. These include Pension Trust, Private Purpose Trust and Agency funds. The Pension Trust Funds are provided to account for the activities of the Town's Retirement system, which accumulates resources for the pension benefit payments to qualified Town employees upon retirement. The Private Purpose Trust Funds, including any earnings or invested resources, may be used to support the organization's activities. There is no requirement that any of these be preserved as capital. The Agency Funds are primarily utilized to account for monies held as custodian for outside groups and activities.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds, pension trust fund and private purpose trust funds. The Agency Fund has no measurement focus, but utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes and certain other revenues are considered to be available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION OR FUND BALANCES

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the Bank's risk-based capital ratio.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

The Short-Term Investment Fund (STIF) is a money market investment pool managed by the Cash Management Division of the State Treasurer's Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3.27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a "2a7-like" pool and reports its investments at amortized cost (which approximates fair value). The pool is rated AAAm by Standard & Poor. This is the highest rating for money market funds and investments pools. The pooled investment funds' risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool.

Investments – The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy is to only allow investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

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

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

Investments are stated at fair value.

The pension funds allow for investments in certain alternative investments. Alternative investments may include private equity partnerships; infrastructure limited partnerships, hedge and absolute return funds for which there may be no ready market to determine fair value. These investments are valued using the most recent valuation available from the external fund manager. These estimated values do not necessarily represent the amounts that will ultimately be realized upon the disposition of those assets, which may be materially higher or lower than values determined if a ready market for the securities existed.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other provisions of the Statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. Generally, the Town does not invest in any long-term investment obligations.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes as described previously.

Credit Risk - Credit risk is the risk that an issuer other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Concentration of Credit Risk - Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid with the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

An allowance for uncollectible taxes of \$50,000 has been recorded net with taxes receivable as of June 30, 2017.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories – Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute “available spendable resources” even though they are a component of current assets. Purchases of other inventoriable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Deferred Charges - Deferred charges in the government-wide financial statements represent the unamortized portion of the gain or loss on bond refundings. These costs are being amortized over the term of the respective bond issue.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets. To the extent that certain transactions between funds had not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded in the fund financial statements. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

Loans Receivable – Loans receivable, which are related to the Small Cities grant, are stated at their unpaid principal balance. Allowances are recorded when appropriate.

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

Intangible assets lack physical substance, is nonfinancial in nature and its useful life extends beyond a single reporting period. These are reported at historical cost if identifiable. Intangible assets with no legal, contractual regulatory, technological or other factors limiting their useful life are considered to have an indefinite useful life and are not amortized.

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 of capital assets and improvements are capitalized as projects are constructed.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land is considered inexhaustible and, therefore, not depreciated. Property, plant and equipment of the Town are depreciated or amortized using the straight line method over the following estimated useful lives:

| Assets | Years | Capitalization Threshold |
|------------------------|--------------|-------------------------------------|
| Buildings | 50-100 | \$ 5,000 |
| Buildings improvements | 20 | 5,000 |
| Infrastructure | 50 | 5,000 |
| Vehicles and equipment | 5-10 | 5,000 |

Unearned Revenues - unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period and so will not be recognized as an outflow or resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow or resources (revenue) until that time.

Also, deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed to be measurable but not “available” pursuant to generally accepted accounting principles.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Net Position – Net position represents the difference between assets, liabilities and deferred outflows/inflows of resources. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position on the Statement of Net Position includes, net investment in capital assets and restricted. The balance is classified as unrestricted.

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

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

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in the Connecticut statutes.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the Town's highest level of decision making authority for the Town that can, by the adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, these funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned fund balance, in the General Fund, represents amounts constrained either by policies of the Board of Finance for amounts assigned for balance the subsequent year's budget or management for amounts assigned for encumbrances. Unlike commitments, assignments generally only exist temporarily, in that additional action does not normally have to be taken for the removal of an assignment. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. Assigned fund balance in all funds except the General Fund includes all remaining amounts, except for negative balances, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The general Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities and deferred inflows, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets and deferred outflows.

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

F. ENCUMBRANCES

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are generally reported as assigned fund balance since they do not constitute expenditures or liabilities.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. SUBSEQUENT EVENTS EVALUATION BY MANAGEMENT

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 28, 2018.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY(Continued)

A. BUDGET BASIS

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

Teachers' Retirement – The Town does not recognize as income or expenditures payments made for the teachers' retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer government recognize payments for salaries and fringe benefits paid on behalf of its employees.

Encumbrances – Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts, all annual appropriations lapse at fiscal year-end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures.

Other Funds – The income and expenditures from consolidated funds activities are not included in the General Fund budget, but are included in the General Fund reporting under Generally Accepted Accounting Principles. This includes the accounting for the Excess Cost Grant.

Long-Term Debt and Lease Financing – Revenues and expenditures from refunding or renewing long-term debt or issuing lease financing are included in the budget as the net revenues or expenditures expected.

Cash Basis Payroll – Payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

B. BUDGET CALENDAR

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund function and activity, and includes information on the past , current year estimates and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations, which they desire the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY *(Continued)*

C. BUDGET CONTROL

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

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

D. EXPENDITURES IN EXCESS OF BUDGET

During the year \$472,944 of additional appropriations were made.

NOTE 3- DETAILED NOTES ON ALL FUNDS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and investments of the Town consist of the following at June 30, 2017:

| | |
|---------------------------------|----------------------|
| Statement of Net Position | |
| Cash and equivalents | \$ 14,125,908 |
| Restricted Cash and Equivalents | 85,286 |
| Investments | <u>777,016</u> |
| | <u>14,988,210</u> |
| Fiduciary Funds | |
| Cash and equivalents | 302,300 |
| Investments | <u>14,833,901</u> |
| | <u>15,136,201</u> |
| Total Cash and Investments | <u>\$ 29,822,111</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Cash and Equivalents – As of June 30, 2017 the carrying amount of the Town’s deposits with financial institutions was:

| | |
|--|----------------------|
| Cash and Equivalents | |
| Deposits with financial institutions | \$ 11,457,328 |
| Plus external investment pools | 3,039,834 |
| Less Certificates of deposits (in investments) | <u>(381,499)</u> |
| | <u>\$ 14,115,663</u> |

The bank balance of the deposits was \$12,436,981 and was exposed to custodial credit risk as follows:

| | |
|---|----------------------|
| Covered by Federal Depository Insurance | \$ 1,085,287 |
| Uninsured and uncollateralized | <u>11,351,694</u> |
| | <u>\$ 12,436,981</u> |

Investments – Investments are summarized as follows at June 30, 2017

Investments reported in Governmental Funds:

| | General Fund | Other Governmental Funds |
|-------------------------|------------------|--------------------------------|
| Certificates of deposit | \$ -0- | \$ 381,499 |
| Stocks | -0- | 382,431 |
| Mutual Funds – equity | <u>13,086</u> | <u>-0-</u> |
| | <u>\$ 13,086</u> | <u>\$ 763,930</u> |

Investments reported in Fiduciary Funds:

Investments reported in Governmental Funds:

| | Town Pension | Student Activity | Total Investments |
|-----------------------------|---------------------|---------------------|----------------------|
| Stocks | \$ 7,229,468 | \$ -0- | \$7,229,468 |
| Mutual funds - equity | -0- | 6,636 | 6,636 |
| Mutual funds – money market | 431,460 | -0- | 431,460 |
| Mutual Funds – bonds | <u>7,166,337</u> | <u>-0-</u> | <u>7,166,337</u> |
| | <u>\$14,827,265</u> | <u>\$ 6,636</u> | <u>\$14,833,901</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

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

| Type of Investment | Average Credit Rating | Fair Value | Investment Maturities (in Years) | |
|-----------------------------|-----------------------------|----------------------|----------------------------------|-------------------|
| | | | Less Than 1 Year | 1-5 Years |
| Certificates of deposit | NA | \$ 381,499 | \$ - | \$ 381,499 |
| Stocks | NA | 7,611,899 | 7,611,899 | |
| Mutual funds - equity | NA | 19,722 | 19,722 | |
| Mutual funds - money market | NA | 431,460 | 431,460 | |
| Mutual funds - bonds | A- | 7,166,337 | 7,166,337 | |
| | | <u>\$ 15,610,917</u> | <u>\$ 15,229,418</u> | <u>\$ 381,499</u> |

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

| Type of Investment | Investments not Measured at Fair Value | Quoted Prices in active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|-----------------------------|--|--|---|--|
| Certificates of deposit | \$ 381,499 | \$ - | \$ - | \$ - |
| Stocks | - | 7,611,899 | - | - |
| Mutual funds - equity | - | 19,722 | - | - |
| Mutual funds - money market | - | 431,460 | - | - |
| Mutual funds - bonds | - | 7,166,337 | - | - |
| | <u>\$ 381,499</u> | <u>\$ 15,229,418</u> | <u>\$ -</u> | <u>\$ -</u> |

B. DEFERRED INFLOWS AND UNEARNED REVENUE

Governmental funds report deferred inflows in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. The following were reported as deferred inflows of resources because they were not received within 60 days of the year end:

| | General Fund | Other Governmental Funds |
|---------------------------|---------------------|--------------------------------|
| Property taxes | \$ 1,058,859 | \$ 28,408 |
| Intergovernmental revenue | 135,639 | - |
| | <u>\$ 1,194,498</u> | <u>\$ 28,408</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. This is recorded as the Liability unearned revenue at June 30, 2017:

| | General Fund | Other Governmental Funds |
|----------------------------|-----------------|--------------------------------|
| Taxes collected in advance | \$ 711,027 | \$ 11,667 |

C. INTERFUND TRANSACTIONS

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2017 these were summarized as follows:

| | Due from | | | | |
|---------------------------------|-----------------|---------------------------------------|--------------------------------|-----------------------------|--------------|
| | General Fund | Geo-Thermal Solar Projects Fund | Other Governmental Funds | Internal Service Fund | |
| Due to | | | | | |
| General Fund | \$ - | \$ 263,729 | \$ 144,952 | \$ 612,543 | \$ 1,021,224 |
| Educational Grant Fund | 72,737 | - | 114,000 | - | 186,737 |
| Small Cities Grants Fund | 24,793 | - | - | - | 24,793 |
| Geo-Thermal Solar Projects Fund | - | - | - | - | - |
| Other Governmental Funds | 2,329,342 | - | - | - | 2,329,342 |
| Sewer User fund | 487,449 | - | - | - | 487,449 |
| Internal Service Fund | 1,515 | - | - | - | 1,515 |
| Private Purpose Trust Funds | 1,030 | - | - | - | 1,030 |
| | \$ 2,916,866 | \$ 263,729 | \$ 258,952 | \$ 612,543 | \$ 4,052,090 |

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year ended June 30, 2017 were as follows:

| | Transfer In | | | | |
|--------------|-------------|-----------------------|--------------------------|---------------------|--------------|
| | General | Major Governmental | Nonmajor Governmental | Proprietary Fund | |
| Transfer Out | | | | | |
| General Fund | \$ - | \$ 300,000 | \$ 129,507 | \$ - | \$ 429,507 |
| Major | - | - | - | - | - |
| Nonmajor | 782,482 | - | - | - | 782,482 |
| | \$ 782,482 | \$ 300,000 | \$ 129,507 | \$ - | \$ 1,211,989 |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSETS

Changes in the Town's capital assets used in the governmental activities are as follows:

| | Restated Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------------------|---------------------|-----------------------|-----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 1,683,260 | \$ - | \$ - | \$ 1,683,260 |
| Costruction in progress | 32,046,999 | 2,304,170 | (1,964,727) | 32,386,442 |
| | <u>33,730,259</u> | <u>2,304,170</u> | <u>(1,964,727)</u> | <u>34,069,702</u> |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 87,218,878 | 2,194,288 | - | 89,413,166 |
| Equipment and vehicles | 8,908,053 | 1,415,345 | (34,400) | 10,288,998 |
| Infrastructure | 44,203,492 | 171,125 | - | 44,374,617 |
| | <u>140,330,423</u> | <u>3,780,758</u> | <u>(34,400)</u> | <u>144,076,781</u> |
| Less accumulated depreciation | <u>(54,959,028)</u> | <u>(1,908,067)</u> | <u>34,400</u> | <u>(56,832,695)</u> |
| | <u>\$ 119,101,654</u> | <u>\$ 4,176,861</u> | <u>\$ (1,964,727)</u> | <u>\$ 121,313,788</u> |

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

| | |
|----------------------------|---------------------|
| Education | \$ 942,962 |
| General Government | 75,296 |
| Public Works | 734,546 |
| Parks and recreation | 21,972 |
| Health and Social Services | 43,216 |
| Public Safety | 90,075 |
| | <u>\$ 1,908,067</u> |

Changes in the Town's capital assets used in the business-type activities are as follows:

| | Beginning Balance | Increases | Ending Balance |
|---|----------------------|--------------------|---------------------|
| Capital assets not being depreciated | | | |
| Construction in progress | \$ - | \$ - | \$ - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital assets being depreciated | | | |
| Land improvements | 541,500 | - | 541,500 |
| Building and improvements | 2,932,233 | - | 2,932,233 |
| Equipment and vehicles | 1,350,302 | 142,091 | 1,492,393 |
| | <u>4,824,035</u> | <u>142,091</u> | <u>4,966,126</u> |
| Less accumulated depreciation | <u>(3,331,038)</u> | <u>(152,651)</u> | <u>(3,483,689)</u> |
| | <u>\$ 1,492,997</u> | <u>\$ (10,560)</u> | <u>\$ 1,482,437</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation and amortization expense of \$151,113 was charged to the sewer function of business-type activities.

E. LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

The following table summarizes changes in the Town’s long-term indebtedness in the governmental activities for the year ending June 30, 2017:

| | Beginning | | | | Ending | |
|--------------------------|----------------------|---------------------|-----------------------|---|----------------------|---------------------|
| | Balance | Additions | Reductions | | Balance | Due Within One Year |
| General Obligatopn Bonds | \$ 20,828,651 | \$ 5,990,000 | \$ (8,250,553) | | \$ 18,568,098 | \$ 7,085,612 |
| Capital Leases | 17,494,951 | 1,019,915 | (1,103,904) | | 17,410,963 | 403,078 |
| Compensation Absemces | 553,736 | - | (110,969) | | 442,767 | 22,138 |
| Pension Obligations | 8,035,676 | 35,354 | (57,655) | | 8,013,375 | - |
| OPEB Obligations | 1,897,900 | 407,400 | - | - | 2,305,300 | - |
| Premium on Bonds | 711,294 | - | (90,900) | | 620,394 | 67,978 |
| | <u>\$ 49,522,208</u> | <u>\$ 7,452,669</u> | <u>\$ (9,613,981)</u> | | <u>\$ 47,360,896</u> | <u>\$ 7,578,807</u> |

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund Interest on these obligations is expensed to the respective fund, primarily the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds outstanding as of June 30, 2017 consisted of the following:

| Purpose | Year of Issue | Original Amount | Final Maturity | Interest Rate | Amount Outstanding |
|----------------------------|---------------|-----------------|----------------|---------------|----------------------|
| Sewer Upgrade | 2010 | \$ 6,566,000 | 2040 | 3.25% | \$ 5,703,098 |
| Refunding General Purposes | 2012 | 1,055,000 | 2017 | 2.0/4.0 | 185,000 |
| General Purpose | 2012 | 550,000 | 2026 | 2.0/4.0 | 365,595 |
| Refunde School Bonds | 2012 | 4,100,000 | 2025 | 2.0/4.0 | 3,280,000 |
| School Bonds | 2012 | 4,580,000 | 2025 | 2.0/4.0 | 3,044,405 |
| General Obligation BAN | 2016 | 4,580,000 | 2017 | 2.0 | 4,580,000 |
| General Obligation BAN | 2017 | 1,410,000 | 2017 | 1.3 | 1,410,000 |
| | | | | | <u>\$ 18,568,098</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Payments to maturity on the general obligation bonds are as follows

| Year End | Governmental Activities General Obligation Bonds | | Year End | Governmental Activities General Obligation Bonds | |
|----------|---|----------|----------|---|---------------------|
| | Principle | Interest | | Principle | Interest |
| 2018 | 7,085,612 | 433,726 | 2030 | 235,754 | 110,209 |
| 2019 | 915,832 | 399,481 | 2031 | 243,416 | 102,547 |
| 2020 | 911,222 | 364,291 | 2032 | 251,327 | 94,636 |
| 2021 | 866,787 | 330,126 | 2033 | 259,496 | 86,467 |
| 2022 | 872,532 | 296,781 | 2034 | 267,929 | 78,034 |
| 2023 | 878,464 | 263,249 | 2035 | 276,637 | 69,326 |
| 2024 | 879,590 | 229,623 | 2036 | 285,628 | 60,335 |
| 2025 | 885,914 | 195,899 | 2037 | 294,910 | 51,053 |
| 2026 | 892,443 | 161,970 | 2038 | 304,495 | 41,468 |
| 2027 | 539,185 | 136,653 | 2039 | 314,391 | 31,572 |
| 2028 | 221,146 | 124,817 | 2040 | 324,609 | 21,354 |
| 2029 | 228,334 | 117,629 | 2041 | 332,440 | 13,522 |
| | | | | <u>\$ 18,568,094.39</u> | <u>\$ 3,814,767</u> |

Interest incurred and expensed on general obligation bonds for the year ended June 30, 2017 totaled \$591,786.

Capital Leases Payable

The Town has entered into various lease agreements to finance the acquisition of various vehicles, equipment, building improvements and energy improvements. The cost of the assets is included in the capital assets with a cost of \$20,743,480 and accumulated depreciation of \$1,654,961. The leases qualify as capital leases for accounting purposes. The Town's capital lease obligation at June 30, 2017 is as follows:

Total payments on capital leases for the year ending

| | |
|--|----------------------|
| 2018 | \$ 1,233,003 |
| 2019 | 1,196,211 |
| 2020 | 1,182,843 |
| 2021 | 1,163,010 |
| 2022 | 1,189,955 |
| Therafter | <u>11,445,941</u> |
| | 17,410,963 |
| Less the amount representing interest | <u>(403,078)</u> |
| Present value of future minimum lease payments | <u>\$ 17,007,885</u> |

Interest incurred and expensed on capital leases payable for the year ended June 30, 2017 totaled \$532,670.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. Additionally, certain vacation and sick leave expenses will be paid out of the pension funds upon retirement. The value of all compensated absences has been reflected in the government-wide financial statements.

Prior Year Defeasance of Debt

In prior years, the Town defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At June 30, 2017 \$3,585,000 of bonds outstanding are considered defeased.

Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Stafford, Connecticut are as follows:

| | |
|--|---------------|
| Total tax collections (including interest and lien fees) for the year - primary government | \$ 26,671,383 |
| Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d) | 90,994 |
| Debt limitation base | \$ 26,762,377 |

| | General Purpose | Schools | Sewers | Urban Renewal | Pension Deficit |
|----------------------|--------------------|-------------|-------------|------------------|--------------------|
| Debt limitation | | | | | |
| 2 1/4 times base | \$ 60,215,348 | \$ - | \$ - | \$ - | \$ - |
| 4 1/2 times base | - | 113,740,102 | - | - | - |
| 3 3/4 times base | - | - | 100,358,914 | - | - |
| 3 1/4 times base | - | - | - | 86,977,725 | - |
| 3 times base | - | - | - | - | 80,287,131 |
| Total debt limitaion | 60,215,348 | 113,740,102 | 100,358,914 | 86,977,725 | 80,287,131 |
| Indebtedness | | | | | |
| Bonds payable | 550,595 | 6,324,405 | 5,703,098 | - | - |
| Ban payable | 3,894,000 | - | 3,186,000 | - | - |
| Total indebtedness | 4,444,595 | 6,324,405 | 8,889,098 | - | - |

| | | | | | |
|---|---------------|----------------|---------------|---------------|---------------|
| Debt limitation in excess of debt outstanding and authorized | \$ 55,770,753 | \$ 107,415,697 | \$ 91,469,816 | \$ 86,977,725 | \$ 80,287,131 |
|---|---------------|----------------|---------------|---------------|---------------|

| | |
|--|----------------|
| In no case shall total indebtedness exceed seven times the annual receipts from taxation | \$ 187,336,639 |
|--|----------------|

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

F. LONG-TERM LIABILITIES – ENTERPRISE FUNDS

The following table summarizes changes in the Town’s long-term indebtedness in the enterprise funds for the year ending June 30, 2017:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---------------------|----------------------|-----------|------------|-------------------|
| Pension obligations | \$ 248,526 | \$ - | \$ (3,219) | \$ 245,307 |

G. NET POSTION

The components of net position are detailed below:

Net investment in Capital Assets – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction improvement of those assets.

Restricted Net Position – Nonexpendable – the component of net position that reflects funds set aside in accordance with laws, regulations, grants, and other agreements that must be kept intact and cannot be spent. This is made up of:

| | |
|-----------------|------------|
| Trust principal | \$ 186,280 |
| Inventory | 11,667 |
| Other | 2,000 |
| | \$ 199,947 |

Restricted Net Position – Expendable – the component of net position that reflects funds that can only be spent subject to the laws, regulations, grants, and other agreements relating to these funds. This is made up of:

| | |
|--------------------|--------------|
| General Government | \$ 2,374,239 |
| Public Works | 752,485 |
| Public Safety | 67,978 |
| Capital Projects | 49,015 |
| | \$ 3,243,717 |

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3- DETAILED NOTES ON ALL FUNDS (Continued)

H. FUND BALANCES

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

| | General Fund | Educational Grant Fund | Small Cities Grants | Geo-Thermal Solar Project Fund | Other Governmental Funds |
|-------------------------------|-------------------|---------------------------|------------------------|--------------------------------------|--------------------------------|
| Nonspendable | | | | | |
| Not in spendable form | | | | | |
| Inventories | \$ - | \$ - | \$ - | \$ - | \$ 11,667 |
| Required to maintained | | | | | |
| Trust principal | - | - | - | - | 186,280 |
| Other | - | - | - | - | 2,000 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 199,947</u> |
| Restricted | | | | | |
| General Government | | | | | |
| Education | \$ - | \$ - | \$ 2,525,980 | \$ - | \$ - |
| Public Works | - | - | - | - | 83 |
| Public Safety | - | - | - | - | 752,485 |
| Capital Ptojects | 13,086 | - | - | - | 54,892 |
| Other Purposes | - | - | - | 49,015 | - |
| | <u>\$ 13,086</u> | <u>\$ -</u> | <u>\$ 2,525,980</u> | <u>\$ 49,015</u> | <u>\$ (151,741)</u> |
| | <u>\$ 13,086</u> | <u>\$ -</u> | <u>\$ 2,525,980</u> | <u>\$ 49,015</u> | <u>\$ 655,636</u> |
| Committed | | | | | |
| Capital Ptojects | | | | | |
| | \$ - | \$ - | \$ - | \$ - | \$ 894,425 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 894,425</u> |
| Assigned | | | | | |
| General Government | | | | | |
| Education | \$ 316,476 | \$ - | \$ - | \$ - | \$ - |
| Public Works | 571,057 | - | - | - | 102,739 |
| Culture and Recreation | 22,645 | - | - | - | 503,836 |
| Other Purposes | - | - | - | - | 4,368 |
| Other Purposes | 81,110 | - | - | - | - |
| To balance next year's budget | - | - | - | - | - |
| | <u>\$ 991,288</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 508,204</u> |

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS

A. TEACHERS' RETIRMENT SYSTEM

Plan Description

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

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

Plan Benefits – Plan provisions are set by statute of the State of Connecticut. Teachers' Retirement System provides retirement benefits, as well as death and disability benefits. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years or credited service, at least twenty-five years of which are service in the public schools of Connecticut.

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary. A minimum monthly benefit of 1200.00 is provided for teachers who retire under the normal retirement provisions and who have completed at least twenty-five years of full time Connecticut service.

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

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

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

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

The Town is not required to make contributions to the plan. The statutes require the State of Connecticut to make contributions on-behalf of the Town in an actuarially determined amount. The total amount contributed from the State, on behalf of the Town for the fiscal year ended June 30, 2017 was \$4,470,300.

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

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Actuarial Methods and Significant Assumptions – The following assumptions were used in the Teacher’s Retirement pension valuations, prepared as of June 30, 2016 (the Valuation Date and Measurement Date) for use in the June 30, 2017 financial statements (Reporting Date):

| | |
|---------------------------|---|
| Experience study dates | July 1, 2005 - June 30, 2010 |
| Inflation | 2.75% |
| Salary increases | 3.25 - 6.50%, including inflation |
| Investment rate of return | 8.0%, net of investment related expense, including inflation |
| Discount rate | 8.0%, the projection of cash flows assumed that plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the difference between the actuarially determined rate and the member rate. |
| Cost of living adjustment | Annually compounded increases vary based on member age and date of retirement and range from 3.00% to 5.00% |
| Post-retirement mortality | RP-2014 Adjusted to 2016 Total Dataset Mortality Table projected to valuation date with scale MP-2016 |

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

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| Large Cap U.S. Equities | 21.00% | 5.80% |
| Developed Non-U.S. Equities | 18.00% | 6.60% |
| Emerging Markets (Non-U.S.) | 9.00% | 8.30% |
| Real estate | 7.00% | 5.10% |
| Private Equity | 11.00% | 7.60% |
| Alternative Investments | 8.00% | 4.10% |
| Core Fixed Income | 7.00% | 1.30% |
| High Yield Bonds | 5.00% | 3.90% |
| Emerging Market Fund | 5.00% | 3.70% |
| Inflation Linked Bond Fund | 3.00% | 1.00% |
| Cash | 6.00% | 0.40% |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Town's Proportionate Share of the Collective Net Pension Liability

| | | |
|--|-----------|------------------------|
| Employer Net Pension Liability | \$ | - |
| Nonemployer Contributing Entity (State) Net Pension Liability | | 40,991,768 |
| Net pension Liability | <u>\$</u> | <u>40,991,768</u> |
| | | |
| Net pension Liability percentage of the total | | 0.287761% |
| Pension expense | \$ | 4,470,300 |
| Proportion Basis | | Employee contributions |
| Change in proportion since measurement date | | None |

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

| | 1% Decrease 7.00% | Current Discount Rate 8.00% | 1% Increase 9.00% |
|--------------------------------|-------------------------|-----------------------------------|-------------------------|
| Net Pension Liability (Asset) | <u>\$ 50,572,266</u> | <u>\$ 40,991,768</u> | <u>\$ 32,892,841</u> |

Support Provided by Nonemployer Contributing Entity (State) – The Town has recognized \$4,470,300 as revenue in support provided by the State of Connecticut's contributions to the plan on behalf of the Town's employees.

Obtaining a Report of the Plan – Teachers' Retirement System is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. The reports included information on the plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position. The stand-alone financial report may be obtained through the Teachers' Retirement Board at www.ct.gov/trb.

B. Defined Contribution Plan

The Town has a defined contribution plan for all eligible employees under Internal Revenue Code (IRS) 401(a). This is administered through CPI Qualified Plan Consultants, Inc. Provisions are made and amended as necessary by the Town. Employees may contribute up to the IRS limits through and IRS section 457 Plan. The Town will match an eligible employee's contribution up to 6% of their base salary. Contributions in this fiscal year were \$29,200 (3.5 %) of covered salaries of \$817,516.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

C. The Defined Benefit Plan of the Town of Stafford

Plan Description – The Town is the administrator of a single employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its regular and former employees (excluding teachers covered under the CT State Teachers’ Retirement System). The PERS is considered to be part of the Town’s financial reporting entity and is included in the Town’s financial statement as a pension trust fund. A separate stand-alone financial report is not issued. The Plan is governed by the Pension Committee (the “Committee”) of which members are appointed by the Board of Selectman.

The Plan provides retirement benefits through a single employer noncontributory defined benefit plan. Members include substantially all Town, Water Pollution Control Authority (“WPCA”), Library and Board of Education (“BOE”) employees. Temporary employees, employees working less than 24 hours per week and any BOE employee covered under the CT State Teachers’ Retirement System are excluded. Employees hired after July 1, 2012 are not eligible for the plan.

Plan Membership – As of the date of the latest actuarial valuation (January 1, 2017) membership consisted of the following:

| | |
|---|------------|
| Retirees and beneficiaries receiving benefits | 91 |
| Terminated employees entitled to benefits, but not yet receiving them | 60 |
| Active Members | <u>152</u> |
| | <u>303</u> |

Contribution Policy – The Town is required to contribute the cost of its participants as determined by actuarial calculations.

A pension committee oversees the Pension investments and activities. This committee is comprised of the following voting members: The First Selectman, the Superintendent of Schools, Superintendent of the Water Pollution Control Authority, the Town’s Chief Financial Officer, and the BOE Business Manager.

Funding Policy – Funding is based on the actuarial determining employer contribution (“ADEC”). The Town has a policy to pay at least the greater of: (a) 40% of the ADEC; or (b) 80% of the prior year’s actual contribution up to 100% of the ADEC.

Investment Policy – Portfolio assets will, under normal circumstances, be allocated across broad asset and sub-asset classes in accordance with the following guidelines:

Conservative investments – cash and liquid investments, including money market, stable value and guaranteed investment accounts

Income investments- income oriented investments, including bond funds.

Equity investments – funds that invest in equity securities.

Asset allocation investments – funds or accounts that invest in a combination of conservative, income, and equity investments; fund of accounts combining several of the above investments; and fund of managers accounts combining several different investment styles and fund managers.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Target-date investments – funds or accounts in the hybrid category that automatically reset the asset mix in the portfolio according to a selected time frame.

Other – appropriate investments in other styles or asset classes offered through vehicles such as mutual funds, exchange-traded funds, commingled trusts, and insurance company separate accounts.

The committee will choose specific investment options from each category and will consider the investment services and materials provided by the investment provider. Monitoring of the plan investments is done regularly.

Long-term expected rate of return – The best estimate rate for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting volatility and correlation.

Below shows the Committee’s target asset class allocation and the long-term expected rate of return calculated as geometric means:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Real Estate | 3.00% | 5.00% |
| International Stocks | 19.00% | 5.50% |
| Small-Cap Stocks | 5.00% | 5.50% |
| Large-Cap Stocks | 33.00% | 4.65% |
| Bonds | 40.00% | 1.95% |

Calculation of Money-Weighted Rate of Return – The money-weighted rate of return considers the changing amounts actually invested during and period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a quarterly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses as:

Net money-weighted rate of return for the year ended June 30, 2017 9.21%

Net Pension Liability

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

| | | |
|--|----|---------------------|
| Town pension liability | \$ | 23,085,947 |
| Plan fiduciary net position | | <u>(14,827,265)</u> |
| Net pension liability (asset) | \$ | <u>8,258,682</u> |
| Plan Fiduciary net position as a percentage of total pension liability | | 64.23% |
| Changes in the net pension liability during the year were as follows: | | |
| Total Pension Liability | | |
| Service cost | \$ | 550,954 |
| Interest on total pension liability | | 1,523,912 |
| Change of benefit terms | | 41,906 |
| Differences between expected and actual experience | | 46,788 |
| Assumption changes or inputs | | 170,098 |
| Benefit payments | | <u>(918,329)</u> |
| Net change in total pension liability | | 1,415,329 |
| Total pension liability, beginning | | <u>21,670,618</u> |
| Total pension liability, ending | \$ | <u>23,085,947</u> |
| Fiduciary Net Position | | |
| Employer contributions | \$ | 1,113,284 |
| Net investment income | | 1,270,537 |
| Benefit payments | | (918,329) |
| Administrative expenses | | <u>(24,643)</u> |
| Net change in plan fiduciary net position | | 1,440,849 |
| Fiduciary net position, beginning | | <u>13,386,416</u> |
| Fiduciary net position, ending | \$ | <u>14,827,265</u> |
| Net pension liability, beginning | | <u>8,284,202</u> |
| Net pension liability, ending | \$ | <u>8,258,682</u> |

Actuarial Methods and Significant Assumptions

The following actuarial methods and assumptions were used in the January 1, 2017 valuation (Valuation and Measurement Date) and projected forward to Jun 30, 2017 (Reporting Date)

| | |
|-------------------------------|--|
| Valuation timing | Actuarially determined contribution rates are calculated as of January 1, 18 months prior to the beginning of the fiscal year in which the contributions are reported. |
| Actuarial cost method | GASB Liability: Entry Age ADEC: Projected Unit Credit |
| Amortization method | |
| Level percent or level dollar | Level percent |
| Closed, open or layered | Closed |
| Amortization period | Beginning 2015, 28 years remaining |
| Amortization growth rate | 0.00% |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Asset valuation method

| | |
|----------------------------------|--|
| Smoothing period | 5 year |
| Recognition method | 20% per year |
| Inflation | 2.75% |
| Salary increases | ranged based on ages from 20 to 65 6% down to 2.75% respectively |
| Investment rate of return | 7.00% per year, net of investment and administrative expenses |
| Cost of living adjustment | None |
| Retirement age | Early retirement – 55, Normal retirement – 65 |
| Turnover | None |
| Pre-retirement mortality | None |
| Post-retirement mortality | RP-2000 mortality table, projected to the valuation date with Scale AA |

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

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|---------------------------------|-------------------------|-----------------------------------|-------------------------|
| Net Pension Liability (Asset) | \$ 10,862,173 | \$ 8,258,682 | \$ 6,028,400 |

Pension Expense - The total pension expense recognized for the year ended June 30, 2017 was \$1,844,571. Pension expense for the next 4 years will be affected by the following deferred outflows and inflows of resources:

Increase (Decrease) in Pension Expense from the Recognition of the Effects of:

| | Recognized in | | | To Be Recognized | | |
|--|---------------|-------------|-------------|------------------|-------------|--------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
| Differences between Expected nad Actual Experience | | | | | | |
| 2015 | \$ (11,626) | \$ (11,626) | \$ (11,626) | \$ (8,137) | \$ - | \$ (43,015) |
| 2016 | \$ (9,746) | \$ (9,746) | \$ (9,746) | \$ (9,746) | \$ (973) | \$ (39,957) |
| 2017 | \$ 10,171 | \$ 10,171 | \$ 10,171 | \$ 10,171 | \$ 6,104 | \$ 46,788 |
| Recognition of the Efeects of Changes in Assumptions | | | | | | |
| 2015 | \$ 278,706 | \$ 278,706 | \$ 278,706 | \$ 195,093 | \$ - | \$ 1,031,211 |
| 2016 | \$ 23,825 | \$ 23,825 | \$ 23,825 | \$ 23,825 | \$ 2,382 | \$ 97,682 |
| 2017 | \$ 36,978 | \$ 36,978 | \$ 36,978 | \$ 36,978 | \$ 22,186 | \$ 170,098 |
| Differences between Projected and Actual Earnings on pension Plan Investments | | | | | | |
| 2015 | \$ 172,693 | \$ 172,693 | \$ 172,693 | \$ - | \$ - | \$ 518,079 |
| 2016 | \$ 242,289 | \$ 242,289 | \$ 242,289 | \$ 242,291 | \$ - | \$ 969,158 |
| 2017 | \$ (57,601) | \$ (57,601) | \$ (57,601) | \$ (57,601) | \$ (57,600) | \$ (288,004) |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

D. LENGTH OF SERVICE AWARDS – Volunteer Fire Department

The town is the sponsor of a Length of Service Awards Plan (“LOSAP”) established and administered by the Town to provide pension benefits for its fire department volunteers. The LOSAP is accounted for in the Town’s financial statements in the General Fund. The program provides benefits through a single employer non-contributory defined benefit plan. To be eligible, a volunteer must have been an active member in the volunteer fire department. The plan was closed to new entrants as of October 2002.

The participants receive \$60 for up to 16 years of service.

Assets are set aside in a general investment account. The Town’s obligation to pay benefits is unfunded and unsecured and plan assets are subject to the claims of the Town’s creditors.

E. OTHER POST EMPLOYEMENT BENEFITS

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

Plan Description – The Town provides certain health care benefits for retired employees through a single-employer defined benefit plan administered by the Town of Stafford, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility Teachers and Administrators – Age 60 with 10 years of service, age 55 with 20 years of service or age 50 with 25 years of service. Upon reaching age 65 retired teachers and certified administrators must transfer coverage to Medicare and are removed from coverage.

All other BOE Employees – Age 55 with 10 years of service.

Cost Sharing Retirees pay 100% of the premium

At January 1, 2017 plan membership consisted of the following:

| | |
|---------------------|------------|
| Retired members | 11 |
| Active plan members | <u>287</u> |
| | <u>298</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Annual OPEB Cost (“AOC”) and Net OPEB Obligation (“NOO”)

Amortization Component:

| | |
|---|---------------------|
| Actuarial Accrued Liability as of January 1, 2017 | \$ 3,609,300 |
| Assets at Market Value | - |
| Unfunded Actuarial Accrued Liability ("UAAL") | <u>\$ 3,609,300</u> |
| | |
| Funded Ratio | 0.00% |
| Covered Payroll (Active plan members) | 14,848,181 |
| UAAL as a Percentage of Covered Payroll | 24.31% |
| | |
| Annual Required Contribution | \$ 421,800 |
| Interest on Net OPEB Obligation | 71,200 |
| Adjustment to Annual Required Contribution | <u>(102,600)</u> |
| Annual OPEB Cost | 390,400 |
| Contributions made | <u>17,000</u> |
| Increase in net OPEB Obligation (Asset) | 407,400 |
| Net OPEB Obligation (Asset) - Beginning of the year | <u>1,897,900</u> |
| Net OPEB Obligation (Asset) - End of the year | <u>\$ 2,305,300</u> |

Actuarial Methods and Significant Assumptions – The Town’s annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (“ARC”), an amount actuarially determined in accordance with the parameters of GASB. GASB establishes standards for the measurement, recognition and display of the expenses and liabilities for retirees; medical insurance.

The “normal cost” is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The normal cost for the plan is the total of the individual normal costs for each participant. The accrued liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

Actuarial valuation for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the assumptions and projections utilized do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations of the OPEB plan reflect a long-term perspective.

The Town is required to accrue on the government-wide financial statements the amounts necessary to finance the plan as actuarially determined, which is equal to the balance not paid by plan members.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Other actuarial methods and significant assumptions are summarized as follows:

| | |
|-----------------------|---|
| Latest Actuarial Date | January 1, 2017 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 3.58% |
| Medical Inflation | 7.5% for 2017, reducing by .05% per year to a final 4.6% for 2023 and later |
| Amortization Method | Level dollar amortization |
| Amortization | 30 years, open |
| Mortality | RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016 |
| Participation | 85% |
| Retirement | Based on percentages at differing ages |

Three-year trend information is as follows:

| Fiscal Year Ended | Annual OPEB Cost (AOC) | Actual Contributions Made | Percentage of AOC Contributed | Net OPEB Obligation (NOO) |
|-------------------------|------------------------------|---------------------------------|-------------------------------------|---------------------------------|
| 6/30/2015 | \$ 404,500 | \$ (41,100) | \$ -10% | \$ 1,519,600 |
| 6/30/2016 | \$ 396,300 | \$ 18,000 | \$ 5% | \$ 1,897,900 |
| 6/30/2017 | \$ 390,400 | \$ (17,000) | \$ -4% | \$ 2,305,300 |

Funding Progress

As of the last valuation date, January 1, 2017, the actuarial valuation plan assets was \$0. The actuarial accrued liability was \$3,609,300. The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. There is no requirement for funding and the plan has not been funded.

Schedule of Funding Progress

| Valuation Date | Actuarial Value of Assets | Accrued Liability | Unfunded Accrued Liability (UAL) | Funded Ratio | Covered Payroll | UAL as a Percentage of Covered Payroll |
|-------------------|---------------------------------|----------------------|---|-----------------|--------------------|---|
| 1/1/2017 | - | 3,609,300 | 3,609,300 | 0% | 14,848,181 | 24% |
| 1/1/2015 | - | 5,215,300 | 5,215,300 | 0% | 13,797,287 | 38% |
| 1/1/2013 | - | 4,678,000 | 4,678,000 | 0% | 14,646,621 | 32% |
| 1/1/2011 | - | 3,158,000 | 3,158,000 | 0% | 13,911,000 | 23% |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4- PENSION AND OTHER POST RETIREMENT PLANS (Continued)

Schedule of Employer Contributions

| Fiscal Year Ended | Annual Required Contribution (ARC) | Percentage Contributed |
|-------------------------|---|---------------------------|
| 6/30/2017 | 421,800 | -4.03% |
| 6/30/2016 | 417,200 | 4.31% |
| 6/30/2015 | 419,300 | -9.80% |

Current Town employees do not receive any other post-employment benefits.

NOTE 5- OTHER INFORMATION

A. LITIGATION

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

B. CONTINGENCIES

Grants - The Town has received state and federal grants for specific purposes that are subject to compliance audits pursuant to the Federal and State Single Audit Acts. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, in any, will not be material.

School Building Grants – Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, will owe a portion of the State funding back to the State.

The Town is involved in a number of civil actions and zoning matters. In the opinion of the Town attorney, the resolution of such matters should not have a significant impact on the Town.

C. RISK MANAGEMENT

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

The Town and Board of Education self-insures its employees for medical and dental claims through the use of an internal service fund. Maximum liability to the Town per covered participant is \$125,000. The Town retains an insurance policy for employee claims in excess of \$125,000. A third party administers the plan for which the Town pays an administrative fee. The plan is funded monthly by the Town and Board of Education budget appropriations and employee contributions, as required.

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5- OTHER INFORMATION (Continued)

The following is a summary of changes in claims liability for the last three years:

| Year Ended | Beginning Claims Payable | Current Year Claims | Claim Payments | Ending Claims Payable |
|---------------|--------------------------------|---------------------------|-------------------|-----------------------------|
| 2017 | \$ 348,000 | \$ 3,333,931 | \$ (3,429,931) | \$ 252,000 |
| 2016 | \$ 276,000 | \$ 4,463,164 | \$ (4,391,164) | \$ 348,000 |
| 2015 | \$ 326,000 | \$ 3,788,343 | \$ (3,838,343) | \$ 276,000 |

The internal service funds are substantially funded by the Town’s General Fund based on estimates for the number of employees and type of coverage (single, couple, or family) and trends in the insurance claims and estimates for administration. The claim liability reported in the internal service funds at June 30, 2017 are based on the requirements of GASB Statements number 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the possible loss can be reasonably estimated. The amount of claim accrual estimated is based on the ultimate cost of settling the claim which includes past experience data, inflation, other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual estimate does not include other allocated or unallocated claims adjustment expenses.

C. RISKS AND UNCERTAINTIES

The Town invests in various securities, including commercial paper, government-sponsored enterprises, and alternative investments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. The ongoing credit and liquidity crisis in the United States and throughout the global financial systems has resulted in substantial volatility in financial markets and the banking system. This and other economic events have a significant adverse impact on investment portfolios. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position and activities.

D. MOTOR VEHICLE TAX CAP

Beginning in fiscal year 2017, the State of Connecticut Office of Policy and Management (“OPM”) capped the mill rate for motor vehicle taxes. The motor vehicle mill rate cap for fiscal year 2018 will be 39 mills. The rate cap in fiscal year 2019 and thereafter will be

E. MUNICIPAL SPENDING CAP

Beginning in fiscal year 2018, OPM will impose a cap on municipal spending to limit general budget expenditures to 2.5 percent above the previous year, or the rate of inflation, whichever is greater. Exemptions to the cap include debt service, special education expenditures, expenditures for implementing court orders, arbitration awards, expenditures related to major disaster or emergency declaration, and grants distributed to a special taxing district under certain circumstances. Municipalities that increase their

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5- OTHER INFORMATION (*Continued*)

adopted budget expenditures over the previous fiscal year by an amount that exceeds the cap receive a reduced municipal revenue sharing grant.

The reduction is equal to 50 cents for every dollar the municipality spends over the cap. However, OPM may not reduce a municipality's grant in any year which its adopted budget expenditures exceed the cap by an amount proportionate to its population increase over the previous fiscal year (based on the most recent Department of Public Health population estimate). The total municipal revenue sharing grant for the Town for the year ending June 30, 2018, before any reductions, is \$41,189. This amount is subject to change based on changes in the State of Connecticut's budget.

F. GASB PRONOUNCEMENTS ISSUED, BUT NOT YET EFFECTIVE

In June 2015, the GASB issued Statement NO. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements of OPEB plans and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's

AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether the government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement

TOWN OF STAFFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5- OTHER INFORMATION (*Continued*)

are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | Actual Budgetary Basis | Variance with Final Budget |
|---|-------------------|---|-------------------|------------------------------|-------------------------------|
| | Original | Additional Appropriations and Transfers | Final | | |
| | \$ | \$ | \$ | \$ | \$ |
| REVENUES | | | | | |
| Property Taxation | | | | | |
| Property Taxes | 25,798,896 | - | 25,798,896 | 25,246,079 | (552,817) |
| Auto Tax Supplement | 220,000 | - | 220,000 | 307,423 | 87,423 |
| Prior Taxes | 550,000 | - | 550,000 | 722,903 | 172,903 |
| Suspense Collections | 3,000 | - | 3,000 | 18,301 | 15,301 |
| Interest and Lein Fees | 280,000 | - | 280,000 | 376,677 | 96,677 |
| | <u>26,851,896</u> | <u>-</u> | <u>26,851,896</u> | <u>26,671,383</u> | <u>(180,513)</u> |
| Intergovernmental - Other | | | | | |
| Tax Relief for the Elderly | 95,000 | - | 95,000 | 90,994 | (4,006) |
| In Lieu of Taxes, State Property | 4,404 | - | 4,404 | 45,593 | 41,189 |
| Municipal Revenue Sharing-Pyrm't in Lieu of Taxes | 41,189 | - | 41,189 | - | (41,189) |
| Town Aid Highways | 393,050 | - | 393,050 | 290,655 | (102,395) |
| Disability Grant | 3,000 | - | 3,000 | 2,670 | (330) |
| Local Capital Improvement Program | 111,207 | - | 111,207 | - | (111,207) |
| Nontaxpaying Hospital | 213,778 | - | 213,778 | 213,778 | - |
| Motor Vehicle Fines | 12,000 | - | 12,000 | 2,118 | (9,882) |
| Telephone Access Line Tax | 20,000 | - | 20,000 | 20,522 | 522 |
| Mashantucket Pequot Grant | 93,160 | - | 93,160 | 93,160 | - |
| Addvets Grant | 36,000 | - | 36,000 | 29,222 | (6,778) |
| Municipal Purposes & Projects | 437,917 | - | 437,917 | 437,917 | - |
| Municipal Revenue Sharing-Addt'l Sales Tax Funds | 243,095 | - | 243,095 | 243,095 | - |
| Bingo Permit Fees | 50 | - | 50 | 58 | 8 |
| Dept of Mental Health/Addiction Services | 80,000 | - | 80,000 | 80,029 | 29 |
| SDE (DCF) | 20,000 | - | 20,000 | 25,641 | 5,641 |
| Miscellaneous State Grants | 20,000 | - | 20,000 | 352,078 | 332,078 |
| State Police Grants | 102,000 | - | 102,000 | - | (102,000) |
| State Aid Grant for Senior Services | 20,000 | - | 20,000 | 25,057 | 5,057 |
| | <u>1,945,850</u> | <u>-</u> | <u>1,945,850</u> | <u>1,952,587</u> | <u>6,737</u> |
| Local Services | | | | | |
| Licenses, Fees and Permits | 10,000 | - | 10,000 | 7,100 | (2,900) |
| Town Clerk Fees | 137,000 | - | 137,000 | 190,944 | 53,944 |
| Zoning, Building, and Sanitation Fees | 200,000 | - | 200,000 | 151,905 | (48,095) |
| Service District Administration | 3,550 | - | 3,550 | - | (3,550) |
| Miscellaneous | 30,000 | - | 30,000 | 53,977 | 23,977 |
| July 4th Summerfest Revenue | 15,000 | - | 15,000 | 15,901 | 901 |
| Recycling Revenues | 30,000 | - | 30,000 | 15,206 | (14,794) |
| Constable Fees | 75,000 | - | 75,000 | 134,877 | 59,877 |
| Human Services Consultation | 127,600 | - | 127,600 | 241,941 | 114,341 |
| Housing Authority in Lieu of Taxes | 15,000 | - | 15,000 | 19,155 | 4,155 |
| Fire Marshall Revenue | 13,100 | - | 13,100 | 13,961 | 861 |
| Transfer Station Fees | 200,000 | - | 200,000 | 200,273 | 273 |
| Stafford Library Revenue | 5,000 | - | 5,000 | 4,118 | (882) |
| Town Donations Specified | 20,000 | - | 20,000 | 12,990 | (7,010) |
| Parking Violations | 1,000 | - | 1,000 | 1,075 | 75 |
| Summer Recreation | 15,000 | - | 15,000 | 18,625 | 3,625 |
| Ambulance Association Income | 482,650 | - | 482,650 | 464,175 | (18,475) |
| Zrec Income from CL&P | - | - | - | - | - |
| BOE Realized Savings from Zrec Program | - | - | - | - | - |
| | <u>1,379,900</u> | <u>-</u> | <u>1,379,900</u> | <u>1,546,223</u> | <u>166,323</u> |

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | Actual Budgetary Basis | Variance with Final Budget |
|---|-------------------|---|-------------------|------------------------------|-------------------------------|
| | Original | Additional Appropriations and Transfers | Final | | |
| Investment Income | | | | | |
| Income on Investments | \$ 25,000 | \$ - | \$ 25,000 | \$ 38,403 | \$ 13,403 |
| Intergovernmental - Education | | | | | |
| Education Cost Sharing Grant | 9,849,733 | - | 9,849,733 | 9,797,703 | (52,030) |
| Transportation | - | - | - | - | - |
| Non-Public Transportation | - | - | - | - | - |
| Adult Education | 24,930 | - | 24,930 | 26,685 | 1,755 |
| Miscellaneous Grants | - | - | - | - | - |
| | <u>9,874,663</u> | <u>-</u> | <u>9,874,663</u> | <u>9,824,388</u> | <u>(50,275)</u> |
| Tuition | | | | | |
| Tuition Received | 27,500 | - | 27,500 | 8,607 | (18,893) |
| Grants | | | | | |
| DUI Police State Grant | - | - | - | 27,569 | 27,569 |
| Speed Enforcement Grant | - | - | - | 13,418 | 13,418 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>40,987</u> | <u>40,987</u> |
| Total Revenues | <u>40,104,809</u> | <u>-</u> | <u>40,104,809</u> | <u>40,082,578</u> | <u>(22,231)</u> |
| Other Financing Sources | | | | | |
| BAN Proceeds | - | - | - | 5,990,000 | 5,990,000 |
| Premium on Bond/BANS | - | - | - | 51,659 | 51,659 |
| Transfers in | 437,425 | - | 437,425 | 1,119,907 | 682,482 |
| Total Other Financing Sources | <u>437,425</u> | <u>-</u> | <u>437,425</u> | <u>7,161,566</u> | <u>6,724,141</u> |
| Total Revenues and Other Financing Sources | <u>40,542,234</u> | <u>-</u> | <u>40,542,234</u> | <u>47,244,144</u> | <u>6,701,910</u> |
| EXPENDITURES | | | | | |
| General Government | | | | | |
| Board of Selectmen | 563,375 | (4,386) | 558,989 | 551,720 | 7,269 |
| Probate Court | 4,500 | - | 4,500 | 4,500 | - |
| IT Technology | 106,415 | - | 106,415 | 100,572 | 5,843 |
| Registrar of Voters | 46,970 | - | 46,970 | 37,981 | 8,989 |
| Town Clerk Elections | 2,250 | - | 2,250 | 506 | 1,744 |
| Board of Finance | 43,800 | - | 43,800 | 43,142 | 658 |
| Board of Assessors | 81,915 | - | 81,915 | 78,383 | 3,532 |
| Board of Assessment Appeals | 5,850 | - | 5,850 | 5,850 | - |
| Tax Collector | 79,825 | (4,365) | 75,460 | 75,046 | 414 |
| Treasurer | 95,505 | - | 95,505 | 95,169 | 336 |
| Town Counsel | 39,500 | 13,257 | 52,757 | 52,757 | - |
| Town Clerk | 86,115 | - | 86,115 | 81,093 | 5,022 |
| Buildings | 408,625 | 19,859 | 428,484 | 421,893 | 6,591 |
| Fuel Oil | 67,000 | - | 67,000 | 60,703 | 6,297 |
| Fixed Charges | 1,978,075 | 8,540 | 1,986,615 | 1,986,563 | 52 |
| Capital Outlay | 59,000 | - | 59,000 | 12,875 | 46,125 |
| Judgement and Losses | 5,000 | - | 5,000 | 4,200 | 800 |
| | <u>3,673,720</u> | <u>32,905</u> | <u>3,706,625</u> | <u>3,612,953</u> | <u>93,672</u> |
| Public Safety | | | | | |
| Safety and Protection | 66,100 | 200 | 66,300 | 58,969 | 7,331 |
| Fire Marshall | 70,870 | - | 70,870 | 69,440 | 1,430 |
| Police Protection | 850,955 | 40,300 | 891,255 | 833,335 | 57,920 |
| Fire and Ambulance Service | 1,010,513 | - | 1,010,513 | 991,301 | 19,212 |
| | <u>1,998,438</u> | <u>40,500</u> | <u>2,038,938</u> | <u>1,953,045</u> | <u>85,893</u> |

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | Actual Budgetary Basis | Variance with Final Budget |
|--|-------------------|---|-------------------|------------------------------|-------------------------------|
| | Original | Additional Appropriations and Transfers | Final | | |
| Health | \$ | \$ | \$ | \$ | \$ |
| Building Department/Zoning/Wetlands | 219,970 | - | 219,970 | 196,031 | 23,939 |
| Transfer Station Operations | 483,140 | 65,565 | 548,705 | 496,405 | 52,300 |
| Health District/Health Services | 55,485 | 379 | 55,864 | 55,864 | - |
| | <u>758,595</u> | <u>65,944</u> | <u>824,539</u> | <u>748,300</u> | <u>76,239</u> |
| Highways and Bridges | | | | | |
| General Highways | 1,781,105 | 33,299 | 1,814,404 | 1,676,690 | 137,714 |
| Town Aid Road | 393,050 | (19,094) | 373,956 | 268,549 | 105,407 |
| | <u>2,174,155</u> | <u>14,205</u> | <u>2,188,360</u> | <u>1,945,239</u> | <u>243,121</u> |
| Parks and Recreation | | | | | |
| Recreation Commission | 96,410 | 15,378 | 111,788 | 107,271 | 4,517 |
| Community Center | 180,000 | (9,236) | 170,764 | 163,032 | 7,732 |
| Parks | 426,840 | 2,915 | 429,755 | 405,752 | 24,003 |
| Holidays | 27,500 | 2,000 | 29,500 | 29,122 | 378 |
| | <u>730,750</u> | <u>11,057</u> | <u>741,807</u> | <u>705,177</u> | <u>36,630</u> |
| Sundry | | | | | |
| Arts Commission | 7,500 | - | 7,500 | 7,358 | 142 |
| Pollution Abatement | 5,000 | - | 5,000 | - | 5,000 |
| Stafford Family Services | 264,670 | - | 264,670 | 224,540 | 40,130 |
| SDE | 20,000 | - | 20,000 | 18,239 | 1,761 |
| DMHAS | 80,000 | - | 80,000 | 79,839 | 161 |
| School Security Grant | - | - | - | - | - |
| | <u>377,170</u> | <u>-</u> | <u>377,170</u> | <u>329,976</u> | <u>47,194</u> |
| Planning and Zoning | | | | | |
| Economic Development Commission | 5,000 | - | 5,000 | 3,505 | 1,495 |
| Conservation Commission | 1,983 | - | 1,983 | 1,838 | 145 |
| | <u>6,983</u> | <u>-</u> | <u>6,983</u> | <u>5,343</u> | <u>1,640</u> |
| Education | | | | | |
| Board of Education | 27,373,424 | - | 27,373,424 | 27,316,815 | 56,609 |
| Total Education | <u>27,373,424</u> | <u>-</u> | <u>27,373,424</u> | <u>27,316,815</u> | <u>56,609</u> |
| Stafford Public Library | 534,435 | (4,175) | 530,260 | 520,692 | 9,568 |
| | | - | - | - | - |
| Debt Service | 2,182,064 | - | 2,182,064 | 2,481,628 | (299,564) |
| | | - | - | - | - |
| Total Expenditures | <u>39,809,734</u> | <u>160,436</u> | <u>39,970,170</u> | <u>39,619,168</u> | <u>351,002</u> |
| Other Financing Uses | | | | | |
| Retirement of BAN | - | - | - | 6,490,000 | (6,490,000) |
| Transfers Out | 107,500 | 312,508 | 420,008 | 449,507 | (29,499) |
| Total Other Financing Uses | <u>107,500</u> | <u>312,508</u> | <u>420,008</u> | <u>6,939,507</u> | <u>(6,519,499)</u> |
| Total Expenditures and Other Financing Uses | <u>39,917,234</u> | <u>472,944</u> | <u>40,390,178</u> | <u>46,558,675</u> | <u>(6,168,497)</u> |
| Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis | <u>625,000</u> | <u>(472,944)</u> | <u>152,056</u> | <u>685,469</u> | <u>(533,413)</u> |

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
YEAR ENDING JUNE 30, 2017

| | Budgeted Amounts | | | Actual Budgetary Basis | Variance with Final Budget |
|--|-------------------|---|-------------------|------------------------------|-------------------------------|
| | Original | Additional Appropriations and Transfers | Final | | |
| | Original | Additional Appropriations and Transfers | Final | | |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures - Budgetary Basis | \$ <u>625,000</u> | \$ <u>(472,944)</u> | \$ <u>152,056</u> | 685,469 | \$ <u>(533,413)</u> |
| Adjustments to Generally Accepted Accounting Principles (GAAP): | | | | | |
| Payments on Behalf of the Town not Recorded on a Budgetary Basis: | | | | | |
| Revenues from Teachers' Retirement | | | | 4,470,300 | |
| Expenditures for Teachers' Retirement | | | | (4,470,300) | |
| Encumbrances recorded on Budget Basis, but not on the Modified Accrual Basis | | | | 703,736 | |
| Previous Year Encumbrances recorded on Modified Accrual Basis, but not the Budget Basis | | | | (711,300) | |
| Town Aid Road expenditures transferred to TAR Fund | | | | | |
| Revenues | | | | (290,655) | |
| Expenditures | | | | 290,655 | |
| Funds combined for GAAP financial reporting purposes | | | | | |
| Compensation Fund | | | | (2,583) | |
| Town Hall | | | | (50,692) | |
| Zoning Subdivision | | | | 11 | |
| Excess Cost Grant | | | | (10,479) | |
| Blight Fund | | | | (3,188) | |
| Volunteer Firemen Pension Fund, net activities | | | | <u>(12,261)</u> | |
| Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - GAAP Basis (Exhibit 4) | | | | \$ <u>598,713</u> | |

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with General Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. Revenues and expenditures from capital leasing and for renewing long-term debt are included in the budget as the net revenue or expenditure expected; 3. Encumbrances are treated as expenditures against the budget in the year committed; 4. Payroll is budgeted on a cash basis; 5. Revenues and expenditures from consolidated fund activities are not included in the general Fund budget.

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF STAFFORD EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SINCE INCEPTION OF GASB 67/68

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| Town of Stafford Employee Retirement Plan | | | | | |
| Total Pension Liability | | | | | |
| Service cost | \$ 550,954 | \$ 542,211 | \$ 542,549 | \$ 512,523 | \$ 492,262 |
| Interest on total pension liability | 1,523,912 | 1,487,985 | 1,382,927 | 1,293,404 | 1,204,573 |
| Changes of benefit terms | 41,906 | - | - | - | - |
| Differences between expected and actual experience | 46,788 | (49,703) | (66,267) | - | - |
| Assumption changes or inputs | 170,098 | 121,507 | 1,588,623 | - | - |
| Benefit payments | (918,329) | (811,997) | (723,969) | (613,462) | (523,580) |
| Net change in total pension liability | 1,415,329 | 1,290,003 | 2,723,863 | 1,192,465 | 1,173,255 |
| Total pension liability, beginning | 21,670,618 | 20,380,615 | 17,656,762 | 16,464,297 | 15,291,042 |
| Total pension liability, ending | 23,085,947 | 21,670,618 | 20,380,625 | 17,656,762 | 16,464,297 |
| Fiduciary Net Position | | | | | |
| Employer contributions | 1,113,284 | 1,129,644 | 1,062,864 | 1,032,997 | 998,804 |
| Employee contributions | - | - | - | - | - |
| Net investment income (loss) | 1,270,537 | (195,801) | 182,471 | 1,462,811 | 745,682 |
| Benefit payments | (918,329) | (811,997) | (723,969) | (613,462) | (523,580) |
| Administrative expenses | (24,643) | (26,714) | (36,112) | (20,451) | (13,899) |
| Net change in plan fiduciary net position | 1,440,849 | 95,132 | 485,254 | 1,861,895 | 1,207,007 |
| Fiduciary net position, beginning | 13,386,416 | 13,291,284 | 12,806,030 | 10,944,135 | 9,737,128 |
| Fiduciary net position, ending | 14,827,265 | 13,386,416 | 13,291,284 | 12,806,030 | 10,944,135 |
| Net pension liability, ending | \$ 8,258,682 | \$ 8,284,202 | \$ 7,089,341 | \$ 4,850,732 | \$ 5,520,162 |
| Fiduciary net position as a % of total pension liability | 64.23% | 61.77% | 65.22% | 72.53% | 66.47% |
| Covered payroll | \$ 5,578,904 | \$ 5,672,766 | \$ 6,082,745 | \$ 5,815,088 | \$ 5,851,121 |
| Net pension liability as a % of covered payroll | 148.03% | 146.03% | 116.55% | 83.42% | 94.34% |

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF STAFFORD EMPLOYEE RETIREMENT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
SINCE INCEPTION OF GASB 67/68

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|--------------------|------------------|------------------|
| Actuarially determined contribution | \$ 1,111,296 | \$ 1,109,486 | \$ 1,062,864 | \$ 1,032,997 |
| Contributions in relation to the actuarially determined contribution | <u>1,113,284</u> | <u>1,129,644</u> | <u>1,062,864</u> | <u>1,032,997</u> |
| Contribution deficiency (excess) | \$ <u>(1,988)</u> | \$ <u>(20,158)</u> | \$ <u>-</u> | \$ <u>-</u> |
| Covered employee payroll | \$ 5,578,904 | \$ 5,672,766 | \$ 6,082,745 | \$ 5,815,088 |
| Contributions as a percentage of covered employee payroll | 19.96% | 19.91% | 17.47% | 17.76% |

Notes to Schedule

Valuation Date Actuarially determined contribution rates are calculated as of January 1, eighteen months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial cost method | GASB liability: Entry Age |
| | ADEC: Projected Unit Credit |
| Amortization method | Level percent |
| Remaining amortization period | 30 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 4.00% |
| Investment rate of return | 7.25% |
| Retirement age | Early retirement - 55, Normal retirement - 65 |
| Mortality | RP-2000 mortality table, projected to the valuation date with Sca |

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
TOWN OF STAFFORD EMPLOYEE RETIREMENT PLAN
SCHEDULE OF ANNUAL MONEY-WEIGHTED RATE OF RETURN
SINCE INCEPTION OF GASB 67/68

| Fiscal Year | Net |
|--------------------|-----------------------|
| Ending | Money-Weighted |
| June 30 | Rate of Return |
| 2017 | 9.21% |
| 2016 | -1.42% |
| 2015 | 1.38% |
| 2014 | 12.68% |
| 2013 | N/A |
| 2012 | N/A |
| 2011 | N/A |
| 2010 | N/A |
| 2009 | N/A |
| 2008 | N/A |

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF FUNDING PROGRESS
LAST FOUR VALUATIONS

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL | Funded Ratio | Covered Payroll | Unfunded Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|---|-----------------|-----------------|--------------------|---|
| 1/1/2017 | \$ - | \$ 3,609,300 | \$ 3,609,300 | 0.00% | \$ 14,848,181 | 24.31% |
| 1/1/2015 | \$ - | \$ 5,215,300 | \$ 5,215,300 | 0.00% | \$ 13,797,287 | 37.80% |
| 1/1/2013 | \$ - | \$ 4,678,000 | \$ 4,678,000 | 0.00% | \$ 14,646,621 | 31.94% |
| 1/1/2011 | \$ - | \$ 3,158,000 | \$ 3,158,000 | 0.00% | \$ 13,911,000 | 22.70% |

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST SIX FISCAL YEARS

| <u>Fiscal Year Ended</u> | <u>Annual Required Contribution</u> | <u>Annual Contribution</u> | <u>Percentage Contributed</u> |
|----------------------------------|---|--------------------------------|-----------------------------------|
| 6/30/2017 | \$ 421,800 | \$ (17,000) | -4.03% |
| 6/30/2016 | \$ 417,200 | \$ 18,000 | 4.31% |
| 6/30/2015 | \$ 419,300 | \$ (41,100) | -9.80% |
| 6/30/2014 | \$ 413,600 | \$ 66,000 | 15.96% |
| 6/30/2013 | \$ 316,100 | \$ 266,800 | 84.40% |
| 6/30/2012 | \$ 310,900 | \$ 289,100 | 92.99% |

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

TOWN OF STAFFORD, CONNECTICUT
REQUIRED SUPPLEMENTARY INFORMATION
CONNECTICUT TEACHERS' RETIREMENT SYSTEM

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|-------------------|
| Schedule of Changes in Net Pension Liability and Related Ratios | | | |
| Since Inception of GASB 67/68 | | | |
| Town's percentage of collective net pension liability | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the collective net pension liability | \$ - | \$ - | \$ - |
| State's proportionate share of the collective net pension liability associated with the employer | \$ <u>40,991,768</u> | \$ <u>33,046,392</u> | <u>30,544,767</u> |
| Total proportionate share of the collective net pension liability | \$ <u>40,991,768</u> | \$ <u>33,046,392</u> | <u>30,544,767</u> |
| Employer covered payroll | \$ <u>11,349,028</u> | \$ <u>12,238,511</u> | <u>11,524,012</u> |
| Employer proportionate share of the collective net pension liability as a % of covered payroll | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a % of total pension liability | 52.20% | 59.50% | 61.51% |
| Schedule of Employer Contributions | | | |
| Since Inception of GASB 67/68 | | | |
| Contractually required Town contribution | \$ - | \$ - | - |

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

Notes to Schedule

| | |
|-------------------------------|--|
| Changes in benefit term | None |
| Changes in assumptions | In 2011, rates of withdrawal, retirement and assumed rates of salary increase were adjusted as recommended by the Experience Study for the System. |
| Actuarial cost method | Entry Age |
| Amortization method | Level percent of salary, closed |
| Remaining amortization period | 17.6 years |
| Asset valuation method | 4 year smoothed market |
| Investment rate of return | 8.0% net of investment expense, including inflation |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING FUND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
GENERAL FUND – SUB FUNDS
JUNE 30, 2017

| | General Fund | Compensation Fund | Town Hall Fund | Zoning Subdivision Fund | Excess Cost Fund | Blight Fund | Interfund Elimination | Total Consolidated General Fund |
|---|----------------------|-------------------|------------------|-------------------------|-------------------|------------------|-----------------------|---------------------------------|
| ASSETS | | | | | | | | |
| Cash and equivalents | \$ 5,591,992 | \$ 29,755 | \$ 44,931 | \$ 22,645 | \$ 719,626 | \$ 31,150 | \$ - | \$ 6,440,099 |
| Investments | 13,086 | - | - | - | - | - | - | 13,086 |
| Taxes receivable, net of allowance for uncollectible amounts | 1,494,110 | - | - | - | - | - | - | 1,494,110 |
| Other receivables | | | | | | | | |
| Accounts | 187,940 | - | - | - | - | - | - | 187,940 |
| Intergovernmental | 152,516 | - | - | - | - | - | - | 152,516 |
| Due from other funds | 2,921,091 | 20,000 | - | - | - | - | (24,225) | 2,916,866 |
| Deposit on equipment lease | 1,593 | - | - | - | - | - | - | 1,593 |
| Total Assets | \$ 10,362,328 | \$ 49,755 | \$ 44,931 | \$ 22,645 | \$ 719,626 | \$ 31,150 | \$ (24,225) | \$ 11,206,210 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 861,611 | \$ - | \$ 3,704 | \$ - | \$ - | \$ - | \$ - | \$ 865,315 |
| Accrued payroll and related | 44,723 | - | - | - | - | - | - | 44,723 |
| Due to other funds | 1,041,154 | - | 4,195 | - | - | 30 | (24,225) | 1,021,154 |
| Unearned revenue | 711,027 | - | - | - | - | - | - | 711,027 |
| Total Liabilities | 2,658,515 | - | 7,899 | - | - | 30 | (24,225) | 2,642,219 |
| Deferred Inflows of Resources | | | | | | | | |
| Unavailable revenues | 1,194,498 | - | - | - | - | - | - | 1,194,498 |
| Total Deferred Inflows of Resources | 1,194,498 | - | - | - | - | - | - | 1,194,498 |
| Fund Balances (Deficits) | | | | | | | | |
| Restricted | 13,086 | - | - | - | - | - | - | 13,086 |
| Assigned | 850,736 | 49,755 | 37,032 | 22,645 | - | 31,120 | - | 991,288 |
| Unassigned | 5,645,493 | - | - | - | 719,626 | - | - | 6,365,119 |
| Total Fund Balances | 6,509,315 | 49,755 | 37,032 | 22,645 | 719,626 | 31,120 | - | 7,369,493 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 10,362,328 | \$ 49,755 | \$ 44,931 | \$ 22,645 | \$ 719,626 | \$ 31,150 | \$ (24,225) | \$ 11,206,210 |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES
GENERAL FUND – SUB FUNDS
JUNE 30, 2017

| | General Fund | Compensation Fund | Town Hall Fund | Zoning Subdivision Fund | Excess Cost Grant Fund | Blight Fund | Interfund Elimination | Total Consolidated General Fund |
|---|---------------------|-------------------|------------------|-------------------------|------------------------|------------------|-----------------------|---------------------------------|
| REVENUES | | | | | | | | |
| Taxes | \$ 26,671,383 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 26,671,383 |
| Intergovernmental | 16,288,262 | - | - | - | 326,592 | - | - | 16,614,854 |
| Local sources | 1,554,831 | - | - | - | - | 2,000 | - | 1,556,831 |
| Interest income | 38,972 | 92 | 39 | 11 | 354 | 15 | - | 39,483 |
| Total Revenues | <u>44,553,448</u> | <u>92</u> | <u>39</u> | <u>11</u> | <u>326,946</u> | <u>2,015</u> | <u>-</u> | <u>44,882,551</u> |
| EXPENDITURES | | | | | | | | |
| Current | | | | | | | | |
| General government | 3,619,168 | 22,675 | - | - | - | 5,203 | - | 3,647,046 |
| Public safety | 1,958,632 | - | - | - | - | - | - | 1,958,632 |
| Health and social services | 705,106 | - | - | - | - | - | - | 705,106 |
| Public works | 2,020,924 | - | - | - | - | - | - | 2,020,924 |
| Parks and recreation | 706,714 | - | - | - | - | - | - | 706,714 |
| Planning and zoning | 5,343 | - | - | - | - | - | - | 5,343 |
| Sundry | 849,277 | - | - | - | - | - | - | 849,277 |
| Education | 31,763,071 | - | - | - | - | - | - | 31,763,071 |
| Debt service | 2,481,628 | - | - | - | - | - | - | 2,481,628 |
| Capital outlay | - | - | 50,731 | - | - | - | - | 50,731 |
| Total Expenditures | <u>44,109,863</u> | <u>22,675</u> | <u>50,731</u> | <u>-</u> | <u>-</u> | <u>5,203</u> | <u>-</u> | <u>44,188,472</u> |
| Excess (deficiency) of Revenues Over Expenditures | <u>443,585</u> | <u>(22,583)</u> | <u>(50,692)</u> | <u>11</u> | <u>326,946</u> | <u>(3,188)</u> | <u>-</u> | <u>694,079</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | 1,119,907 | 20,000 | - | - | - | - | (357,425) | 782,482 |
| Transfers out | (449,507) | - | - | - | (337,425) | - | 357,425 | (429,507) |
| Issuance of long term debt | 5,990,000 | - | - | - | - | - | - | 5,990,000 |
| Payment on BANS | (6,490,000) | - | - | - | - | - | - | (6,490,000) |
| Premium on financing | 51,659 | - | - | - | - | - | - | 51,659 |
| Total Other Financing Sources (Uses) | <u>222,059</u> | <u>20,000</u> | <u>-</u> | <u>-</u> | <u>(337,425)</u> | <u>-</u> | <u>-</u> | <u>(95,366)</u> |
| Net Changes in Fund Balances | 665,644 | (2,583) | (50,692) | 11 | (10,479) | (3,188) | - | 598,713 |
| Fund Balances - Beginning of Year, restated | <u>5,843,671</u> | <u>52,338</u> | <u>87,724</u> | <u>22,634</u> | <u>730,105</u> | <u>34,308</u> | <u>-</u> | <u>6,770,780</u> |
| Fund Balances - End of Year | \$ <u>6,509,315</u> | \$ <u>49,755</u> | \$ <u>37,032</u> | <u>22,645</u> | \$ <u>719,626</u> | \$ <u>31,120</u> | \$ <u>-</u> | \$ <u>7,369,493</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Other Governmental Funds |
|---|-----------------------------|------------------------------|--------------------|--------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | | |
| Cash and equivalents | \$ 1,956,657 | \$ 1,085,873 | \$ 105,986 | \$ 3,148,516 |
| Investments | 267,301 | - | 496,629 | 763,930 |
| Taxes receivable, net of allowance for uncollectible amounts | 30,552 | - | - | 30,552 |
| Other receivables | | | | |
| Accounts | 391,400 | - | - | 391,400 |
| Intergovernmental | 61,265 | - | - | 61,265 |
| Special assessments | 124,408 | - | - | 124,408 |
| Due from other funds | - | 258,843 | 109 | 258,952 |
| Inventories | 11,667 | - | - | 11,667 |
| Total Assets | <u>\$ 2,843,250</u> | <u>\$ 1,344,716</u> | <u>\$ 602,724</u> | <u>\$ 4,790,690</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 40,730 | \$ - | \$ - | \$ 40,730 |
| Due to other funds | 1,866,601 | 450,291 | 12,516 | 2,329,408 |
| Unearned revenue | 20,837 | - | - | 20,837 |
| Total Liabilities | <u>1,928,168</u> | <u>450,291</u> | <u>12,516</u> | <u>2,390,975</u> |
| Deferred inflows of resources | | | | |
| Unavailable revenues | 28,408 | - | - | 28,408 |
| Total Deferred Inflows of Resources | <u>28,408</u> | <u>-</u> | <u>-</u> | <u>28,408</u> |
| Fund balances | | | | |
| Nonspendable | 11,667 | - | 188,280 | 199,947 |
| Restricted | 263,791 | - | 401,928 | 665,719 |
| Committed | - | 894,425 | - | 894,425 |
| Assigned | 611,216 | - | - | 611,216 |
| Total Fund Balances | <u>886,674</u> | <u>894,425</u> | <u>590,208</u> | <u>2,371,307</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | | | | |
| | <u>\$ 2,843,250</u> | <u>\$ 1,344,716</u> | <u>\$ 602,724</u> | <u>\$ 4,790,690</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2017

| | Special Revenue Funds | Capital Projects Funds | Permanent Funds | Total Other Governmental Funds |
|--|-----------------------------|------------------------------|--------------------|--------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 385,879 | \$ - | \$ - | \$ 385,879 |
| Intergovernmental | 766,885 | 500,000 | - | 1,266,885 |
| Local sources | 1,084,612 | 100,000 | 30,216 | 1,214,828 |
| Investment income | 2,051 | 1,045 | 114,944 | 118,040 |
| Total Revenues | <u>2,239,427</u> | <u>601,045</u> | <u>145,160</u> | <u>2,985,632</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Governemnt | 1,580,081 | - | - | 1,580,081 |
| Public safety | 21,883 | - | - | 21,883 |
| Public works | 645,434 | - | - | 645,434 |
| Park and recreation | - | - | 52,899 | 52,899 |
| Sundry | 11,292 | - | 20,736 | 32,028 |
| Education | 629,289 | - | - | 629,289 |
| Capital outlay | - | 1,519,284 | - | 1,519,284 |
| Total Expenditures | <u>2,887,979</u> | <u>1,519,284</u> | <u>73,635</u> | <u>4,480,898</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(648,552)</u> | <u>(918,239)</u> | <u>71,525</u> | <u>(1,495,266)</u> |
| OTHER FINANCING SOURCES (USUES) | | | | |
| Transfers In | 3,569 | 125,938 | - | 129,507 |
| Transfers Out | - | (782,482) | - | (782,482) |
| Total Other Financing Sources (Uses) | <u>3,569</u> | <u>(656,544)</u> | <u>-</u> | <u>(652,975)</u> |
| Net Changes in Fund Balances | (644,983) | (1,574,783) | 71,525 | (2,148,241) |
| Fund Balances - Beginning of Year | <u>1,531,657</u> | <u>2,469,208</u> | <u>518,683</u> | <u>4,519,548</u> |
| Fund Balances - End of Year | <u>\$ 886,674</u> | <u>\$ 894,425</u> | <u>\$ 590,208</u> | <u>\$ 2,371,307</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | Dog Fund | School Cafeteria Fund | Town Aid Road Fund | Sewer Assessment Fund | Town Commissions Fund | Preservation Management of Historic Docs. Fund |
|--|------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|---|
| ASSETS | | | | | | |
| Cash and Equivalents | \$ 59,396 | \$ 91,255 | \$ 1,043,140 | \$ 47,232 | \$ 4,393 | \$ 17,925 |
| Investments | - | - | - | - | - | - |
| Taxes Receivable, Net of Allowance for Uncollectible Amounts | - | - | - | - | - | - |
| Other Receivables | | | | | | |
| Accounts | - | 2,887 | - | - | - | 408 |
| Intergovernmental | - | 61,265 | - | - | - | - |
| Special Assessments | - | - | - | 124,408 | - | - |
| Due from Other Funds | - | - | - | - | - | - |
| Inventories | - | 11,667 | - | - | - | - |
| Total Assets | <u>\$ 59,396</u> | <u>\$ 167,074</u> | <u>\$ 1,043,140</u> | <u>\$ 171,640</u> | <u>\$ 4,393</u> | <u>\$ 18,333</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | \$ 239 | \$ 16,107 | \$ - | \$ - | \$ - | \$ - |
| Due to Other Funds | 4,265 | 36,567 | 290,655 | - | 25 | 8,787 |
| Unearned revenue | - | - | - | - | - | - |
| Total Liabilities | <u>4,504</u> | <u>52,674</u> | <u>290,655</u> | <u>-</u> | <u>25</u> | <u>8,787</u> |
| Deferred Inflows of Resources | | | | | | |
| Unavaible Revenues | - | - | - | - | - | - |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | | | | |
| Nonspendable | - | 11,667 | - | - | - | - |
| Restricted | 54,892 | - | 752,485 | - | - | 9,546 |
| Assigned | - | 102,733 | - | 171,640 | 4,368 | - |
| Total Fund Balances | <u>54,892</u> | <u>114,400</u> | <u>752,485</u> | <u>171,640</u> | <u>4,368</u> | <u>9,546</u> |
| Total Liabilities, Deferred Inflows of of Resources and Fund Balances | <u>\$ 59,396</u> | <u>\$ 167,074</u> | <u>\$ 1,043,140</u> | <u>\$ 171,640</u> | <u>\$ 4,393</u> | <u>\$ 18,333</u> |

(continued)

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | Stafford Service District Fund | Open Space Fund | W.H. Heald Trust Fund | Utility Fund | Total Special Revenue Funds |
|--|--------------------------------------|-----------------------|-----------------------------|-------------------|-----------------------------------|
| ASSETS | | | | | |
| Cash and Equivalents | \$ 351,712 | \$ 19,298 | \$ 13,392 | \$ 308,914 | \$ 1,956,657 |
| Investments | 106,081 | - | 161,220 | - | 267,301 |
| Taxes Receivable, Net of Allowance for Uncollectible Amounts | 30,552 | - | - | - | 30,552 |
| Other Receivables | | | | | - |
| Accounts | - | - | - | 388,105 | 391,400 |
| Intergovernmental | - | - | - | - | 61,265 |
| Special Assessments | - | - | - | - | 124,408 |
| Due From other Funds | - | - | - | - | - |
| Inventories | - | - | - | - | 11,667 |
| Total Assets | <u>\$ 488,345</u> | <u>\$ 19,298</u> | <u>\$ 174,612</u> | <u>\$ 697,019</u> | <u>\$ 2,843,250</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 24,384 | \$ - | \$ - | \$ - | \$ 40,730 |
| Due to Other Funds | 82,241 | - | 14,513 | 1,429,548 | 1,866,601 |
| Unearned revenue | 20,837 | - | - | - | 20,837 |
| Total Liabilities | <u>127,462</u> | <u>-</u> | <u>14,513</u> | <u>1,429,548</u> | <u>1,928,168</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenues | 28,408 | - | - | - | 28,408 |
| Total Deferred Inflows of Resources | <u>28,408</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,408</u> |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | | 11,667 |
| Restricted | - | 19,298 | 160,099 | (732,529) | 263,791 |
| Assigned | 332,475 | - | - | - | 611,216 |
| Total Fund Balances | <u>332,475</u> | <u>19,298</u> | <u>160,099</u> | <u>(732,529)</u> | <u>886,674</u> |
| Total Liabilities, Deferred Inflows of of Resources and Fund Balances | <u>\$ 488,345</u> | <u>\$ 19,298</u> | <u>\$ 174,612</u> | <u>\$ 697,019</u> | <u>\$ 2,843,250</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | Dog Fund | School Cafeteria Fund | Town Aid Road Fund | Sewer Assessment Fund | Town Commissions Fund | Preservation Management of Historic Docs. Fund |
|--|------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|---|
| REVENUES | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | 360 | 354,530 | 392,749 | - | - | 4,000 |
| Local sources | 22,731 | 281,264 | - | - | 50 | 4,982 |
| Investment income | 9 | 45 | 440 | 94 | 2 | 7 |
| Total Revenues | <u>23,100</u> | <u>635,839</u> | <u>393,189</u> | <u>94</u> | <u>52</u> | <u>8,989</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General Government | - | - | - | - | - | - |
| Public safety | 21,883 | - | - | - | - | - |
| Public works | - | - | 290,655 | - | - | - |
| Sundry | - | - | - | - | 25 | 11,267 |
| Education | - | 612,901 | - | - | - | - |
| Total Expenditures | <u>21,883</u> | <u>612,901</u> | <u>290,655</u> | <u>-</u> | <u>25</u> | <u>11,267</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>1,217</u> | <u>22,938</u> | <u>102,534</u> | <u>94</u> | <u>27</u> | <u>(2,278)</u> |
| OTHER FINANCING SOURCES (USUES) | | | | | | |
| Transfers In | <u>3,569</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Changes in Fund Balances | 4,786 | 22,938 | 102,534 | 94 | 27 | (2,278) |
| Fund Balances - Beginning of Year | <u>50,106</u> | <u>91,462</u> | <u>649,951</u> | <u>171,546</u> | <u>4,341</u> | <u>11,824</u> |
| Fund Balances - End of Year | <u>\$ 54,892</u> | <u>\$ 114,400</u> | <u>\$ 752,485</u> | <u>\$ 171,640</u> | <u>\$ 4,368</u> | <u>\$ 9,546</u> |

(continued)

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
JUNE 30, 2017

| | Stafford Service District Fund | Open Space Fund | W.H. Heald Trust Fund | Utility Fund | Total Special Revenue Funds |
|--|--------------------------------------|-----------------------|-----------------------------|---------------------|-----------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 385,879 | \$ - | \$ - | \$ - | \$ 385,879 |
| Intergovernmental | 15,246 | - | - | - | 766,885 |
| Local Sources | - | 500 | 9,288 | 765,797 | 1,084,612 |
| Investment Income | 896 | 10 | 525 | 23 | 2,051 |
| Total Revenues | <u>402,021</u> | <u>510</u> | <u>9,813</u> | <u>765,820</u> | <u>2,239,427</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | - | 1,580,081 | 1,580,081 |
| Public Safety | - | - | - | - | 21,883 |
| Public Works | 354,779 | - | - | - | 645,434 |
| Sundry | - | - | - | - | 11,292 |
| Education | - | - | 16,388 | - | 629,289 |
| Total Expenditures | <u>354,779</u> | <u>-</u> | <u>16,388</u> | <u>1,580,081</u> | <u>2,887,979</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>47,242</u> | <u>510</u> | <u>(6,575)</u> | <u>(814,261)</u> | <u>(648,552)</u> |
| OTHER FINANCING SOURCES (USUES) | | | | | |
| Transfers In | - | - | - | - | 3,569 |
| Net Changes in Fund Balances | 47,242 | 510 | (6,575) | (814,261) | (644,983) |
| Fund Balances - Beginning of Year | <u>285,233</u> | <u>18,788</u> | <u>166,674</u> | <u>81,732</u> | <u>1,531,657</u> |
| Fund Balances - End of Year | <u>\$ 332,475</u> | <u>\$ 19,298</u> | <u>\$ 160,099</u> | <u>\$ (732,529)</u> | <u>\$ 886,674</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2017

| | WPCF Upgrade Fund | Staffordville Dam Repair Fund | Fire Dept. Equipment Fund | School Facilities Capital Improvement Fund |
|--------------------------------------|-------------------------|-------------------------------------|---------------------------------|--|
| ASSETS | | | | |
| Cash and Equivalents | \$ 163,580 | \$ 52,045 | \$ 2,120 | \$ 109,031 |
| Due from Other Funds | 18,905 | 45,500 | - | 194,438 |
| Total Assets | <u>182,485</u> | <u>97,545</u> | <u>2,120</u> | <u>303,469</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | 161,168 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>161,168</u> |
| Fund balances | | | | |
| Restricted | - | - | - | - |
| Committed | 182,485 | 97,545 | 2,120 | 142,301 |
| Total Fund Balances | <u>182,485</u> | <u>97,545</u> | <u>2,120</u> | <u>142,301</u> |
| Total Liabilities and Fund Balances | <u>\$ 182,485</u> | <u>\$ 97,545</u> | <u>\$ 2,120</u> | <u>\$ 303,469</u> |

(continued)

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS
JUNE 30, 2017

| | Energy Improvements Fund | Sewer Inflow & Infiltration Fund | Combined Utility Project Fund | Total Capital Projects Funds |
|--------------------------------------|--------------------------------|--|-------------------------------------|------------------------------------|
| ASSETS | | | | |
| Cash and Equivalents | \$ - | \$ 430,584 | \$ 328,513 | \$ 1,085,873 |
| Due from Other Funds | - | - | - | 258,843 |
| Total Assets | <u>-</u> | <u>430,584</u> | <u>328,513</u> | <u>1,344,716</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | 40,887 | 248,236 | 450,291 |
| Total Liabilities | <u>-</u> | <u>40,887</u> | <u>248,236</u> | <u>450,291</u> |
| Fund balances | | | | |
| Restricted | - | - | - | - |
| Committed | - | 389,697 | 80,277 | 894,425 |
| Total Fund Balances | <u>-</u> | <u>389,697</u> | <u>80,277</u> | <u>894,425</u> |
| Total Liabilities and Fund Balances | <u>\$ -</u> | <u>\$ 430,584</u> | <u>\$ 328,513</u> | <u>1,344,716</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
JUNE 30, 2017

| | WPCF Upgrade Fund | Staffordville Dam Repair Fund | Fire Dept. Equipment Fund | School Facilities Capital Improvement Fund |
|--|-------------------------|-------------------------------------|---------------------------------|--|
| REVENUES | | | | |
| Investment Income | \$ 23 | \$ 29 | \$ - | \$ 22 |
| Local Sources | 100,000 | - | - | - |
| Intergovernmental | - | - | - | - |
| Total Revenues | <u>100,023</u> | <u>29</u> | <u>-</u> | <u>22</u> |
| EXPENDITURES | | | | |
| Capital Outlay | <u>-</u> | <u>4,125</u> | <u>-</u> | <u>79,185</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>100,023</u> | <u>(4,096)</u> | <u>-</u> | <u>(79,163)</u> |
| OTHER FINANCING SOURCES (USUES) | | | | |
| Transfers In | - | 45,500 | - | 80,438 |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>45,500</u> | <u>-</u> | <u>80,438</u> |
| Net Changes in Fund Balances | 100,023 | 41,404 | - | 1,275 |
| Fund Balances - Beginning of Year | <u>82,462</u> | <u>56,141</u> | <u>2,120</u> | <u>141,026</u> |
| Fund Balances - End of Year | <u>\$ 182,485</u> | <u>\$ 97,545</u> | <u>\$ 2,120</u> | <u>\$ 142,301</u> |

(continued)

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
JUNE 30, 2017

| | Energy Improvements Fund | Sewer Inflow & Infiltration Fund | Combined Utility Project Fund | Total Capital Projects Funds |
|--|--------------------------------|--|-------------------------------------|------------------------------------|
| REVENUES | | | | |
| Investment Income | \$ 12 | \$ 238 | \$ 721 | \$ 1,045 |
| Local Sources | - | - | - | 100,000 |
| Intergovernmental | - | - | 500,000 | 500,000 |
| Total Revenues | <u>12</u> | <u>238</u> | <u>500,721</u> | <u>601,045</u> |
| EXPENDITURES | | | | |
| Capital Outlay | <u>-</u> | <u>40,887</u> | <u>1,395,087</u> | <u>1,519,284</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>12</u> | <u>(40,649)</u> | <u>(894,366)</u> | <u>(918,239)</u> |
| OTHER FINANCING SOURCES (USUES) | | | | |
| Transfers In | - | - | - | 125,938 |
| Transfers Out | <u>(282,482)</u> | <u>-</u> | <u>(500,000)</u> | <u>(782,482)</u> |
| Total Other Financing Sources (Uses) | <u>(282,482)</u> | <u>-</u> | <u>(500,000)</u> | <u>(656,544)</u> |
| Net Changes in Fund Balances | (282,470) | (40,649) | (1,394,366) | (1,574,783) |
| Fund Balances - Beginning of Year | <u>282,470</u> | <u>430,346</u> | <u>1,474,643</u> | <u>2,469,208</u> |
| Fund Balances - End of Year | <u>\$ -</u> | <u>\$ 389,697</u> | <u>\$ 80,277</u> | <u>\$ 894,425</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING BALANCE SHEET
PERMANENT FUNDS
JUNE 30, 2017

| | A.H. Colton Fund | Hyde Park Fund | Orcutt Award Fund | Stafford Cemetery Association Fund | H.W. Lord Memorial | Total Permanent Funds |
|--------------------------------------|---------------------|-------------------|----------------------|---|-----------------------|-----------------------------|
| ASSETS | | | | | | |
| Cash and Equivalents | \$ 21,749 | \$ 55,671 | \$ 2,083 | \$ 729 | \$ 25,754 | \$ 105,986 |
| Investments | 214,234 | 114,238 | | 168,157 | | 496,629 |
| Other Receivables | - | - | - | - | - | - |
| Due from Other Funds | - | 40 | - | 69 | - | 109 |
| Total Assets | <u>\$ 235,983</u> | <u>\$ 169,949</u> | <u>\$ 2,083</u> | <u>\$ 168,955</u> | <u>\$ 25,754</u> | <u>\$ 602,724</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Due to Other Funds | <u>\$ 357</u> | <u>12,159</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,516</u> |
| Fund balances | | | | | | |
| Nonspendable | 38,368 | 114,171 | 2,000 | 11,241 | 22,500 | 188,280 |
| Restricted | 197,258 | 43,619 | 83 | 157,714 | 3,254 | 401,928 |
| Total Fund Balances | <u>235,626</u> | <u>157,790</u> | <u>2,083</u> | <u>168,955</u> | <u>25,754</u> | <u>590,208</u> |
| Total Liabilities and Fund Balances | <u>\$ 235,983</u> | <u>\$ 169,949</u> | <u>\$ 2,083</u> | <u>\$ 168,955</u> | <u>\$ 25,754</u> | <u>\$ 602,724</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
PERMANENT FUNDS
JUNE 30, 2017

| | A.H. Colton Fund | Hyde Park Fund | Orcutt Award Fund | Stafford Cemetery Association Fund | H.W. Lord Fund | Total Permanent Funds |
|-----------------------------------|---------------------|-------------------|----------------------|---|-------------------|-----------------------------|
| REVENUES | | | | | | |
| Local Sources | \$ 2,065 | \$ 28,051 | \$ - | \$ 100 | \$ - | \$ 30,216 |
| Investment Income | 58,849 | 869 | 4 | 55,170 | 52 | 114,944 |
| Total Revenues | <u>60,914</u> | <u>28,920</u> | <u>4</u> | <u>55,270</u> | <u>52</u> | <u>145,160</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Park and Recreation | - | 52,899 | - | - | - | 52,899 |
| Sundry | 15,228 | - | - | 5,508 | - | 20,736 |
| Education | - | - | - | - | - | - |
| Total Expenditures | <u>15,228</u> | <u>52,899</u> | <u>-</u> | <u>5,508</u> | <u>-</u> | <u>73,635</u> |
| Net Changes in Fund Balances | 45,686 | (23,979) | 4 | 49,762 | 52 | 71,525 |
| Fund Balances - Beginning of Year | <u>189,940</u> | <u>181,769</u> | <u>2,079</u> | <u>119,193</u> | <u>25,702</u> | <u>518,683</u> |
| Fund Balances - End of Year | <u>\$ 235,626</u> | <u>\$ 157,790</u> | <u>\$ 2,083</u> | <u>\$ 168,955</u> | <u>\$ 25,754</u> | <u>\$ 590,208</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

| | <u>Food Bank Fund</u> | <u>Standish Fund</u> | <u>Fuel Bank Fund</u> | <u>Toys for Tots Fund</u> | <u>Youth Center Fund</u> |
|-------------------------------|---------------------------|--------------------------|---------------------------|-------------------------------|------------------------------|
| ASSETS | | | | | |
| Cash and Equivalents | \$ <u>30,524</u> | \$ <u>6,475</u> | \$ <u>33,403</u> | \$ <u>2,622</u> | \$ <u>769</u> |
| LIABILITIES | | | | | |
| Due to other funds | \$ <u>480</u> | \$ <u>-</u> | \$ <u>451</u> | \$ <u>-</u> | \$ <u>100</u> |
| NET POSITION | | | | | |
| Restricted for other purposes | \$ <u>30,044</u> | \$ <u>6,475</u> | \$ <u>32,952</u> | \$ <u>2,622</u> | \$ <u>669</u> |

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

| | <u>Holt Memorial Fund</u> | <u>Soccer Field Project Fund</u> | <u>Tree Beautification Fund</u> | <u>Total</u> |
|-------------------------------|-------------------------------|--|---|------------------|
| ASSETS | | | | |
| Cash and Equivalents | \$ <u>8,994</u> | \$ <u>1,045</u> | \$ <u>643</u> | \$ <u>84,475</u> |
| LIABILITIES | | | | |
| Due to other funds | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>1,031</u> |
| NET POSITION | | | | |
| Restricted for other purposes | \$ <u>8,994</u> | \$ <u>1,045</u> | \$ <u>643</u> | \$ <u>83,444</u> |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

| | Food Bank Fund | Standish Fund | Fuel Bank Fund | Toys for Tots Fund | Youth Center Fund |
|----------------------------------|-------------------|------------------|-------------------|-----------------------|----------------------|
| ADDITIONS | | | | | |
| Contributions | | | | | |
| Donations | \$ 3,793 | \$ - | \$ 11,807 | \$ 5 | \$ 1,750 |
| Investment income | | | | | |
| Interest and dividends | <u>58</u> | <u>13</u> | <u>72</u> | <u>-</u> | <u>6</u> |
| Total Additions | 3,851 | 13 | 11,879 | 5 | 1,756 |
| DEDUCTIONS | | | | | |
| Sundry | <u>1,140</u> | <u>-</u> | <u>11,506</u> | <u>510</u> | <u>4,914</u> |
| Change in Net Position | 2,711 | 13 | 373 | (505) | (3,158) |
| Net Position - Beginning of Year | <u>27,333</u> | <u>6,462</u> | <u>32,579</u> | <u>3,127</u> | <u>3,827</u> |
| Net Position - End of Year | \$ <u>30,044</u> | \$ <u>6,475</u> | \$ <u>32,952</u> | \$ <u>2,622</u> | \$ <u>669</u> |

(Continued)

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

| | Holt Memorial Fund | Soccer Field Project Fund | Tree Beautification Fund | Total |
|----------------------------------|-----------------------|---------------------------------|--------------------------------|-----------|
| ADDITIONS | | | | |
| Contributions | | | | |
| Donations | \$ - | \$ - | \$ - | \$ 17,355 |
| Investment income | | | | |
| Interest and dividends | 18 | 2 | 1 | 170 |
| Total Additions | 18 | 2 | 1 | 17,525 |
| DEDUCTIONS | | | | |
| Sundry | - | - | - | 18,070 |
| Change in Net Position | 18 | 2 | 1 | (545) |
| Net Position - Beginning of Year | 8,976 | 1,043 | 642 | 83,989 |
| Net Position - End of Year | \$ 8,994 | \$ 1,045 | \$ 643 | \$ 83,444 |

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

TOWN OF STAFFORD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

| | Balance Beginning | Additions | Deductions | Balance Ending |
|----------------------------------|----------------------|-------------------|---------------------|-------------------|
| Student Activity Fund | | | | |
| Assets | | | | |
| Cash | \$ 185,118 | \$ 310,161 | \$ (313,470) | \$ 181,809 |
| Investments | <u>5,426</u> | <u>1,210</u> | <u>-</u> | <u>6,636</u> |
| Total Assets | <u>\$ 190,544</u> | <u>\$ 311,371</u> | <u>\$ (313,470)</u> | <u>\$ 188,445</u> |
| Liabilities | | | | |
| Due to Students | <u>\$ 190,544</u> | <u>\$ 311,371</u> | <u>\$ (313,470)</u> | <u>\$ 188,445</u> |
| Performance Bond Fund | | | | |
| Assets | | | | |
| Cash | \$ <u>35,944</u> | \$ <u>72</u> | \$ <u>-</u> | \$ <u>36,016</u> |
| Liabilities | | | | |
| Due to Others | <u>\$ 35,944</u> | <u>\$ 72</u> | <u>\$ -</u> | <u>\$ 36,016</u> |
| Combined Total | | | | |
| Assets | | | | |
| Cash | \$ 221,062 | \$ 310,233 | \$ (313,470) | \$ 217,825 |
| Investments | <u>5,426</u> | <u>1,210</u> | <u>-</u> | <u>6,636</u> |
| Total Assets | <u>\$ 226,488</u> | <u>\$ 311,443</u> | <u>\$ (313,470)</u> | <u>\$ 224,461</u> |
| Liabilities | | | | |
| Due to Students and Others | <u>\$ 226,488</u> | <u>\$ 311,443</u> | <u>\$ (313,470)</u> | <u>\$ 224,461</u> |

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

TOWN OF STAFFORD, CONNECTICUT
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2017

TOWN OF STAFFORD, CONNECTICUT
REPORT OF THE PROPERTY TAX COLLECTOR
YEAR ENDED JUNE 30, 2017

| Grand List Year | Beginning Receivable Balance | Current Year Levy | Lawfull Corrections | | Net Taxes Collectible | Collections During the Year | | | Transfer to Suspense | Net Ending Receivable Balance | |
|-----------------|------------------------------|----------------------|---------------------|-------------------|-----------------------|-----------------------------|-------------------|-----------------|----------------------|-------------------------------------|------------------|
| | | | Additions | Deductions | | Taxes | Interest | Leins | | | Total |
| 2015 | \$ - | \$ 25,940,301 | \$ 216,283 | \$ 145,946 | \$ 26,010,638 | \$ 25,330,801 | \$ 99,179 | \$ 24 | \$ 25,430,004 | \$ 46,426 | \$ 633,411 |
| 2014 | 724,734 | - | 896 | 18,887 | 706,743 | 376,232 | 81,855 | 1,872 | 459,959 | 28,598 | 301,913 |
| 2013 | 397,411 | - | 718 | 3,755 | 394,374 | 165,540 | 63,353 | 936 | 229,829 | 82,710 | 146,124 |
| 2012 | 210,379 | - | - | 760 | 209,619 | 81,974 | 47,171 | 456 | 129,601 | 54,768 | 72,877 |
| 2011 | 122,906 | - | - | 782 | 122,124 | 53,245 | 32,355 | 304 | 85,904 | 44,394 | 24,485 |
| 2010 | 52,502 | - | - | 233 | 52,269 | 19,872 | 14,157 | 96 | 34,125 | 18,135 | 14,262 |
| 2009 | 22,834 | - | - | - | 22,834 | 8,704 | 6,907 | 48 | 15,659 | 5,695 | 8,435 |
| 2008 | 8,675 | - | - | - | 8,675 | 4,763 | 3,614 | 72 | 8,449 | 1,355 | 2,557 |
| 2007 | 3,029 | - | - | - | 3,029 | 1,118 | 1,644 | 104 | 2,866 | - | 1,911 |
| 2006 | 1,192 | - | 122 | - | 1,314 | 1,171 | 1,733 | 24 | 2,928 | - | 143 |
| 2005 | 1,616 | - | - | - | 1,616 | 525 | 937 | 24 | 1,486 | - | 1,091 |
| 2004 | 4,687 | - | - | - | 4,687 | - | - | - | - | 708 | 3,979 |
| 2003 | 6,221 | - | - | - | 6,221 | - | 1,372 | - | 1,372 | 4,070 | 2,151 |
| 2002 | 3,030 | - | - | - | 3,030 | - | 131 | - | 131 | 1,232 | 1,798 |
| | <u>\$ 1,559,216</u> | <u>\$ 25,940,301</u> | <u>\$ 218,019</u> | <u>\$ 170,363</u> | <u>\$ 27,547,173</u> | <u>\$ 26,043,945</u> | <u>\$ 354,408</u> | <u>\$ 3,960</u> | <u>\$ 26,402,313</u> | <u>\$ 288,091</u> | <u>1,215,137</u> |
| | | | | | | | | | | Interest and liens receivable | 328,973 |
| | | | | | | | | | | Allowance for uncollectible amounts | (50,000) |
| | | | | | | | | | | Taxes receivable, net \$ | <u>1,494,110</u> |

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES FOR THE BOARD OF EDUCATION
BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND – BOARD OF EDUCATION
YEAR ENDED JUNE 30, 2017

| | Original and Final Budget | Actual Budgetary Basis | Variance with Final Budget |
|--|---------------------------------|------------------------------|-------------------------------|
| Salaries | | | |
| Certified personnel | \$ 11,651,174 | \$ 11,651,174 | \$ - |
| Non-certified personnel | 3,882,830 | 3,882,830 | - |
| | <u>15,534,003</u> | <u>15,534,003</u> | <u>-</u> |
| Employee Benefits | | | |
| Medical, dental and life insurance | 3,782,296 | 3,768,657 | (13,639) |
| Social security | 275,396 | 275,396 | - |
| Medicare | 225,261 | 225,261 | - |
| Non-certified pension | 538,850 | 538,850 | - |
| Unemployment compensation | 8,552 | 8,551 | (1) |
| Worker's compensation | 158,663 | 165,169 | 6,506 |
| | <u>4,989,018</u> | <u>4,981,884</u> | <u>(7,134)</u> |
| Purchased Services | | | |
| Contracted Instructional Services | 228,792 | 211,882 | (16,910) |
| Purch Prof/Tech Services | 71,217 | 65,969 | (5,248) |
| Other Professional Services | 142,250 | 165,407 | 23,157 |
| Water and Sewer | 24,087 | 23,871 | (216) |
| Custodial/Fire/Constable | 28,999 | 26,559 | (2,440) |
| Trash Removal | 45,000 | 42,131 | (2,869) |
| Repairs and Maintenance | 636,592 | 651,874 | 15,282 |
| Lease rental | 141,883 | 119,740 | (22,143) |
| Student Transportation | 2,018,544 | 2,080,042 | 61,498 |
| Property Insurance | 109,567 | 115,180 | 5,613 |
| Liability Insurance | 75,454 | 71,402 | (4,052) |
| Communications | 133,288 | 94,007 | (39,281) |
| Advertising | 3,000 | 259 | (2,741) |
| Printing and Binding | 11,600 | 9,730 | (1,870) |
| Out of District Tuition | 1,142,886 | 1,265,136 | 122,250 |
| Magnet School Tuition | 313,500 | 162,735 | (150,765) |
| Travel | 24,200 | 14,749 | (9,451) |
| Athletic / Other trips | 52,489 | 71,790 | 19,301 |
| Other Purchased Services | 5,000 | 4,500 | (500) |
| | <u>5,208,348</u> | <u>5,196,963</u> | <u>(11,385)</u> |
| Supplies and Materials | | | |
| IT Supplies | 4,600 | 2,509 | (2,091) |
| Instructional Supplies | 383,880 | 358,024 | (25,856) |
| Building Services Supplies | 99,391 | 102,046 | 2,655 |
| Fuel Oil | 80,698 | 144,561 | 63,863 |
| Electricity | 428,088 | 395,043 | (33,045) |
| Propane Gas | 45,700 | 38,034 | (7,666) |
| Gasoline | 5,700 | 3,732 | (1,968) |
| Textbooks | 50,350 | 46,490 | (3,860) |
| Library Materials | 16,215 | 15,485 | (730) |
| Equipment | 187,094 | 188,099 | 1,005 |
| Computer Software | 30,107 | 29,102 | (1,005) |
| | <u>1,331,823</u> | <u>1,323,125</u> | <u>(8,698)</u> |
| Other Objects | | | |
| Dues and Fees | 153,982 | 125,590 | (28,392) |
| Debt Related Expenditures | 156,250 | 156,250 | - |
| | <u>310,232</u> | <u>281,840</u> | <u>(28,392)</u> |
| Total Board of Education Expenditures | <u>\$ 27,373,424</u> | <u>\$ 27,317,815</u> | <u>\$ (55,609)</u> |

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

TOWN OF STAFFORD, CONNECTICUT
INTERNAL CONTROL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED JUNE 30, 2017

O'Connell, Pace, & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Walter F. O'Connell, C.P.A.
Mario Pace, C.P.A.
Albert Celentano, C.P.A.

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*

To the Members of the Board of Finance
Town of Stafford, 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 Stafford, 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 Stafford, Connecticut's basic financial statements, and have issued our report thereon dated March 30, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Stafford, 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 Stafford, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Stafford, 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 Stafford, 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 black ink that reads "O'Connell, Pace, + Company PC". The signature is written in a cursive style and is contained within a thin black rectangular border.

O'CONNELL, PACE & COMPANY, P.C.
Certified Public Accountants
Hartford, CT

March 30, 2018

TOWN OF STAFFORD, CONNECTICUT
STATE SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2017

O'Connell, Pace, & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Walter F. O'Connell, C.P.A.
Mario Pace, C.P.A.
Albert Celentano, C.P.A.

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

**To the Members of the Board of Finance
Town of Stafford, Connecticut**

Report on Compliance for Each Major State Program

We have audited the Town of Stafford's compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management's *Compliance Supplement to the State Single Audit Act* that could have a direct and material effect on each of the Town of Stafford's major state programs for the year ended June 30, 2017. The Town of Stafford's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated March 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of State Financial Assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,



O'Connell, Pace & Company, P.C.

March 30, 2018

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

| State Grantor Pass-Through Grantor Program Total | State Grant Program Core-CT Number | Expenditures |
|---|---------------------------------------|----------------|
| Connecticut State Library | | |
| Connecticard Payments | 11000-CSL66051-17010 | \$ 334 |
| Historic Documents Preservation Grants | 12060-CSL66094-35150 | 4,000 |
| Total Connecticut State Library | | <u>4,334</u> |
| Department of Mental Health and Addiction Services | | |
| Grants for Substance Abuse Services | 11000-MHA53300-16003 | 59,680 |
| Total Department of Mental Health and Addiction Services | | <u>59,680</u> |
| Department of Transportation | | |
| Bus Operations | 12001-DOT57931-12175 | 25,057 |
| Town Aid Road Grants Transportation Fund | 12052-DOT57131-43455 | 290,655 |
| Total Department of Transportation | | <u>315,712</u> |
| Department of Housing | | |
| Main Street Investment Fund | 12052-DOH469360-42411 | 331,855 |
| Total Department of Housing | | |
| Department of Justice | | |
| Non-Budgeted Operating Appropriation | 34001-JUD95162-40001 | 2,748 |
| Office of Policy and Management | | |
| Reimburse to Towns - Tax Loss on State Property | 11000-OPM20600-17004 | 4,404 |
| Reimburse to Towns - Private Tax - Exempt Property | 11000-OPM10600-17006 | 213,778 |
| Reimburse of Property Tax - Disability Exemption | 11000-OPM20600-17011 | 2,670 |
| Property Tax Relief for Elderly Circuit Breaker | 11000-OPM20600-17018 | 90,994 |
| Property Tax Relief for Veterans | 11000-OPM20600-17024 | 29,222 |
| Municipal Grants in Aid | 12052-OPM20600-43587 | 453,163 |
| Total Office of Policy and Management | | <u>794,231</u> |
| Office of Early Childhood | | |
| School Readiness and Child Care | 11000-OEC64845-16274 | 116,550 |
| School Readiness Quality Enhancement | 11000-OCE64845-17097 | 3,874 |
| Total Office of Early Childhood | | <u>120,424</u> |

(continued)

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

| State Grantor Pass-Through Grantor Program Total | State Grant Program Core-CT Number | Expenditures |
|--|---------------------------------------|----------------------|
| Department of Education | | |
| Family Resource Centers | 11000-SDE64370-16110 | 91,941 |
| Youth Services Bureau Enhancement | 11000-SDE64370-16201 | 5,000 |
| Child Nutrition State Match | 11000-SDE64370-16211 | 6,815 |
| Health Foods Initiative | 11000-SDE64370-16212 | 13,815 |
| Adult Education | 11000-SDE64370-17030 | 26,685 |
| Health and Welfare - Private School Pupil | 11000-SDE64370-17034 | 5,022 |
| School Breakfast Program | 11000-SDE64370-17046 | 14,494 |
| Youth Services Bureaus | 11000-SDE64370-17052 | 19,141 |
| After School Program | 11000-SDE64370-17084 | <u>162,914</u> |
| Total Department of Education | | <u>345,827</u> |
| Other State Financial Assistance | N/A | <u>148</u> |
| Total State Financial Assistance before Exempt Programs | | <u>2,138,819</u> |
| EXEMPT PROGRAMS | | |
| Department of Education | | |
| Education Cost Sharing | 11000-SDE64370-17041 | 9,797,703 |
| Special Education - Excess Cost - Student Based | 11000-SDE64370-17047 | <u>326,592</u> |
| Total Department of Education | | <u>10,124,295</u> |
| Office of Policy and Management | | |
| Mashantucket Pequot and Mohegan Fund Grant | 12009-OPM15910-17005 | 93,160 |
| Municipal Revenue Sharing | 12002-OPM20600-17102 | <u>284,284</u> |
| Total Office of Policy and Management | | <u>377,444</u> |
| Total Exempt Programs | | <u>10,501,739</u> |
| TOTAL STATE FINANCIAL ASSISTANCE | | <u>\$ 12,640,558</u> |

TOWN OF STAFFORD, CONNECTICUT
NOTES TO THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of State Financial Assistance includes state grant activity of the Town of Stafford, Connecticut ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

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

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

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full accrual basis of accounting;

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.
- Expenditures are generally recorded when a liability is incurred, except for debt service expenditures and certain other expenditures when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgements, and other post-employment benefits which are recorded only when payment is due (mature).

-

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the regulations of the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report 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 major programs

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

Type of report issued on compliance for major programs: unmodified

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

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

| State Grantor and Program | State Core-CT Number | Expenditures |
|--|-----------------------------|---------------------|
| Department of Transportation | | |
| Town Aid Road Grants Transportation Fund | 12052-DOT57131-43455 | \$ 290,655 |
| Department of Housing | | |
| Main Street Investment Fund | 12052-DOH469360-42411 | 331,855 |
| Office of Policy and Management | | |
| Reimburse to Towns – Private Tax – Exempt Property | 11000-OPM10600-17006 | 213,778 |
| Municipal Grants in Aid | 11000-OPM20600-43587 | 453,163 |
| | | |
| Dollar threshold used to distinguish Between Type A and Type B programs: | | <u>\$ 200,000</u> |

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings:

Finding MW-2015-007 – General Government Payroll

Condition: The general government has some payroll procedures, but they are not required to be followed consistently.

Current Status: Although the Town has implemented several points of review and approval during the payroll process, these reviews and approvals are not always documented.

Town Response: The Town will be more diligent regarding its documentation of the review and approval procedures.

Section III – State Financial Assistance Findings:

No findings reported.

TOWN OF STAFFORD, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings:

Finding MW-2015-001 – Integrated Framework: Risk Assessment

Condition: Although there has been some assessment of risk in certain areas of the financial objectives, there has not been a thorough process to identify the significant systems, understand the policies and procedures in place, and assess risk. After year end, a financial policy manual was approved, however, it does not significantly deal with controls.

Current Status: The finding has been corrected. The financial policy manual documents the control procedures to be followed.

Finding MW-2015-002 – Tax Collections

Condition: Currently, there is no segregation of duties in the area of tax collections. This is common to all municipalities in Connecticut where the Board of Finance or management has not proactively addressed the risks. There is one person that is doing all three aspects that should be segregated – custody, recordkeeping and authorization. If these duties cannot be segregated, other control procedures should be instituted to minimize risk of errors or irregularities.

Current Status: The finding has been resolved. Reconciliation and review procedures have been implemented.

Finding MW-2015-003 – Water Pollution Control Authority (WPCA) Billings and Collections

Condition: Currently there is not a formal segregation of duties in the area of WPCA billings and collections. There is one person that is doing all three aspects that should be segregated – custody, recordkeeping and authorization. If these duties cannot be segregated, other control procedures should be instituted to minimize the risk of errors or irregularities.

Current Status: The finding has been corrected. Segregation of duties has been implemented.

Finding MW 2015-005 – General Government Disbursements

Condition: Currently, there is not a formal segregation of duties in the area of disbursements through the general government. One individual can sign the checks, do the recordkeeping and reconcile the bank statements. Although, a second individual reviews the bank reconciliations, there is no documentation that this is the procedure (see Information and Communication below) nor is there documentation that this is done by signing or initialing the bank reconciliation. In FY2016, the Treasurer now reviews a random selection of checks every check run and compares the check register signed check and invoice. In addition, the purchase order approval policies are not always followed and invoices are not always approved by the department heads.

Current Status: The finding has been corrected.

Finding MW-2015-006 – Board of Education Disbursements

Condition: There is not a formal segregation of duties in area of disbursements through the Board of Education. The checks are printed with the authorizing signature and approvals are not documented.

Current Status: The finding has been corrected.

Finding MW-2015-007 – General Government Payroll

Condition: The general government has some payroll procedures, but they are not required to be followed consistently.

Current Status: Repeated as Finding MW 2015-007.

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

TOWN OF STAFFORD, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings: (Continued)

Finding MW-2015-008 – Board of Education Payroll

Condition: There is not a segregation of duties in the processing of payroll at the Board of Education.

Current Status: The finding has been resolved.

Finding MW-2016-002 – Journal Entries

Condition: There are no specific controls over journal entries and they are not often approved.

Current Status: The finding has been resolved.

Finding SD-2016-003 – Journal Entries

Condition: Anthem invoices are not always received by the Town before being processed for payment. This means that payments are being made before it is verified that approval was given.

Current Status: The finding has been resolved. Anthem expenditures relate to the Town's medical reimbursement plan. Anthem withdraws funds from the Town's account as funds are required to make allowable medical expenses incurred by covered employees.

Finding MW-2015-009 – Integrated Framework: Information and Communication

Condition: Complete, written policies and procedures manuals have not documented the internal control processes in light of the integrated framework. A few limited processes have been committed to writing. These are basically noting the procedure, but have not been analyzed for mitigating risk, reviewed and approved. There is a financial policy manual that was approved after year end, however, there is very limited discussion on controls.

Current Status: The finding has been resolved. Department procedure manuals have been reviewed and updated.

Finding MW-2015-10 – Integrated Framework: Monitoring Activities

Condition: The Town has established few monitoring activities over the few controls that are currently in place. The Board of Finance currently reviews the Budget vs Actual monthly and Balance Sheets as requested. The Board of Finance also mainly relies on the Finance Director.

Current Status: The finding has been resolved.

Finding MW-2015-011; 012; 013 – Financial Reporting

Condition: Management has not been receiving timely accurate and appropriate financial reporting.

Current Status: The finding has been resolved. Management receives budget to actual monthly financial reports.

TOWN OF STAFFORD, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings: (Continued)

Finding MW-2016-001 – Small Cities Loan Reporting

Condition: There appears to be no specific person in charge of reviewing the Small Cities loans. The outstanding balance of the liens on those loans is approximately \$2,500,000. A listing of the liens is maintained by an outside vendor. The vendor could not tell us specifically what liens were added or released during the fiscal year. There was no outstanding balance column in the original listing. Liens released were highlighted in yellow and it was not always clear when liens were released. It does not appear that the listing is reviewed by anyone in the Town. Changes in the liens are not being recorded in the Town's ledgers as no one has taken responsibility.

Current Status: The finding has been resolved. Monthly financial reports are being reviewed by management.

Finding MW-2016-004 – Qualified Audit Opinion

Condition: The Town's internal control, accounting records and reporting over a majority of the revenues create an environment whereby these areas cannot be audited.

Current Status: The finding has been resolved. Review and monitoring procedures have been implemented.

State Financial Assistance:

Finding MW-2016-005 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Condition: Currently, there is a lack of segregation of duties in the area of payroll and non-payroll disbursements through both the general government and Board of Education control systems.

Current Status: The finding has been resolved.

TOWN OF STAFFORD, CONNECTICUT
UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2017

O'Connell, Pace, & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Mario Pace, C.P.A.
Albert Celentano, C.P.A.

Independence Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**To the Members of the Board of Finance
Town of Stafford, Connecticut**

Report on Compliance for Each Major Federal Program

We have audited the Town of Stafford's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Stafford's major federal programs for the year ended June 30, 2017. The Town of Stafford, Connecticut's major federal 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 federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Stafford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Stafford, 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 federal program. However, our audit does not provide a legal determination of the Town of Stafford, Connecticut's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Town of Stafford 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 Stafford's internal control over compliance with the types of requirements that

could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Stafford's internal control over compliance.

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

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

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

Report on Schedule of Expenditures of Federal Financial Assistance Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Stafford, 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 Stafford, Connecticut's basic financial statements. We issued our report thereon dated March 30, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Sincerely,



O'Connell, Pace & Company, P.C.

March 30, 2018

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Program Expenditures |
|---|------------------------|---|---------------------------------|
| <u>U.S. Department of Agriculture</u> | | | |
| Direct Programs: | | | |
| Commodity Supplemental Food Program | 10.565 | N/A | <u>6,445</u> |
| Pass-Through programs from Connecticut State Department of Education | | | |
| Child Nutrition Cluster | | | |
| National School Lunch | 10.555 | 12060-SDE64370-20560 | 231,496 |
| School Breakfast Program | 10.553 | 12060-SDE64370-20508 | 63,829 |
| Summer Food Service Program for Children | 10.559 | 12060-SDE64370-20540 | 16,001 |
| Summer Food Sponsor Admin | 10.559 | 12060-SDE64370-20548 | <u>1,650</u> |
| Total Child Nutrition Cluster | | | <u>312,976</u> |
| Total U.S. Department of Agriculture | | | <u>319,421</u> |
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Pass-Through programs from Connecticut Department of Housing | | | |
| Community Development Block Grants/Entitlement Grants | 14.218 | 12060-DOH46920-20730 | <u>75,602</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>75,602</u> |
| <u>U.S. Department of Transportation</u> | | | |
| Pass-Through programs from Connecticut Department of Transportation | | | |
| Alcohol Open Container Requirements | 20.607 | 12062-DOT57313-22091 | 42,946 |
| Highway Planning and Construction | 20.205 | 12062-DOT57124-22108 | 56 |
| Federal Highway Safety Grants | | 12062-DOT57313-20559 | <u>2,017</u> |
| Total U.S. Department of Transportation | | | <u>45,019</u> |

(continued)

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

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

| Federal Grantor/Pass-Through Grantor Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Program Expenditures |
|--|------------------------|---|---------------------------------|
| <u>U.S. Department of Education</u> | | | |
| Pass-Through programs from Connecticut State Department of Education | | | |
| Special Education Cluster (IDEA) | | | |
| Special Education Grants to States | 84.027 | 12060-SDE64370-20977 CU | 326,854 |
| Special Education Grants to States | 84.027 | 12060-SDE64370-20977 CO | 92,810 |
| Subtotal | | | <u>419,664</u> |
| Special Education Preschool Grants | 84.173 | 12060-SDE64370-20983 CU | 13,662 |
| Total Special Education Cluster (IDEA) | | | <u>433,326</u> |
| Title I Grants to Local Educational Agencies | 84.010 | 12060-SDE64370-20679 CU | 146,622 |
| Title I Grants to Local Educational Agencies | 84.010 | 12060-SDE64370-20679 CO | 17,781 |
| Subtotal | | | <u>164,403</u> |
| Supporting Effective Instruction State Grant | 84.367 | 12060-SDE64370-20858 CU | 42,486 |
| Supporting Effective Instruction State Grant | 84.367 | 12060-SDE64370-20858 CO | 19,867 |
| Subtotal | | | <u>62,353</u> |
| Total U.S. Department of Education | | | <u>660,082</u> |
| <u>U.S. Department of Health and Human Services</u> | | | |
| Pass-Through programs from Connecticut Department of Mental Health and Addiction Services | | | |
| Block Grant for Prevention and Treatment of Substance Abuse | 93.959 | 12060-MHA53300-21782 | <u>20,349</u> |
| Pass-Through programs from Eastconn | | | |
| Early Head Start | 93.600 | N/A | <u>89,965</u> |
| Total U.S. Department of Health and Human Services | | | <u>89,965</u> |
| <u>U.S. Department of Homeland Security</u> | | | |
| Pass-Through programs from Connecticut Department of Emergency Services and Public Protection | | | |
| Emergency Management Performance Grants | 97.042 | 12060-DPS32990-21881 | <u>12,036</u> |
| Total U. S. Department of Homeland Security | | | <u>12,036</u> |
| Total Federal Financial Assistance | | | <u>1,132,509</u> |

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

TOWN OF STAFFORD, CONNECTICUT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

General

The accompanying Schedule of Expenditures of Federal Financial Assistance presents activity of all federal award programs for the year ended June 30, 2017. Federal financial assistance received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule.

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full accrual basis of accounting:

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.
- Expenditures are generally recorded when a liability is incurred, except for debt service expenditures and certain other expenditures when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgements, and other post-employment benefits which are recorded only when payment is due (mature).

The accompanying Schedule of Expenditures of Federal Financial Assistance includes the federal grant activity of the Town of Stafford and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report 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

Federal Financial Assistance

Internal control over major programs

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

Type of report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ yes x no

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

| CFDA Number(s) | Name of Federal Program Cluster |
|-----------------------|--|
| 84.010 | Title I Grants to Local Education Agencies |
| 84.027 | Special Education Cluster (IDEA) |
| 84.173 | Special Education Cluster (IDEA) |

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

Auditee qualified as a low risk auditee? _____ yes x no

TOWN OF STAFFORD, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings:

Finding MW-2015-007 – General Government Payroll

Condition: The general government has some payroll procedures, but they are not required to be followed consistently.

Current Status: Although the Town has implemented several points of review and approval during the payroll process, these reviews and approvals are not always documented.

Town Response: The Town will be more diligent regarding its documentation of the review and approval procedures.

Section III – Federal Financial Assistance Findings:

No findings reported.

TOWN OF STAFFORD, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings:

Finding MW-2015-001 – Integrated Framework: Risk Assessment

Condition: Although there has been some assessment of risk in certain areas of the financial objectives, there has not been a thorough process to identify the significant systems, understand the policies and procedures in place, and assess risk. After year end, a financial policy manual was approved, however, it does not significantly deal with controls.

Current Status: The finding has been corrected. The financial policy manual documents the control procedures to be followed.

Finding MW-2015-002 – Tax Collections

Condition: Currently, there is no segregation of duties in the area of tax collections. This is common to all municipalities in Connecticut where the Board of Finance or management has not proactively addressed the risks. There is one person that is doing all three aspects that should be segregated – custody, recordkeeping and authorization. If these duties cannot be segregated, other control procedures should be instituted to minimize risk of errors or irregularities.

Current Status: The finding has been resolved. Reconciliation and review procedures have been implemented.

Finding MW-2015-003 – Water Pollution Control Authority (WPCA) Billings and Collections

Condition: Currently there is not a formal segregation of duties in the area of WPCA billings and collections. There is one person that is doing all three aspects that should be segregated – custody, recordkeeping and authorization. If these duties cannot be segregated, other control procedures should be instituted to minimize the risk of errors or irregularities.

Current Status: The finding has been corrected. Segregation of duties has been implemented.

Finding MW 2015-005 – General Government Disbursements

Condition: Currently, there is not a formal segregation of duties in the area of disbursements through the general government. One individual can sign the checks, do the recordkeeping and reconcile the bank statements. Although, a second individual reviews the bank reconciliations, there is no documentation that this is the procedure (see Information and Communication below) nor is there documentation that this is done by signing or initialing the bank reconciliation. In FY2016, the Treasurer now reviews a random selection of checks every check run and compares the check register signed check and invoice. In addition, the purchase order approval policies are not always followed and invoices are not always approved by the department heads.

Current Status: The finding has been corrected.

Finding MW-2015-006 – Board of Education Disbursements

Condition: There is not a formal segregation of duties in area of disbursements through the Board of Education. The checks are printed with the authorizing signature and approvals are not documented.

Current Status: The finding has been corrected.

Finding MW-2015-007 – General Government Payroll

Condition: The general government has some payroll procedures, but they are not required to be followed consistently.

Current Status: Repeated as Finding MW 2015-007.

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

TOWN OF STAFFORD, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings: (Continued)

Finding MW-2015-008 – Board of Education Payroll

Condition: There is not a segregation of duties in the processing of payroll at the Board of Education.

Current Status: The finding has been resolved.

Finding MW-2016-002 – Journal Entries

Condition: There are no specific controls over journal entries and they are not often approved.

Current Status: The finding has been resolved.

Finding SD-2016-003 – Journal Entries

Condition: Anthem invoices are not always received by the Town before being processed for payment. This means that payments are being made before it is verified that approval was given.

Current Status: The finding has been resolved. Anthem expenditures relate to the Town's medical reimbursement plan. Anthem withdraws funds from the Town's account as funds are required to make allowable medical expenses incurred by covered employees.

Finding MW-2015-009 – Integrated Framework: Information and Communication

Condition: Complete, written policies and procedures manuals have not documented the internal control processes in light of the integrated framework. A few limited processes have been committed to writing. These are basically noting the procedure, but have not been analyzed for mitigating risk, reviewed and approved. There is a financial policy manual that was approved after year end, however, there is very limited discussion on controls.

Current Status: The finding has been resolved. Department procedure manuals have been reviewed and updated.

Finding MW-2015-10 – Integrated Framework: Monitoring Activities

Condition: The Town has established few monitoring activities over the few controls that are currently in place. The Board of Finance currently reviews the Budget vs Actual monthly and Balance Sheets as requested. The Board of Finance also mainly relies on the Finance Director.

Current Status: The finding has been resolved.

Finding MW-2015-011; 012; 013 – Financial Reporting

Condition: Management has not been receiving timely accurate and appropriate financial reporting.

Current Status: The finding has been resolved. Management receives budget to actual monthly financial reports.

TOWN OF STAFFORD, CONNECTICUT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

Financial Statement Findings: (Continued)

Finding MW-2016-001 – Small Cities Loan Reporting

Condition: There appears to be no specific person in charge of reviewing the Small Cities loans. The outstanding balance of the liens on those loans is approximately \$2,500,000. A listing of the liens is maintained by an outside vendor. The vendor could not tell us specifically what liens were added or released during the fiscal year. There was no outstanding balance column in the original listing. Liens released were highlighted in yellow and it was not always clear when liens were released. It does not appear that the listing is reviewed by anyone in the Town. Changes in the liens are not being recorded in the Town's ledgers as no one has taken responsibility.

Current Status: The finding has been resolved. Monthly financial reports are being reviewed by management.

Finding MW-2016-004 – Qualified Audit Opinion

Condition: The Town's internal control, accounting records and reporting over a majority of the revenues create an environment whereby these areas cannot be audited.

Current Status: The finding has been resolved. Review and monitoring procedures have been implemented.

Federal Financial Assistance:

Finding MW-2016-005 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Condition: Currently, there is a lack of segregation of duties in the area of payroll and non-payroll disbursements through both the general government and Board of Education control systems.

Current Status: The finding has been resolved.