

Town of Waterford, Connecticut



Annual Financial Report

Fiscal Year Ended June 30, 2017

Town of Waterford, Connecticut

Annual Financial Report

Fiscal Year Ended June 30, 2017

Finance Department

Contents

I. Introductory Section - Unaudited

Principal Town Officials	i
Organization Chart of the Town Government	ii

II. Financial Section

Independent Auditor's Report	1-2
Management's Discussion and Analysis - unaudited	3-11

Basic Financial Statements

Exhibit

Government-Wide Financial Statements:

I.	Statement of net position	13
II.	Statement of activities	14

Fund Financial Statements:

III.	Balance sheet - governmental funds	15-16
IV.	Statement of revenues, expenditures and changes in fund balances (deficits) - governmental funds	17-18
V.	Statement of net position - proprietary funds	19
VI.	Statement of revenues, expenses and changes in net position - proprietary funds	20
VII.	Statement of cash flows - proprietary funds	21
VIII.	Statement of fiduciary net position - fiduciary funds	22
IX.	Statement of changes in fiduciary net position - pension and OPEB trust funds	23
	Notes to the financial statements	24-64

Required Supplementary Information – Unaudited

RSI-1	Schedule of investment returns – defined benefit and OPEB plan	65
RSI-2	Schedule of employer contributions – pension trust fund	66
RSI-3	Schedule of changes in the Town's net pension liability and related ratios	67
RSI-4	Schedule of the Town's proportionate share of the net pension liability - MERS	68
RSI-5	Schedule of the Town's proportionate share of the net pension liability – teachers' retirement system	69
RSI-6	Schedule of funding progress and employer contributions – OPEB fund	70
RSI-7	Schedule of employer contributions - OPEB	71
RSI-8	Schedule of changes in the Town's net OPEB liability and related ratios	72
RSI-9	General fund revenues and other financing sources – budgetary basis – budget and actual	73-75
RSI-10	General fund expenditures and other financing uses – budgetary basis – budget and actual	76-81
RSI-11	Note to required supplementary information - unaudited	82-83

Contents

Combining and Individual Fund Financial Statements and Other Schedules

General Fund

Balance sheet	85
Board of Education schedule of expenditures and encumbrances compared with appropriations	86
Report of tax collector	87
Schedule of water main assessments receivable	88
Schedule of sewer assessments receivable	89

Nonmajor Governmental Funds

Combining balance sheet	92-98
Combining statement of revenues, expenditures and changes in fund balances (deficits)	100-106

Fiduciary Funds

Combining statement of changes in assets and liabilities - agency funds	107
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Capital Assets Used In The Operation of Governmental Funds

Schedule by category and source	109
Schedule by function and activity - gross	110
Schedule of changes by function and activity - gross	111

Introductory Section

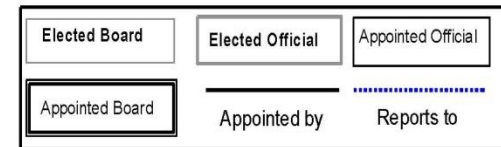
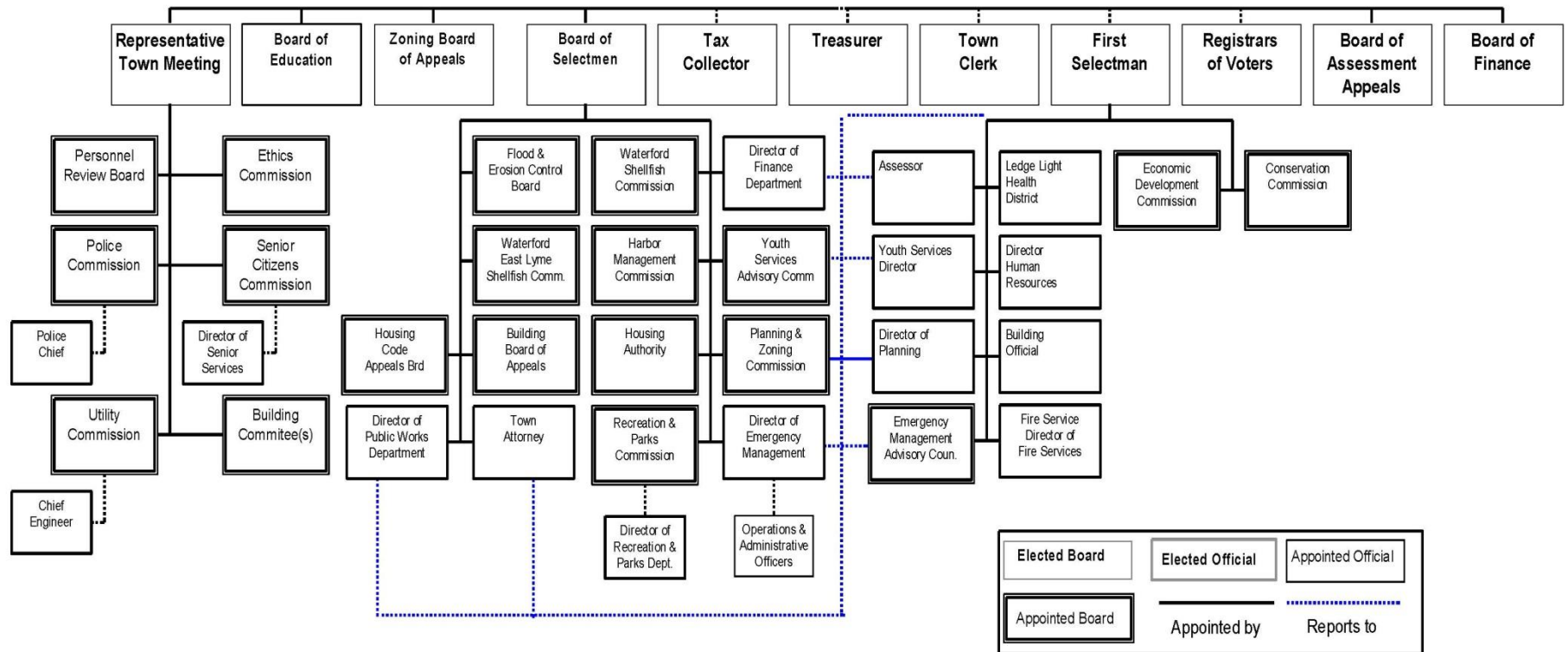
Town of Waterford, Connecticut

Principal Town Officials As of June 30, 2017

Daniel M. Steward
Thomas W. Giard III
Vacant
Bernard Pisacich
Abby Piersall
Brian Long
Brett Mahoney
Neftali Soto
Alan Wilensky
Terence Dinnean
Brian Flaherty
Lisa Cappuccio
David Campo
Daniela Gorman
Frank Hoagland
Roslyn Rubenstein
Bruce A. Miller
Joyce Sauchuk

First Selectman
Superintendent of Schools
Director of Finance
Treasurer
Planning Director
Director of Public Works
Chief of Police
Chief Engineer, Utilities Commission
Tax Collector
Assessor
Recreation & Parks Director
Director of Senior Services
Town Clerk
Director of Youth Services
Building Official
Library Director
Director of Fire Services
Director of Human Resources

ORGANIZATIONAL CHART TOWN OF WATERFORD GENERAL GOVERNMENT



Financial Section

Independent Auditor's Report

To the Board of Finance
Town of Waterford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Connecticut (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 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Waterford, 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, the pension and OPEB related schedules as listed in the table of contents, and the budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund financial statements and other schedules presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relates 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 accompanying combining and individual fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2018 on our consideration of the Town'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

RSM US LLP

New Haven, Connecticut
February 2, 2018

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

This discussion and analysis of the Town of Waterford, Connecticut (the Town) financial performance is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town's net position increased as a result of this year's operations. While net position of our business-type activities decreased by \$793 thousand, or 1.4 %, net position of our governmental activities increased by \$2.7 million or 1.7%.
- During the year, the Town had expenses that were \$2.7 million less than the \$104.9 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues decreased by \$882 thousand or 17.5%, while expenses decreased by \$226 thousand or 4.4 %.
- The total cost of all of the Town's programs was \$107.2 million, with no new programs added this year.
- The General Fund reported a fund balance this year of \$13.6 million.
- The resources available for appropriation were \$1.2 million more than anticipated for the General Fund. There were no additional appropriations made during the year. Unused appropriations of \$591.2 thousand were returned to fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. 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 Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

Our analysis of the Town as a whole begins on Exhibits I and II. 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 Town's net position and changes in it. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, recreation, library, social services and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.

- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Utility Commission Enterprise Fund is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Finance establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (i.e. grants received for education from the State and Federal Government). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town'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 Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, 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 Town's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Insurance Administration Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position increased from \$221.1 to \$223.0 million or 0.9 %. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

Town of Waterford, Connecticut

(TABLE 1)

Summary of Statement of Net Position June 30, 2017 and 2016 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 34,267	\$ 32,128	\$ 4,601	\$ 3,862	\$ 38,868	\$ 35,990
Capital assets, net of accumulated depreciation	254,299	261,670	52,849	54,164	307,148	315,834
Total assets	288,566	293,798	57,450	58,026	346,016	351,824
Deferred pension expense	7,869	3,362	-	-	7,869	3,362
Deferred amounts on refunding	1,453	462	-	-	1,453	462
Deferred outflows of resources	9,322	3,824	-	-	9,322	3,824
Long-term liabilities outstanding	124,073	125,581	582	349	124,655	125,930
Other liabilities	7,023	8,338	198	214	7,221	8,552
Total liabilities	131,096	133,919	780	563	131,876	134,482
Deferred pension credit	461	89	-	-	461	89
Deferred inflows of resources	461	89	-	-	461	89
Net position:						
Net investment in capital assets	172,024	174,397	52,848	54,164	224,872	228,561
Restricted	145	130	-	-	145	130
Unrestricted	(5,839)	(10,913)	3,822	3,299	(2,017)	(7,614)
Total net position	\$ 166,330	\$ 163,614	\$ 56,670	\$ 57,463	\$ 223,000	\$ 221,077

Net position of the Town's governmental activities increased by 1.7% (\$166.3 million in 2017 compared to \$163.6 million in 2016). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from (\$10.9) million at June 30, 2016 to (\$5.8) million at the end of this year.

By far the largest portion of the Town's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment). Since the Town's investment in its capital assets, net of accumulated depreciation, must also be reported net of related debt, it should be noted that the Town's outstanding debt is related to bonds payable as of June 30, 2017.

The net position of our business-type activities decreased by 1.4 % (\$56.7 million in 2017 compared to \$57.5 million in 2016).

The Town's total revenues (excluding special items) were \$109.1 million. The total cost of all programs and services was \$107.2 million. Our analysis below separately considers the operations of governmental and business-type activities.

Town of Waterford, Connecticut

(TABLE 2)

**Summary Statement of Activities
For the Years Ended June 30, 2017 and 2016
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 3,479	\$ 3,290	\$ 3,727	\$ 3,727	\$ 7,206	\$ 7,017
Operating grants and contributions	11,261	9,056	-	-	11,261	9,056
Capital grants and contributions	3,106	1,004	417	1,307	3,523	2,311
General Revenues:						
Property taxes	85,884	81,996	-	-	85,884	81,996
Grants and contributions not restricted to specific programs	771	695	-	-	771	695
Unrestricted investment earnings	315	185	8	-	323	185
Miscellaneous revenue	123	55	-	-	123	55
Total revenues	104,939	96,281	4,152	5,034	109,091	101,315
Expenses						
General government	13,745	14,177	-	-	13,745	14,177
Public safety	11,509	13,356	-	-	11,509	13,356
Public works	8,558	8,569	-	-	8,558	8,569
Recreation	1,763	1,897	-	-	1,763	1,897
Library	917	1,598	-	-	917	1,598
Social services	1,321	3,238	-	-	1,321	3,238
Education	61,806	56,441	-	-	61,806	56,441
Interest and fiscal charges	2,604	2,795	-	-	2,604	2,795
Utility Commission	-	-	4,945	5,171	4,945	5,171
Total expenses	102,223	102,071	4,945	5,171	107,168	107,242
Excess (deficiency) of revenues over expenses before transfers	2,716	(5,790)	(793)	(137)	1,923	(5,927)
Net Position, Beginning	163,614	169,404	57,463	57,600	221,077	227,004
Net Position, Ending	\$ 166,330	\$ 163,614	\$ 56,670	\$ 57,463	\$ 223,000	\$ 221,077

Governmental Activities

Approximately 81.9% of these revenues were derived from property taxes, followed by 14.4% from operating and capital grants and contributions, 3.3% from charges for services and 0.4% from investment and other general revenues.

Major factors affecting operations include:

- Capital grants and Contributions increased by \$2.1 million due mostly to the Waterford High School project grant of \$2.2 million. The receipt of these funds in the current year was a result of the State reclassifying expenditures from previous years from ineligible to eligible costs.
- Property tax revenues were up by \$3.9 million due to an increase in the mill rate of 3.7%.

Table 3 presents the cost of each of the Town's five largest programs - education, general government, public safety, public works and recreation - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden to the Town's taxpayers by each of these functions.

Town of Waterford, Connecticut

(TABLE 3)

Governmental Activities

For the Years Ended June 30, 2017 and 2016

(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Education	\$ 61,805	\$ 56,441	\$ 47,942	\$ 47,161
General Government	13,745	14,177	12,073	12,646
Public Safety	11,508	13,356	11,074	12,793
Public Works	8,558	8,569	7,336	7,350
Recreation	1,763	1,897	1,502	1,652
All others	4,842	7,631	4,449	7,119
Total	\$ 102,221	\$ 102,071	\$ 84,376	\$ 88,721

Business-Type Activities

Net position of the Town's business-type activities (see Table 2) decreased by 1.4% (\$56.7 million in 2017 compared to \$ 57.5 million in 2016). Revenues and transfers in for the Town's business-type activities (see Table 2) decreased by \$882 thousand (\$4.2 million in 2017 compared to \$5.0 million in 2016). The factors driving these results include:

- A decrease in capital contributions of \$890 thousand or 68.1% over fiscal year 2016 due mostly to the completion of work on the Harvey Avenue Pump Station and the Wastewater SCADA system project. Both of these projects had been funded primarily through the Capital and Nonrecurring Fund.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$21.1 million, which is increase of \$3.5 million from last year's total of \$17.6 million. Included in this year's total change in fund balance is an increase of \$1.7 million in the General Fund, a decrease of \$833 thousand in the Capital and Non-Recurring Fund, an increase of \$2.1 million in the Waterford High School Building Project Fund and an increase of \$583.8 thousand for Other Governmental Funds.

Capital Projects Funds:

- The Capital and Nonrecurring Fund balance increased by \$833 thousand due to expenditures of \$2.8 million being offset by revenues of \$133.5 thousand and transfers in of \$1.9 million.
- The Waterford High School Building Project Fund Balance increased by \$2.1 million due to a grant of \$2.3 million and construction costs of \$184 thousand.

Non-Major Capital Projects Funds:

- The Capital Improvement Fund increased by \$256.1 thousand due to expenditures of \$637.3 thousand being offset by net transfers in and out of \$893.5 thousand.
- Sewer Maintenance and Development Fund balance increased by \$185 thousand due to the following:
 - Operating revenues of \$186.3 thousand
 - Investment Income of \$2.2 thousand
 - Capital outlay expenditures of \$3.5 thousand
- The Oswegatchie Elementary School Fund increased by \$75.5 thousand due to grant revenue of the same amount.
- The Quaker Hill Elementary School Fund increased by \$46.5 thousand due to grant revenue of the same amount.

Special Revenue Funds:

- The 2014 Port Security Grant Fund increased by \$59.0 thousand due to expenditures of \$21.5 thousand and grant revenue of \$80.5 thousand.
- The Cafeteria Fund decreased by \$63.2 thousand due to expenditures of \$927.8 thousand and total revenues of \$864.6 thousand.
- The Mago Point Grant Fund decreased by \$45.9 thousand due to grant revenue of \$260.0 thousand and expenditures of \$305.9 thousand.

Proprietary Funds

The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall, proprietary funds net assets total \$61.3 million at the end of the year, which includes a \$4.6 million fund balance in the Internal Service Fund.

Net position of the Utility Commission Fund at the end of the year amounted to \$56.7 million. Factors affecting the balance of this fund are included in the discussion of the Town's business-type activities.

In fiscal year 2017, net position of the Internal Service fund increased by \$217.2 thousand from fiscal year 2016. This is due to \$11.0 million in contributions and other revenues (an increase of \$0.1 million over fiscal year 2016), offset by expenses for claims and program administration of \$10.8 million (an increase of \$0.7 million over fiscal year 2016).

General Fund Budgetary Highlights

Revenues were higher than budgetary estimates by \$1.2 million and expenditures were less than original budgetary estimates by \$591.2 thousand. Overall revenues over expenditures on a budgetary basis were \$1.8 million. In the current year, revenues increased by \$3.3 million or 3.8 % over the prior year and expenditures increased by \$2.7 million or 3.2%.

The major factors affecting this year's annual operating results are as follows:

- Property tax revenue was over budgetary estimates by \$895.5 thousand and over prior year revenue by \$4.4 million.
- State grant funding was under budgetary estimates by \$106.3 thousand and under prior year revenue by \$1.2 million.
- Federal revenue is under the prior year by \$104.8 thousand, which is the amount of FEMA funds received in fiscal year 2016.

- Assessment revenue is over budgetary estimates by \$1.5 thousand and under the prior year by \$62.0 thousand due to the Harrison's Landing assessment in fiscal year 2016.
- License and Permit revenue is over budgetary estimates by \$199.7 thousand and over the prior year by \$151.4 thousand. The biggest change was for revenue within the Building Department, which is up by \$98.9 thousand from fiscal year 2016.
- Fines, Penalties and Charges for Services are over budgetary estimates by \$157.4 thousand and over the prior year revenue by \$30.2 thousand. The biggest change was in miscellaneous revenue with an increase of \$29.0 thousand over fiscal year 2016.
- Other sources of revenue were under budgetary estimates by \$28.0 thousand and under the prior year revenue by \$20.9 thousand. The biggest factor was the East Lyme animal control payment which was under budgetary estimates by \$58.9 thousand and under 2016 revenue by \$49.3 thousand due to a change in the Inter-municipal agreement with East Lyme.
- Investment income is over budgetary estimates by \$91.9 thousand and over the prior year by \$59.3 thousand.
- Other Financing Sources, which consists of the cancelation of prior year encumbrances and transfers in from the capital improvement fund, was over estimated revenue by \$15.6 thousand and under the prior year by \$12.2 thousand.

Overall Expenditures came in \$591.2 thousand under budgetary estimates. The largest amounts of appropriations returned are outlined below:

- The Police Department returned \$167.7 thousand of unused appropriations in the current year.
- The Public Works Department returned \$149.1 thousand of unused appropriations in the current year.
- The Board of Education returned \$57.7 thousand of unused appropriations in the current year.
- The Retirement Commission returned \$47.4 thousand of unused appropriations in the current year.
- The Recreation and Parks Department returned \$32.4 thousand of unused appropriations in the current year.
- The Contingency Budget returned \$31.5 thousand of unused appropriations in the current year.
- The Building Maintenance Department returned \$24.4 thousand of unused appropriations in the current year.
- The Library returned \$14.8 thousand of unused appropriations in the current year.
- The Tax Collector returned \$12.0 thousand if unused appropriations in the current year.

The Town's General Fund balance of \$13.6 million reported on Exhibit III differs from the General Fund's budgetary balance of \$13.3 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance does not include \$279.6 thousand of outstanding encumbrances at year-end, which are reported as expenditures for budgetary purposes. The balances for special revenue funds that are funded primarily from operating transfers from the General Fund are also rolled into that fund for reporting purposes. For fiscal year 2017, those balances amounted to \$86.6 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the Town had \$307.2 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net decrease (including additions and deductions) of \$8.7 million, or 2.8%, from last year.

Town of Waterford, Connecticut

(TABLE 4)

Capital Assets at Year-End (Net of Depreciation) For the Years Ended June 30, 2017 and 2016 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,018	\$ 8,018	\$ 128	\$ 128	\$ 8,146	\$ 8,146
Land improvements	601	660	-	-	601	660
Buildings and improvements	177,673	183,493	1,082	1,117	178,755	184,610
Machinery and equipment	5,045	5,654	768	212	5,813	5,866
Vehicles	5,607	5,406	151	141	5,758	5,547
Infrastructure	55,921	57,515	50,679	51,200	106,600	108,715
Permanent Easements	5	5	-	-	5	5
Software	170	112	14	16	184	128
Construction in progress	1,259	807	26	1,350	1,285	2,157
Total	\$ 254,299	\$ 261,670	\$ 52,848	\$ 54,164	\$ 307,147	\$ 315,834

Major capital asset events during the current fiscal year are noted below:

Governmental Activities:

- Buildings and improvements decreased by \$5.8 million due mainly to depreciation expense.
- Infrastructure decreased by \$1.6 million due mainly to depreciation expense.
- Machinery and equipment decreased by \$608.7 thousand due to mainly to depreciation expense of \$1.1 million and retirements of \$25.5 thousand, which was offset by additions of \$536.9 thousand.
- Vehicles increased by \$201 thousand due to additions of \$1.3 million, in accordance with the fleet management plan, this was offset by retirements of \$34.7 thousand and depreciation expense of \$1.1 million.
- There was an increase to construction-in-progress of \$452 thousand for ongoing projects not completed as of the end of the fiscal year.

Business-Type Activities

- There was a decrease to construction-in-progress of \$1.3 million due to the completion of the Harvey Avenue pump station project (\$1.0 million) and the completion of the Wastewater SCADA System (\$0.3 million), which was offset by an increase of \$3.5 thousand to construction-in-progress for the pump station grit facility project.
- There was a decrease to infrastructure of \$521 thousand due to depreciation of \$1.8 million which was offset by \$1.1 million for the addition of the Harvey Avenue pump station project and \$239 thousand for the addition of a public sewer line.
- There was an increase to equipment of \$556 thousand for the completion of the Wastewater SCADA System (\$576.9 thousand) which was offset by depreciation expense of \$27 thousand.
- There was an increase in vehicles of \$10 thousand due to additions of \$53.7 and depreciation expense of \$43.7 thousand.
- The decreases to all other assets were due entirely to depreciation and amortization expenses.

Additional information on the Town's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had \$79.5 million of outstanding general obligation bonds. Bonds issued in June 2017 carried an AA rating from Standard & Poor.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its total prior years' tax collections. The current debt limitation for the Town is \$603.2 million.

Additional information on the Town's long-term debt can be found in Note 7.

Economic Factors

- The unemployment rate for the Town in 2017 was 4.7%, which is a decrease from a rate of 5.3% a year ago. Waterford's unemployment rate is lower than the State's average unemployment rate of 5.0%, but higher than the national average of 4.5% as of June 2017.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$2.2 million. The main reason for the increase is due to the positive operating results of \$1.8 million. Decreases in the assigned and nonspendable categories of fund balance also factored into the increase of the unassigned total.

All of these factors were considered in preparing the Town's budget for the 2017-18 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Town of Waterford, 15 Rope Ferry Road, Waterford, Connecticut 06385.

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Basic Financial Statements

Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total*
Assets			
Cash and cash equivalents	\$ 21,599,914	\$ 2,990,570	\$ 24,590,484
Investments	9,539,136	-	9,539,136
Receivables, net	3,028,461	1,659,388	4,687,849
Internal balances	49,094	(49,094)	-
Inventory	5,262	-	5,262
Prepaid items	45,254	-	45,254
Capital assets:			
Intangible assets, not being amortized	5,000	-	5,000
Intangible assets, net amortization	169,779	14,434	184,213
Assets not being depreciated	9,276,629	152,741	9,429,370
Assets being depreciated	244,847,626	52,680,834	297,528,460
Total assets	288,566,155	57,448,873	346,015,028
Deferred outflows of resources:			
Deferred pension expense	7,869,109	-	7,869,109
Deferred amounts on bond refunding	1,452,652	-	1,452,652
Total assets and deferred outflows of resources	297,887,916	57,448,873	355,336,789
Liabilities			
Accounts and other payables	1,846,848	46,391	1,893,239
Accrued liabilities	4,893,266	95,400	4,988,666
Unearned Revenue	283,029	55,959	338,988
Long-term obligations:			
Due within one year	5,841,000	11,000	5,852,000
Due in more than one year	118,232,136	570,600	118,802,736
Total liabilities	131,096,279	779,350	131,875,629
Deferred inflows of resources:			
Deferred pension expense	461,338	-	461,338
Total liabilities and deferred inflows of resources	131,557,617	779,350	132,336,967
Net position:			
Net investment in capital assets	172,023,979	52,848,009	224,871,988
Restricted for:			
Trust purposes:			
Nonexpendable	144,842	-	144,842
Unrestricted (deficits)	(5,838,522)	3,821,514	(2,017,008)
Total net position	\$ 166,330,299	\$ 56,669,523	\$ 222,999,822

* After internal balances have been eliminated.

See notes to financial statements.

Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 13,745,046	\$ 1,289,306	\$ 126,595	\$ 255,805	\$ (12,073,340)	\$ -	\$ (12,073,340)
Public safety	11,507,800	265,406	168,471	297	(11,073,626)	-	(11,073,626)
Public works	8,558,028	846,446	(2,600)	377,920	(7,336,262)	-	(7,336,262)
Recreation	1,762,649	217,462	7,450	35,912	(1,501,825)	-	(1,501,825)
Library	916,707	17,815	-	-	(898,892)	-	(898,892)
Social services	1,321,459	260,626	65,691	49,600	(945,542)	-	(945,542)
Education	61,804,791	581,874	10,894,924	2,386,257	(47,941,736)	-	(47,941,736)
Interest and fiscal charges	2,604,043	-	-	-	(2,604,043)	-	(2,604,043)
Total governmental activities	102,220,523	3,478,935	11,260,531	3,105,791	(84,375,266)	-	(84,375,266)
Business-type activities:							
Utility commission	4,945,202	3,727,284	-	417,214	-	(800,704)	(800,704)
Total	\$ 107,165,725	\$ 7,206,219	\$ 11,260,531	\$ 3,523,005	(84,375,266)	(800,704)	(85,175,970)
General revenues							
Property taxes					85,883,707	-	85,883,707
Grants and contributions not restricted to specific programs					770,584	-	770,584
Unrestricted investment earnings					314,942	7,563	322,505
Other					122,620	-	122,620
Total general revenues					87,091,853	7,563	87,099,416
Change in net position					2,716,587	(793,141)	1,923,446
Net position, beginning					163,613,712	57,462,664	221,076,376
Net position, ending					\$ 166,330,299	\$ 56,669,523	\$ 222,999,822

See notes to financial statements.

Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 12,074,754	\$ 911,004	\$ 1,119	\$ 3,129,162	\$ 16,116,039
Investments	3,316,951	6,007,068	-	215,117	9,539,136
Receivables (net of allowance for uncollectibles):					
Property taxes	2,304,475	-	-	-	2,304,475
Accounts receivable	284,862	-	-	56,265	341,127
Intergovernmental	4,428	-	-	258,129	262,557
Assessment charges	94,429	-	-	-	94,429
Due from other funds	3,959,418	-	-	1,620,241	5,579,659
Prepaid items	45,154	-	-	100	45,254
Inventories	-	-	-	5,262	5,262
Total assets	\$ 22,084,471	\$ 6,918,072	\$ 1,119	\$ 5,284,276	\$ 34,287,938
Liabilities					
Accounts payable	\$ 1,164,916	\$ 398,994	\$ -	\$ 101,769	\$ 1,665,679
Accrued liabilities	3,203,485	-	-	85,041	3,288,526
Due to other funds	1,828,150	45,112	2,942,807	918,395	5,734,464
Unearned revenue	84,921	-	-	119,655	204,576
Total liabilities	6,281,472	444,106	2,942,807	1,224,860	10,893,245
Deferred Inflows of Resources					
Unavailable resources	2,208,873	-	-	54,840	2,263,713
Total deferred inflows of resources	2,208,873	-	-	54,840	2,263,713
Fund Balances (Deficits)					
Nonspendable	45,154	-	-	144,842	189,996
Restricted	-	-	-	1,032,905	1,032,905
Committed	-	6,473,966	-	2,963,368	9,437,334
Assigned	366,215	-	-	620,072	986,287
Unassigned	13,182,757	-	(2,941,688)	(756,611)	9,484,458
Total fund balances (deficits)	13,594,126	6,473,966	(2,941,688)	4,004,576	21,130,980
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 22,084,471	\$ 6,918,072	\$ 1,119	\$ 5,284,276	\$ 34,287,938

(Continued)

Balance Sheet - Governmental Funds (Continued)
June 30, 2017

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

Amounts reported for governmental activities in the statement of
net position (Exhibit I) are different because of the following:

Fund balances - total governmental funds (Exhibit III)	\$	21,130,980
Capital assets used in governmental activities are not financial resources and are not reported in the funds.		254,299,034
Deferred inflows of resources - unavailable resources		2,263,713
Net deferred outflows/inflows of resources - pension items		7,407,771
Internal service fund is used by management to charge the costs of health insurance premiums to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		4,639,216
Accrued interest payable		(789,931)
Deferred amounts on refunding		1,452,652
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(124,073,136)</u>
Net position of governmental activities (Exhibit I)	\$	<u>166,330,299</u>

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 86,168,297	\$ -	\$ -	\$ -	\$ 86,168,297
Intergovernmental	10,700,099	69,375	2,264,276	2,115,286	15,149,036
Assessments and connections	33,447	-	-	-	33,447
Licenses and permits	1,174,987	-	-	-	1,174,987
Fines, penalties and charges for services	677,603	-	-	1,128,808	1,806,411
Income on investments	193,475	63,479	7	46,829	303,790
Other	565,642	600	-	141,463	707,705
Total revenues	99,513,550	133,454	2,264,283	3,432,386	105,343,673
Expenditures:					
Current:					
General government	13,036,013	-	-	456,902	13,492,915
Public safety	9,936,971	-	-	115,925	10,052,896
Public works	4,709,200	-	-	54,134	4,763,334
Recreation	1,722,163	-	-	5,790	1,727,953
Library	1,037,413	-	-	-	1,037,413
Social services	974,968	-	-	269,431	1,244,399
Education	55,035,573	-	-	1,947,593	56,983,166
Capital outlay	-	2,829,591	184,028	2,142,278	5,155,897
Debt service:					
Principal retirements	4,585,000	-	-	-	4,585,000
Interest and fiscal changes	2,937,412	-	-	-	2,937,412
Total expenditures	93,974,713	2,829,591	184,028	4,992,053	101,980,385
Excess (deficiency) of revenues over expenditures	5,538,837	(2,696,137)	2,080,255	(1,559,667)	3,363,288
Other financing sources (uses):					
Transfers in	8,698	1,862,710	-	3,402,164	5,273,572
Transfers out	(4,014,874)	-	-	(1,258,698)	(5,273,572)
Issuance of refunding bonds	14,585,000	-	-	-	14,585,000
Premium on refunding bonds issued	2,842,466	-	-	-	2,842,466
Payments to escrow	(17,288,865)	-	-	-	(17,288,865)
Total other financing sources (uses)	(3,867,575)	1,862,710	-	2,143,466	138,601
Net change in fund balances (deficits)	1,671,262	(833,427)	2,080,255	583,799	3,501,889
Fund balance (deficit), beginning	11,922,864	7,307,393	(5,021,943)	3,420,777	17,629,091
Fund balance (deficit), ending	\$ 13,594,126	\$ 6,473,966	\$ (2,941,688)	\$ 4,004,576	\$ 21,130,980

(Continued)

**Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
Governmental Funds (Continued)
For the Year Ended June 30, 2017**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances – total governmental funds (Exhibit IV)	\$ 3,501,889
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(7,370,916)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(419,304)
Change in net deferred inflow/outflows due to pension related items.	4,045,664
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,536,679
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.	(1,794,589)
The net increase of certain activities of internal service funds is reported with governmental activities.	<u>217,164</u>
Change in net position of governmental activities (Exhibit II)	<u>\$ 2,716,587</u>

See notes to financial statements.

Statement of Net Position - Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Fund	Governmental Activities
	Utility Commission	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,990,570	\$ 5,483,875
Due from other funds	-	207,907
Receivables (net of allowance for uncollectibles):		
Accounts receivable	1,659,388	505
Intergovernmental	-	21,358
Total current assets	4,649,958	5,713,645
Noncurrent assets:		
Intangible assets	23,940	-
Less accumulated amortization	(9,506)	-
Land	127,970	-
Equipment	999,251	-
Vehicles	630,642	-
Wastewater and storm water lines and pump stations	97,246,960	-
Less accumulated depreciation	(46,196,019)	-
Construction in process	24,771	-
Total noncurrent assets	52,848,009	-
Total assets	57,497,967	5,713,645
Liabilities		
Current liabilities:		
Accounts payable	46,391	181,167
Accrued liabilities	95,400	814,809
Due to other funds	49,094	-
Advance collections	55,959	78,453
Compensated absences	11,000	-
Total current liabilities	257,844	1,074,429
Noncurrent liabilities:		
Deposits	198,112	-
Compensated absences	372,488	-
Total liabilities	828,444	1,074,429
Net position:		
Net investment in capital assets	52,848,009	-
Unrestricted	3,821,514	4,639,216
Total net position	\$ 56,669,523	\$ 4,639,216

See notes to financial statements.

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Utility Commission	
Operating revenues:		
User charges for services, interest and lien fees	\$ 3,727,284	\$ -
Premium charges to other funds	-	10,989,379
Other operating revenues	-	930
Total operating revenues	3,727,284	10,990,309
Operating expenses:		
Amortization expense	1,596	-
Depreciation expense	1,976,615	-
Salaries, wages and employee benefits	1,190,669	-
Treatment plant costs	953,229	-
Utilities	332,480	-
Repairs and maintenance	371,473	-
Other	74,398	-
Materials and supplies	15,115	-
Professional services	29,627	-
Claims	-	9,553,855
Program and administrative expenses	-	1,232,031
Total operating expenses	4,945,202	10,785,886
Operating (loss) income	(1,217,918)	204,423
Nonoperating revenues:		
Income on investments	7,563	12,741
Total non-operating revenues	7,563	12,741
Net (loss) income before capital contributions	(1,210,355)	217,164
Capital contributions	417,214	-
Change in net position	(793,141)	217,164
Net position, beginning	57,462,664	4,422,052
Net position, ending	<u>\$ 56,669,523</u>	<u>\$ 4,639,216</u>

See notes to financial statements.

**Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2017**

	Business-Type Activities - Enterprise Funds	Governmental Activities Internal Service Funds
	Utility Commission	
Cash flows from operating activities:		
Charges for services and premiums	\$ 3,667,840	\$ 14,834,219
Payments to suppliers	(1,540,408)	-
Claims and other expenses paid	-	(10,620,376)
Payments to employees	(1,220,323)	-
Net cash provided by operating activities	907,109	4,213,843
Cash Flows From Capital Financing Activities		
Purchase of capital assets	(244,975)	-
Net cash used in capital financing activities	(244,975)	-
Cash flows from investing activities:		
Income on investments	7,563	12,741
Net cash provided by investing activities	7,563	12,741
Increase in cash and cash equivalents	669,697	4,226,584
Cash and cash equivalents:		
Beginning	2,320,871	1,257,291
Ending	\$ 2,990,568	\$ 5,483,875
Reconciliation of operating (loss) income to net cash		
Provided by operating activities:		
Operating (loss) income	\$ (1,217,918)	\$ 204,423
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization	1,978,211	-
Change in assets and liabilities:		
(Increase)Decrease in accounts receivable	(97,393)	(20,813)
Increase (decrease) in accounts payable	(67,479)	114,797
Increase (decrease) in accrued liabilities	12,770	50,713
Decrease in due from other funds	-	3,865,104
Decrease in due to other funds	28,298	-
Increase in compensated absences	34,557	-
Increase(Decrease) in advance collections	236,063	(381)
Net cash provided by operating activities	\$ 907,109	\$ 4,213,843
Noncash investing and capital activities:		
Acquisition and construction of capital assets	\$ 417,214	\$ -

See notes to financial statements.

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2017

	Pension Trust Fund	OPEB Trust Fund	Agency Funds
Assets			
Cash and cash equivalents	\$ 43,158	\$ 876,905	\$ 666,507
Investments:			
Certificates of deposit	-	-	275,686
Mutual funds	528,624	1,486,226	-
Total investments	528,624	1,486,226	275,686
Total assets	\$ 571,782	\$ 2,363,131	\$ 942,193
Liabilities			
Due to other funds	\$ 4,010	\$ -	\$ -
Amounts held for student groups and others	-	-	942,193
Accounts Payable	3,252	7,995	-
Total liabilities	7,262	7,995	942,193
Net position restricted for benefits	\$ 564,520	\$ 2,355,136	\$ -

See notes to financial statements.

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

	Pension Trust Fund	OPEB Trust Fund
Additions:		
Contributions:		
Employer	\$ 84,000	\$ 1,156,640
Investment income:		
Net appreciation in fair value of investments	54,203	48,277
Total additions	138,203	1,204,917
Deductions:		
Benefit payments	139,838	-
Administrative	9,315	9,781
Total deductions	149,153	9,781
Change in net position	(10,950)	1,195,136
Net position restricted for benefits:		
Beginning of year	575,470	1,160,000
End of year	\$ 564,520	\$ 2,355,136

See notes to financial statements.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

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

Accounting standards adopted in the current year:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The implementation of this statement added additional disclosure to the Town's financial statements. See Note 10.

GASB Statement No. 77, *Tax Abatement Disclosures*. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This standard narrows the scope and applicability of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan meeting specific criteria; establishes new guidance for these employers, including separate requirements for recognition and measurement of pension expense or expenditures and liabilities, note disclosures and required supplementary information (RSI). The implementation of this statement had no impact on the Town's financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The implementation of this statement had no impact on the Town's financial statements.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Reporting entity: The Town was settled in 1646 and incorporated in 1801. The Town operates under a charter and a Board of Selectmen, Board of Finance and Representative Town Meeting (RTM) form of government.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

Accounting principles generally accepted in the United States of America 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 Government Accounting Standards Board Statement Codification Section 2100 have been considered and there are no agencies or entities that should be, but are not, included in the financial statements of the Town.

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. The effect of interfund activity has been removed from the statement of net position, except for the net residual amounts due between governmental and business-type activities. The interfund services provided and used are not eliminated from the statement of activities in the process of consolidation. 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 services.

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

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

The various funds included in the financial statements are described below:

Governmental funds: Governmental Funds are those through which most governmental functions typically are financed.

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for service and interest income.

Special Revenue Funds account for and report the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed for expenditure for specific activities other than debt service or capital projects.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Project Funds account for and report all financial resources that are restricted, committed or assigned to expenditure for capital outlay.

Permanent Funds are used to account for and report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the Town's programs.

Proprietary funds: Proprietary funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following are the Town's proprietary funds:

Enterprise Funds: account for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Utility Commission Fund is the Town's only enterprise fund.

Internal Service Funds: account for the financing of goods or services provided by one department to other departments or agencies of the Town on a cost-reimbursement basis. The Health Insurance Fund is the Town's only internal service fund.

Fiduciary funds: Fiduciary Funds are used to account for assets held by the Town in a trustee capacity Town or as an agent for individuals, private organizations and/or other governments. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

The Pension Trust Fund accounts for the Municipal Employees Retirement System.

The OPB Trust Fund accounts for the other post-employment benefit plan.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. The Student Activities Fund, Student Scholarship Fund and Performance Bonds Fund are the Town's agency funds.

Measurement focus, basis of accounting and financial statement presentation: The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. However, agency funds, unlike other fiduciary funds, report only assets and liabilities and do not have a measurement focus, and follow 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 for. Intergovernmental grants and entitlements 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. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, landfill post-closure monitoring, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Property taxes when levied for, intergovernmental revenue when eligibility requirements are met, licenses, and interest associated with the current fiscal period are all considered to be measurable and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The Capital and Nonrecurring Expenditures Fund accounts and reports for revenues and expenditures for the various short-term construction projects funded by the General Fund.

The Waterford High School Building Project accounts and reports for revenues, expenditures, and other financing sources for the construction of the High School.

The Town reports the following proprietary fund:

The Utility Commission Fund accounts for the operation and maintenance of the sewer collection system, which is owned by the Town and is primarily supported through charges to customers.

Additionally, the Town reports the following fund types:

The Internal Service Fund is used to account for the Town's fully-indemnified insurance program for health insurance coverage of Town and Board of Education employees.

The Pension Trust Fund is used to account for assets that have been set aside in trust for the employee retirement plan for certain Town employees.

The OPEB Trust Fund is used to account for assets that have been set aside in trust for other post-employment benefits for certain employees.

The Agency Funds account for monies held by the Town as a custodian for outside groups and agencies.

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

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

Cash and cash equivalents: The Town classifies money market funds, STIF investments, treasury bills and certificates of deposit having original maturities of three months or less when purchased as cash equivalents. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The pool is reported at amortized cost.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments: Investments for the Town are stated at fair value.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement.

See Note 3 for additional information regarding fair value.

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

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes: The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town, and are computed at 70 percent of market value. Although taxes are levied in June, the legal right to attach property does not exist until July 1. Taxes are due and payable in two installments, on July 1 following the date of the Grand List and on January 1 of the subsequent year. Interest of 1 ½ percent per month is charged on delinquent taxes. Liens are effective on the attachment date and are continued by filing prior to the following levy date.

Additional supplemental property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30. Property tax receivables are shown net of an allowance for uncollectibles.

Allowance for uncollectibles: Receivables for the primary government are reported net of allowance for doubtful accounts. The allowance for doubtful accounts represents those accounts which are deemed uncollectible based on past collection history and on analysis of creditor's ability to pay. An amount of \$86,500 has been established as an allowance for uncollectible taxes.

Inventories and prepaid items: All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Accounting 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 of resources, and deferred outflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

In governmental fund financial statements, capital outlay (assets) is reported as an expenditure and no depreciation expense is recorded.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Building improvements	25-40
Land improvements	20
Public domain infrastructure	10-65
System infrastructure	30
Vehicles	8
Office equipment	5-20
Computer equipment	5
Machinery and equipment	5-30
Software	15

Compensated absences: Town and Board of Education 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 and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

Net pension liability: The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner.

Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. Advance property tax collections represents taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes and interest on property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

Long-term obligations: In the government-wide financial statements and proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs are expensed when incurred.

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. Principal payments are reported as debt service expenditures.

Net position: In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net investment in capital assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and unspent bond proceeds that are attributable to the acquisition, construction or improvement of these assets reduce this category. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are included in this component of net position.

Restricted net position: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Unrestricted net position (deficit): This category represents the net position of the Town, which is not restricted for any project or other purpose. Deficits will require future funding.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Fund balance: In the governmental fund financial statements, the Town reported the following governmental fund balances:

Nonspendable fund balance: These amounts cannot be spent because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance: These amounts are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislations.

Committed fund balance: This represents amounts constrained, prior to year-end, for a specific purpose by a government using its highest level of decision-making authority (Town of Waterford Representative Town Meeting) in the form of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until similar action is taken to remove or revise the limitation.

Assigned fund balance: Amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter. The Finance Director has been delegated authority to assign amounts.

Unassigned fund balance: Includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include residual deficits for other governmental funds.

When both restricted and unrestricted amounts are available for use, it is the Town's practice to use restricted resources first. Additionally, the Town would first use committed, then assigned, and lastly unassigned.

Other Post-Employment Obligations (OPEB) accounting:

OPEB Plan: Employer contributions are recognized in the period in which the contributions are due, and the Town has made a formal commitment to provide contributions.

Governmental funds and governmental activities: In governmental funds, expenditures are recognized when they are paid or are expected to be paid with current available resources. In governmental activities, expense is recognized based on actuarially required contributions. The net OPEB obligation, the cumulative difference between annual OPEB cost and the Town's contributions to the plan since July 1, 2008, is calculated on an actuarial basis consistent with the requirements of Government Accounting Standards Board Statement No. 45. The OPEB obligation (OPEB) is recorded as a noncurrent liability in the government-wide financial statements.

Funding policy: The Town makes annual contributions based on Committee decisions.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position: The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds, and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ 79,465,000
Premium on bonds	4,262,707
OPEB	13,841,300
Compensated absences	7,301,177
Pension contribution payable (MERS)	2,110,496
Net pension liability	16,724,456
Landfill post closure costs	<u>368,000</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 124,073,136</u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 3,052,500
Depreciation expense	(9,668,916)
Loss on disposal	<u>(754,500)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (7,370,916)</u>

Town of Waterford, Connecticut

Notes to Financial Statements

Note 2. Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

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

Principal repayments:

General obligation debt	\$ 3,546,135
Payment to escrow agent	17,288,865
Amortization of bond premiums	138,200
Premium on refunding bonds	(2,842,466)
Deferred loss on refunding	1,038,865
Issuance of refunding bonds	(14,585,000)
Amortization of charges on refunding	<u>(47,920)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 4,536,679</u></u>

Another element of that reconciliation states that "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." The details of account balance changes are as follows:

Compensated absences	\$ 510,048
OPEB obligation	1,432,700
Accrued Interest	243,089
Pension liability	(4,434,942)
Pension contribution payable	431,516
Landfill closure costs	<u>23,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (1,794,589)</u></u>

Note 3. Cash, Cash Equivalents and Investments

Deposits: The Town and Pension and OPEB Plan's does have a policy for deposits and a custodial credit risk policy. The custodial credit risk policy follows State statutes. 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 Waterford, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Investments: The Town and the Pension and OPEB Trust Funds have a policy for investments, which is governed by State statutes. The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (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 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.

Interest rate risk: The Town, Pension and OPEB plans have a policy that limits investing in short-term securities, money market funds or similar investment pools, and limiting the average maturity in the portfolio in accordance with this policy will minimize interest rate risk.

Concentrations: The Town and pension plan do have a policy that limits the amounts invested in any one issuer to no more than 15 percent from a specific issuer or business sector (except U.S. Treasuries or Connecticut Short Term Investment Funds), which is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial credit risk:

Deposits: This is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2017, approximately \$13,500,000 of the Town's bank balance of \$16,969,000 was uninsured and uncollateralized.

Investments: This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

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

Cash and cash equivalents:	
Deposits with financial institutions	\$ 7,623,406
State of Connecticut Short-Term Investment Fund	18,557,648
Total cash and cash equivalents	<u>26,181,054</u>
Investments:	
Governmental Funds:	
Certificates of deposit	<u>9,535,136</u>
Pension Trust Funds:	
Equity mutual funds	265,271
Bond mutual funds	263,353
Total pension investments	<u>528,624</u>
OPEB Trust Funds:	
Equity mutual funds	965,372
Bond mutual funds	520,854
Total OPEB investments	<u>1,486,226</u>
Agency Funds:	
Certificates of deposit	<u>275,686</u>
Total investments	<u>11,825,672</u>
Total cash, cash equivalents and investments	<u>\$ 38,006,726</u>

Cash, cash equivalents and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 24,590,484
Investments, certificates of deposit	9,539,136
	<u>34,129,620</u>
Fiduciary funds:	
Cash and cash equivalents	1,586,570
Investments	2,290,536
	<u>3,877,106</u>
Total cash, cash equivalents and investments	<u>\$ 38,006,726</u>

Town of Waterford, Connecticut

Notes to Financial Statements

Note 3. Cash, Cash Equivalents and Investments (Continued)

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the exposure of the Town's debt type investments to this risk using the segmented time distribution model is as follows:

Summary of Investments	Fair Value	Investment Maturities (in Years)		
		Less Than 1 Year	1-5 Years	6-10 Years
Bond mutual funds	\$ 784,206	\$ -	\$ -	\$ 784,206

Credit risk: The Town does not have a formal policy relating to credit risk. Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. The following table provides a summary of the Town's investments as rated by nationally recognized statistical rating organizations.

	Fair Value	Standard and Poor's
State Short-Term Investment Fund (STIF)	\$ 18,557,648	AAAm
Bond mutual fund	784,206	BBB

Fair value: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2017:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
Investments by fair value level:	June 30, 2017			
Equity Mutual funds	\$ 1,230,417	\$ 1,230,417	\$ -	\$ -
Bond Mutual funds	784,206	784,206	-	-
Total investments by fair value level	\$ 2,014,623	\$ 2,014,623	\$ -	\$ -

Mutual funds: Mutual funds, classified in Level 1 of the fair value hierarchy, are valued using prices quoted in active markets for those securities.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 4. Deferred Inflows of Resources/Unearned Revenue

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities report unearned revenues in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue and unavailable revenue reported in the governmental funds are as follows:

	Deferred Inflows	Unearned Revenue
General fund:		
Delinquent property taxes (principal)	\$ 1,399,358	\$ -
Delinquent property taxes (interest)	725,003	-
Delinquent sewer assessments	69,746	-
Delinquent water assessments	13,810	-
Miscellaneous accounts receivable	956	-
Nonmajor funds:		
Delinquent sewer connection fees	5,428	-
Grants receivable	49,412	-
Grant drawdowns prior to meeting all eligibility requirements	-	57,220
Total unearned/unavailable revenue for governmental funds	<u>\$ 2,263,713</u>	<u>\$ 57,220</u>

Note 5. Interfund Receivables, Payables and Transfers

As of June 30, 2017, interfund balances that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General fund	\$ 3,959,418	\$ 1,828,150
Capital and nonrecurring expenditures fund	-	45,112
Waterford High School building project	-	2,942,807
Nonmajor governmental funds	1,620,241	918,395
Utility commission	-	49,094
Pension Fund	-	4,008
Internal service fund	207,907	-
Total	<u>\$ 5,787,566</u>	<u>\$ 5,787,566</u>

The balances above resulted from the time lag between the dates that payments occur between funds for various activities. The majority of the balances relate to capital purchases as permanent funding has not yet been obtained.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 5. Interfund Receivables, Payables and Transfers (Continued)

Interfund transfers during the year ended June 30, 2017 were as follows:

	Transfers In	Transfers Out
General fund	\$ 8,698	\$ 4,014,874
Capital and nonrecurring expenditures fund	1,862,710	-
Nonmajor governmental funds	3,402,164	1,258,698
Total	<u>\$ 5,273,572</u>	<u>\$ 5,273,572</u>

The transfers out of the general fund were made to the Capital and Nonrecurring Fund, Fleet Management and the Capital Improvement Fund in line with the Town's Capital Improvement Plan. This plan was put in place to minimize the mill rate impact of long-term projects.

Note 6. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,017,930	\$ -	\$ -	\$ 8,017,930
Permanent easements	5,000	-	-	5,000
Construction in progress	807,667	451,032	-	1,258,699
Total capital assets, not being depreciated	<u>8,830,597</u>	<u>451,032</u>	<u>-</u>	<u>9,281,629</u>
Capital assets, being depreciated:				
Land improvements	2,392,999	-	-	2,392,999
Buildings and improvements	240,904,356	-	52,511	240,851,845
Vehicles	14,693,274	1,320,066	568,307	15,445,033
Machinery and equipment	14,671,560	536,899	153,343	15,055,116
Infrastructure	102,484,096	675,430	1,332,879	101,826,647
Software	541,266	69,073	-	610,339
Total capital assets being depreciated	<u>375,687,551</u>	<u>2,601,468</u>	<u>2,107,040</u>	<u>376,181,979</u>
Less accumulated depreciation for:				
Land improvements	1,733,220	58,903	-	1,792,123
Buildings and improvements	57,411,826	5,786,982	20,239	63,178,569
Vehicles	9,287,130	1,084,478	533,601	9,838,007
Machinery and equipment	9,017,860	1,120,090	127,856	10,010,094
Infrastructure	44,968,734	1,607,331	670,844	45,905,221
Software	429,428	11,132	-	440,560
Total accumulated depreciation	<u>122,848,198</u>	<u>9,668,916</u>	<u>1,352,540</u>	<u>131,164,574</u>
Total capital assets, being depreciated, net	<u>252,839,353</u>	<u>(7,067,448)</u>	<u>754,500</u>	<u>245,017,405</u>
Governmental activities capital assets, net	<u>\$ 261,669,950</u>	<u>\$ (6,616,416)</u>	<u>\$ 754,500</u>	<u>\$ 254,299,034</u>

Town of Waterford, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 127,970	\$ -	\$ -	\$ 127,970
Construction in progress	1,349,106	3,449	1,327,784	24,771
Total capital assets, not being depreciated	1,477,076	3,449	1,327,784	152,741
Capital assets, being depreciated:				
Vehicles	607,661	53,749	30,768	630,642
Machinery and equipment	416,875	582,376	-	999,251
Infrastructure	95,168,875	1,350,397	655,939	95,863,333
Buildings and improvements	1,383,627	-	-	1,383,627
Software	23,940	-	-	23,940
Total capital assets being depreciated	97,600,978	1,986,522	686,707	98,900,793
Less accumulated depreciation for:				
Vehicles	467,099	43,775	30,768	480,106
Machinery and equipment	204,426	26,996	-	231,422
Infrastructure	43,967,949	1,871,253	655,939	45,183,263
Buildings and improvements	266,637	34,591	-	301,228
Software	7,910	1,596	-	9,506
Total accumulated depreciation	44,914,021	1,978,211	686,707	46,205,525
Total capital assets, being depreciated, net	52,686,957	8,311	-	52,695,268
Business-type capital assets, net	\$ 54,164,033	\$ 11,760	\$ 1,327,784	\$ 52,848,009

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

Governmental activities:	
General government	\$ 254,818
Public Safety	1,196,353
Public Works	2,170,491
Recreation	290,693
Library	21,649
Social Services	114,554
Education	5,620,358
Total depreciation expense - governmental activities	\$ 9,668,916
Business-type activities:	
Utility Commission	\$ 1,978,211

Town of Waterford, Connecticut

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Construction commitments: The Town has active construction projects as of June 30, 2017. At year end the Town's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
General government projects	\$ 217,205	\$ 36,014
Fire Services Projects	27,525	2,108
Department of Public Works projects	345,270	1,552,129
Utility Commission projects	217,919	69,461
Recreation Projects	239,050	56,915
Total	<u>\$ 1,046,969</u>	<u>\$ 1,716,627</u>

The commitments are being financed through appropriations out of the Capital and Nonrecurring Expenditures Fund and Capital Projects Funds, as well as state grants and bonding.

Note 7. Long-Term Obligations

A summary of changes in outstanding obligations during the year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 85,715,000	\$ 14,585,000	20,835,000	\$ 79,465,000	\$ 4,980,000
Premium on bonds	1,558,441	2,842,466	\$ 138,200	4,262,707	-
Total bonds payable	<u>87,273,441</u>	<u>17,427,466</u>	<u>20,973,200</u>	<u>83,727,707</u>	<u>4,980,000</u>
Other long-term liabilities:					
OPEB liability	15,274,000	-	1,432,700	13,841,300	-
Landfill post closure monitoring	391,000	-	23,000	368,000	23,000
Compensated absences	7,811,225	355,127	865,175	7,301,177	388,000
Net pension liability (Pension)	551,040	-	62,821	488,219	-
Net pension liability (MERS)	11,738,474	4,497,763	-	16,236,237	-
Prior Service Cost (MERS)	2,542,012	-	431,516	2,110,496	450,000
Total other long-term liabilities	<u>38,307,751</u>	<u>4,852,890</u>	<u>2,815,212</u>	<u>40,345,429</u>	<u>861,000</u>
Governmental activity long-term liabilities	<u>\$ 125,581,192</u>	<u>\$ 22,280,356</u>	<u>\$ 23,788,412</u>	<u>\$ 124,073,136</u>	<u>\$ 5,841,000</u>
Business-type activities:					
Compensated absences	<u>\$ 348,931</u>	<u>\$ 45,416</u>	<u>\$ 10,859</u>	<u>\$ 383,488</u>	<u>\$ 11,000</u>

For the governmental activities, other long-term liabilities including compensated absences are generally liquidated by the General Fund.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

General obligation bonds: At June 30, 2017, the outstanding general obligation bonds of the Town were as follows:

Description	Maturity Ranges	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2017
Governmental activities:						
Schools:						
Clark Lane School	\$800,000-\$850,000	\$ 9,440,000	12/29/14	08/15/26	3.0%-5.0%	\$ 8,160,000
Quaker Hill School	\$425,000-\$450,000	8,500,000	08/01/09	08/01/28	2.0%-4.0%	450,000
Oswegatchie School	\$735,000-\$740,000	14,000,000	08/01/11	08/01/30	2.0%-4.0%	2,950,000
Great Neck Elementary	\$655,000-\$975,000	15,640,000	03/01/12	08/01/31	1.75%-3.25%	12,925,000
Waterford High School	\$1,355,000-\$2,000,000	33,750,000	03/15/13	08/15/32	2.0%-4.0%	25,745,000
School Issue of 2014	\$640,000-\$940,000	15,930,000	03/17/14	03/15/34	3.0%-4.0%	14,650,000
School Issue of 2017	\$185,000 -2,830,000	14,585,000	06/21/17	06/30/31	2.0%-5.0%	14,585,000
						<u>\$ 79,465,000</u>

The following is a summary as of June 30, 2017 of the future principal and interest requirements for the Town's general obligation bonds:

Fiscal Year Ending June 30:	Principal	Interest	Total
2018	4,980,000	\$ 2,448,542	\$ 7,428,542
2019	5,020,000	2,565,439	7,585,439
2020	5,145,000	2,387,839	7,532,839
2021	5,380,000	2,187,776	7,567,776
2022	5,430,000	2,003,520	7,433,520
2023-2027	28,065,000	7,269,650	35,334,650
2028-2032	21,615,000	2,531,565	24,146,565
2033-2037	3,830,000	143,400	3,973,400
	<u>\$ 79,465,000</u>	<u>\$ 21,537,731</u>	<u>\$ 101,002,731</u>

2017 general obligation refunding bond - in-substance defeasance: On June 21, 2017, the Town issued \$14,585,000 of general obligation refunding bonds with an average interest rate of 3.9%, of which the proceeds were used to advance refund the outstanding principal amounts of the general obligation bond of the Town. Net proceeds of \$17,288,865 (after payment of expenses of \$138,600), was placed in an irrevocable trust under an Escrow Agreement dated June 21, 2017 between the Town and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of primarily non-callable direct obligations of the United States of America (Government Obligations). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption prices of the Refunded Bonds on the date the payments are due.

The Town advance refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,153,669, and a cash savings of \$1,349,156 between the old debt payments and the new debt payments.

At June 30, 2017, there was \$17,289,000 in escrow. The balance of the defeased bonds was \$16,250,000 at June 30, 2017. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 7. Long-Term Obligations (Continued)

In-substance defeasance – prior years: In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the Town's government-wide financial statements. The balance of the defeased bonds was \$8,500,000 at June 30, 2017.

The Town's indebtedness (including authorized but unissued bonds and overlapping debt), net of principal reimbursements expected from the State, does not exceed the legal debt limitations as required by the Connecticut General Statutes as reflected in the following schedule:

Category	Debt Limit (in thousands)	Net Indebtedness (in thousands)	Balance (in thousands)
General purpose	\$ 193,883	\$ -	\$ 193,883
Schools	387,766	87,841	299,925
Sewers	323,139	-	323,139
Urban renewal	280,053	-	280,053
Pension deficit	258,511	-	258,511

General obligation bonds: The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or approximately \$603,192,000.

Bonds authorized but unissued: Total authorized but unissued debt at June 30, 2017 consists of the following:

Schools	<u>\$8,376,000</u>
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Note 8. Fund Deficits

The following funds had fund deficit balances at June 30, 2017:

Waterford High School Building Project	\$ 2,941,688
Nonmajor Governmental Funds:	
Nuclear Safety Emergency Preparedness Grant Fund	13,500
Mago Point Park STEAP Grant	50,090
Oswegatchie Elementary School Project	290,750
Great Neck Elementary School	378,827
Quaker Hill Elementary School Project	23,445

These deficits will be reduced or eliminated when grant funds are received or appropriated by transfers from the General Fund or permanent financing is obtained.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans

Pension trust fund:

Plan description: The Town maintains a single-employer defined benefit pension plan (the Plan). The Plan was established and is administered by the Town. The Plan covers employees who retired or terminated in a vested status prior to MERS participation. There are no contributions required from the members. The Town is required to contribute the amounts necessary to finance the benefits for the participants in this plan. The Plan is included as part of the Town's financial reporting entity as a Pension Trust Fund. The Plan does not issue a separate stand-alone financial report.

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan is closed to new members. All eligible full-time employees must enroll in the MERS plan.

Members who retired at normal retirement date (age 62 and 15 years of service) receive benefits equal to 1.5 percent of final average earnings (the average of the highest 5 years within the last 10 years) per year of service, limited to 30 years. Members who retired at service retirement date (age 50 and 25 years of service) receive benefits equal to 2 percent of final average earnings per year of service, limited to 30 years, until age 62. Members who retired at early retirement date (age 57 and 15 years of service) could elect to receive benefits accrued to that date, reduced by .4167 percent for each month prior to normal retirement date, or to defer benefits until normal retirement date with no reduction. Benefit provisions are established and can be amended by the Representative Town Meeting.

Plan administration: The general administration and management of the pension plan and the responsibility for carrying out the provision of the plan shall be placed with the Retirement Commission. The Retirement Commission will be made up as follows:

- A member of the board of police commissioners to be appointed by the board police commissioners annually;
- A member of the board of selectmen to be appointed by the board of selectmen annually;
- A member of the board of education to be appointed by the board of education annually;
- A member of the board of finance to be appointed by the board of finance biennially, for a two-year term, subsequent to December 1st but no later than December 31st of each odd-numbered year;
- Two members of the representative town meeting to be appointed by the representative town meeting biennially, for a two-year term at the regularly scheduled December meeting of each odd-numbered year; and
- A member of the fire service to be appointed by the director of fire services annually.

Plan membership consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees, disabled and beneficiaries currently receiving benefits	16
Terminated employees entitled to benefits but not yet receiving them	1
Active plan members	-
Total	<u>17</u>

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Summary of significant accounting policies:

Basis of accounting: The Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues when due in accordance with the terms of the Plan. Investments are reported at fair value. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs are paid from pension fund resources.

Funding policy: There are no active employees in this Plan. Contributions required for the year ended June 30, 2017 were \$84,000. Excess assets in the Plan may be used to fund past service costs for employees who transferred to MERS.

Summary of significant accounting policies: The annual required contribution was determined as part of the July 1, 2015 actuarial valuation using the entry age method, level dollar amortization method and remaining amortization period of eleven-years open. The actuarial assumptions included a) a 6.25 percent investment rate of return, b) retiree cost of living increase of 2.0 percent. The assumptions did not include projected salary or post-retirement benefit increases. The actuarial value of assets was determined using asset smoothing.

Investments:

Investment policy: The Plan's policy in regards to the allocation of invested assets is established and may be amended:

Asset Class	Pension Funds Allocation %
Large Cap	15%
Small Cap	10%
International	8%
Core Fixed Income	51%
High Yield Bond	15%
Cash equivalents	1%

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.89 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Net Pension Liability	June 30, 2017
Total pension liability	\$ 1,052,775
Plan fiduciary net position	564,556
Net pension liability	<u>\$ 488,219</u>
Plan fiduciary net position as a percentage of total pension liability	<u>53.63%</u>

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of July 1, 2015, calculated based on the discount rate and actuarial assumptions below, and then was projected forward to the measurement date June 30, 2017. There have been no significant changes between the valuation date and the fiscal year end.

- Cost of living adjustments: 2 percent per year
- Investment return: 6.25 percent, compounded annually
- Actuarial cost method - entry age normal

Mortality rates were based on the RP-2000 Mortality Table, projected to the valuation date with Scale AA.

Discount rate: The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Assumed rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of returns for each major asset class are included in the pension plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of July 1, 2015, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio	Weighted
Large Cap	15.00%	4.75%	0.71%
Small Cap	10.00%	5.50%	0.55%
International	8.00%	5.25%	0.42%
Core Fixed Income	51.00%	2.00%	1.02%
High Yield Bond	15.00%	3.25%	0.49%
Cash equivalents	1.00%	0.50%	0.01%
Total weighted average real return			3.20%
Long-Term Inflation Expectation			3.00%
Long-Term Expected Nominal Return			6.20%

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/16	\$ 1,126,510	\$ 575,470	\$ 551,040
Changes for the year:			
Interest	66,103	-	66,103
Contributions - employer	-	84,000	(84,000)
Net investment income	-	54,239	(54,239)
Administrative expense	-	(9,315)	9,315
Benefit payments, including refunds of employee contributions	(139,838)	(139,838)	
Net changes	(73,735)	(10,914)	(62,821)
Balances at 6/30/17	\$ 1,052,775	\$ 564,556	\$ 488,219

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Town, calculated using the discount rate of 6.25 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or 1.00 percent higher than the current rate:

	1% Decrease	Current	1% Increase
	5.25%	Discount Rate 6.25%	7.25%
Net pension liability	\$ 563,284	\$ 488,219	\$ 422,304

For the fiscal year ended June 30, 2017, the recognized pension expense is \$49,045. As of June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions are reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 20,588	\$ -
Total	\$ 20,588	\$ -

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

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

Year ended June 30:	
2018	\$ 10,253
2019	10,255
2020	3,601
2021	(3,521)
Thereafter	-
Total	<u>\$ 20,588</u>

Municipal employees' retirement system:

Plan description: Certain employees of the Town of Waterford, Connecticut and Waterford Public Schools participate in a cost-sharing multiple-employer defined benefit pension plan administered by the State of Connecticut Employees' Retirement System (MERS). MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial report as a pension trust fund. Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. Those reports can be obtained at www.ct.gov.

Benefit provisions: Plan provisions are set by Statute of the State of Connecticut. MERS provides retirement benefits, as well as death and disability benefits. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

Average final compensation: Average of the three highest paid years of service.

Normal form of benefit: Life annuity.

Service retirement allowance:

Condition for allowance: Age 55 and 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Compulsory retirement at age 65 for police and fire members.

Amount of allowance: For members not covered by Social Security: 2 percent of average final compensation times years of service. For members covered by Social Security: 1-1/2 percent of the average final compensation not in excess of the year's breakpoint plus 2 percent of average final compensation in excess of the year's breakpoint, times years of service. The maximum benefit is 100 percent of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include Workers Compensation and Social Security benefits. If any member covered by Social Security retires before age 62, his/her benefit until he/she reaches age 62 or receives a Social Security disability award is computed as if he/she were not under Social Security.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Disability retirement allowance:

Condition for allowance: 10 years of service and permanently and totally disabled from engaging in any gainful employment in the service of the Municipality.

Amount of allowance: Calculated as a service retirement allowance based on compensation and service to the date of the disability.

Service connected disability:

Condition for allowance: Totally and permanently disabled from engaging in any gainful employment in the service of the Municipality provided such disability has arisen out of and in the course of his/her employment with the Municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty.

Amount of allowance: Calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including Worker's Compensation benefits) of 50 percent of compensation at the time of the disability.

Vesting retirement allowance:

Condition for allowance: 5 years of continuous or 15 years of active aggregate service.

Amount of allowance: Calculated as a service retirement allowance on the basis of average final compensation and service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Death benefit:

Condition for benefit: Eligible for service, disability retirement, or vested allowance, and married for at least 12 months preceding death.

Amount of benefit: Computed on the basis of the member's average final compensation and creditable service at date of death, payable to the spouse. Benefit is equal to 50 percent of the average of the life annuity allowance and the reduced 50 percent joint and survivor allowance.

Return of deductions: Upon the withdrawal of a member the amount of his accumulated deductions is payable to him/her on demand, with 5 percent interest from July 1, 1983.

Optional benefits: Prior to the retirement, a member may elect to convert his retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below: 1. A reduced retirement allowance payable during his life with the provision that after his death the beneficiary designated by him at the time of his retirement; or 2. A reduced retirement allowance payable during his life with the provision that after his death an allowance of one half of his reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement; 3. A reduced retirement allowance payable during his life with a guarantee of 120 or 240 monthly payments to the member or his designated beneficiary.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Cost-of-living adjustment: For those retired prior to January 1, 2002: (i) The benefits of disabled retirees, service retirees who have reached age 65, and beneficiaries of deceased retirees who would have reached age 65 are adjusted each July 1. The difference between the actual annual yield of the actuarial value of assets on a calendar year basis to a 6 percent yield is calculated. This difference is the adjustment applied the following July 1. The minimum adjustment is 3 percent and the maximum is 5 percent. (ii) The benefits for all others on the roll are adjusted on January 1, 2002 and on each subsequent July 1. The amount of each adjustment is 2.5 percent. For those retiring in or after January 1, 2002, benefits are adjusted each July 1. The adjustment is 60 percent of the annual increase in the CPI up to 6 percent. The minimum annual COLA is 2.5 percent; the maximum is 6 percent.

Contributions by members: For members not covered by Social Security: 5 percent of compensation. For members covered by the Social Security: 2-1/4 percent of compensation up to the Social Security taxable wage base plus 5 percent of compensation, if any, in excess of such base.

Contributions by municipalities: Participating Municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the System not met by member contributions.

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

Valuation date	7/1/2016
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	27 years
Asset valuation method	5-year smoothed market with 20% recognition of investment gains and losses
Investment rate return*	8.00%, net of investment related expense
Projected salary increases*	4.25-11.00%
Social Security Wage Base	3.50%
* Includes inflation at 3.25%	
Mortality	The RP2000 Mortality Table for Annuitants and Non-Annuitants (set forward one year for males and set back one year for females). For disabled retirees, the same table is used, adjusted with the male table set forward five years and the female table set forward one year

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap U.S equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging Markets (non- U.S.)	7.0%	8.3%
Core Fixed Income	8.0%	1.3%
Inflation Linked Bonds	5.0%	1.0%
Emerging Market Bonds	8.0%	3.7%
High Yield Bonds	14.0%	3.9%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investments	8.0%	4.1%
Liquidity Fund	3.0%	0.4%
	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Town's net proportionate share of the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate (\$ thousands):

	1% Decrease 7.00	Current Discount Rate 8.00%	1% Increase 9.00%
Town's net proportionate share of the net pension liability	\$ 25,745,779	\$ 16,236,237	\$ 8,217,490

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources: At June 30, 2017, the Town reported a liability of \$16,236,237 for its proportionate share of the net pension liability related to its participation in MERS. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on its share of contributions to the MERS for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2017, the Town's proportion was 4.88 percent. The decrease in proportion from June 30, 2016 was 1.21 percent.

For the year ended June 30, 2017, the Town recognized pension expense of \$3,747,799. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

\$2,603,848 reported as deferred outflows of resources related to pensions resulting from the Town's contributions in fiscal year 2017 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Contributions subsequent to measurement date	\$ 2,603,848	\$ -	\$ 2,603,848
Net difference between projected and actual experience	658,833	-	658,833
Net difference between projected and actual earnings on plan investments	4,585,840	-	4,585,840
Change in proportionate share	-	461,338	(461,338)
Total	<u>\$ 7,848,521</u>	<u>\$ 461,338</u>	<u>\$ 7,387,183</u>

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

Year ended June 30:	
2018	\$ 1,044,745
2019	1,044,745
2020	1,701,148
2021	992,697
Total	<u>\$ 4,783,335</u>

Payable to MERS: The Town has recorded \$2,110,496 as a long-term liability to MERS at June 30, 2017. This amount represents prior services cost calculated when the Town entered the Plan. This amount will be paid in annual installments. The current year amount paid was \$431,516.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Connecticut state teachers' retirement system

Description of system: Teachers, principals, superintendents or supervisors within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the System) is a cost sharing multiple employer defined benefit pension system with a special funding situation. The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained at www.ct.gov.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Summary of significant accounting policies: For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Town does not have any liability related to the system.

Benefits provided: The benefits provided to participants by the System are as follows:

Normal benefit: A member at age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut is eligible for vested benefits of 2 percent of average annual salary times years of credited service (maximum benefit is 75 percent of average annual salary.)

Prorated benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2 percent less 0.1 percent for each year less than 20 years of average annual salary times years of credited service.

Minimum benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Contribution requirements: The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Participants are required to contribute 6.00 percent of their annual salary rate to the System as required by CGS Section 10-183b (7).

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Actuarial assumptions: The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions:

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.00 Percent

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to year 2020 using BB improvement scales.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging Markets (non-U.S.)	9.0%	8.3%
Core Fixed Income	7.0%	1.3%
Inflation linked bonds	3.0%	1.0%
Emerging market bonds	5.0%	3.7%
High Yield Bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	<u>6.0%</u>	0.4%
	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 9. Employee Retirement Systems and Pension Plans (Continued)

Sensitivity of the proportionate share of the net pension liability (NPL) to changes in the discount rate: The following presents the State's proportionate share of the net pension liability allocated to the Town, calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate. The Town has no proportionate share of the net pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
State's share of the net pension liability allocated to the Town	\$97,988,913	\$79,425,593	\$63,733,226

Pension liabilities, pension expense, and deferred inflows/outflows of resources: The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$79,425,593 and 100% of the net pension liability is allocated to the State.

June 30, 2016 is the actuarial valuation date upon which the total pension liability is based. Since the prior valuation, the State adopted new assumptions based on the 2015 Experience Study. The changes in assumptions are summarized below:

Economic assumptions

1. Reduce the inflation assumption from 3.00% to 2.75%.
2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%.
4. Slightly modify the merit portion of the salary scale.
5. Reduce the payroll growth assumption from 3.75% to 3.25%.

Demographic assumptions

6. Update mortality tables to projected versions of the RPH-2014 mortality tables.
7. Increase normal retirement rates for females at most ages and prorate retirement rates for males at most ages. Decrease early retirement rates for both males and females.
8. Increase rates of withdrawal.
9. Decrease rates of disability for males.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2017, the Town recognized \$8,661,646 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits

The Town provides post-retirement benefits for certain employees for current and future health insurance benefit expenses through a single-employer defined benefit plan. A biennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2016. The post-retirement plan does not issue stand-alone financial reports.

From an accrual accounting perspective, the cost of post-employment healthcare 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. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2008, 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. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2008 liability.

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town currently funds on the "pay-as-you-go" method. The Town determines the required contribution using the Projected Unit Cost Method.

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation.

Retirees and beneficiaries receiving benefits	117
Active plan members	411
Total	<u>528</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/2017	\$ 2,265,600	163.0%	\$ 13,841,300
06/30/2016	\$ 2,497,200	32.0%	\$ 15,274,000
06/30/2015	\$ 2,498,600	23.4%	\$ 13,574,800

Town of Waterford, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

OPEB obligation:

The Town's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (C)	UAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	\$ 1,160,000	\$ 23,690,000	\$ 22,530,000	0%	\$ 28,822,400	78.2%

Historical Trend Information - The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to AALs for benefits.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$ 2,607,000
Interest on net pension obligation	763,700
Adjustment to annual required contribution	(1,105,100)
Annual OPEB cost	2,265,600
Contributions made	3,698,300
Increase in net OPEB liability	(1,432,700)
Net OPEB obligation, beginning of year	15,274,000
Net OPEB obligation, end of year	\$ 13,841,300

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuations follows:

Valuation date:	July 1, 2016
Actuarial cost method:	Entry Age Normal
Asset valuation method:	Market Value
Amortization method:	Level Dollar, Closed
Remaining amortization period:	30 Years Decreasing, Currently 20 years
Actuarial Assumptions:	
Investment rate of return	7.0%
Inflation rate	2.75%
Projected salary increases N/A	2.75%

Health cost trend rates: Annual increases in premium for retired medical and prescription drug benefits are assumed to be as follows:

Year After Valuation Date	Decrease
1	7.25%
2	6.75%
3	6.25%
4	5.75%
5	5.25%
6	4.75%
7	4.75%
8 or more	4.75%

GASB 74 Disclosures:

Investments:

Investment policy: The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan.

Rate of return: For the year ended June 30, 2017, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was as follows. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	OPEB Plan
Rate of return	2.09%

Town of Waterford, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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

	Net OPEB Liability as of June 30, 2017	OPEB Plan
Total OPEB liability		\$ 23,995,827
Plan fiduciary net position		2,363,131
Net OPEB liability		<u>21,632,696</u>
Plan fiduciary net position as a percentage of total OPEB liability		9.85%
Covered payroll		\$ 29,615,001
Net OPEB liability as a% of covered payroll		73.05%

The \$21,632,696 will be recognized as a liability of July 1, 2017, when the GASB Statement No. 75 takes effect.

Assumed rate of return: The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of the real rates of returns for each major asset class are included in the OPEB plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of July 1, 2016, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighting
International	32.50%	5.50%	1.79%
Core Fixed Income	35.00%	2.25%	0.79%
US Equities	32.50%	5.25%	1.71%
	<u>100.00%</u>		<u>4.29%</u>
Long-Term Inflation Expectation			2.75%
Long-term expected nominal return			<u>7.04%</u>

Town of Waterford, Connecticut

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Discount rate: The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Also, based on the net position of the plans and contribution policies, it was assumed the plan's projected fiduciary net position would be sufficient to cover projected benefit payments and administrative expenses indefinitely. Therefore, the long-term expected rates of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of estimates used in calculating the net OPEB liability: The following presents the net OPEB liability of the Town, calculated using the discount rate of 7.00%, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the rate utilized:

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate 7.00%	8.00%
Net OPEB Liability			
OPEB Plan	\$ 24,374,372	\$ 21,632,696	\$ 19,323,318

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.75% decreasing to 3.75%) or 1 percentage point higher (8.75% decreasing to 5.75%) than the current healthcare cost trend rates:

	Healthcare Cost Trend Rates (7.75% Decreasing to 4.75%)	1.0% Decrease (6.75% Decreasing to 3.75%)	1.0% Increase (8.75% Increasing to 5.75%)
Net OPEB Liability			
Net OPEB liability as of June 30, 2017	\$ 21,632,696	\$ 19,438,856	\$ 24,265,668

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from the amounts held in prior years

The Town currently is a member in Connecticut Interlocal Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a, et seq., of Connecticut General Statutes, for workers' compensation first dollar coverage.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 11. Risk Management (Continued)

The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an insured loss retrospective rating plan and losses incurred in the coverage period will be evaluated at 18, 30, and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence. The Town has not incurred any retrospective charges and is not aware of potential obligations related to its membership in CIRMA as of June 30, 2017.

The Town utilized a self-insurance program, which commenced November 1, 1998, to account for health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis through June 30, 2012. The Town changed its health insurance coverage to a fully-indemnified insurance plan effective July 1, 2012. The Town returned to the self-insurance program effective July 1, 2013.

A schedule of changes in the claims liability for the past two years is presented below:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2015-2016	\$ 783,939	\$ 8,892,502	\$ (8,912,345)	\$ 764,096
2016-2017	764,096	9,372,531	(9,321,818)	814,809

Note 12. Contingent Liabilities

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

There are several pending lawsuits involving the Town. Town management believes the ultimate resolution of these matters will not have a material adverse effect on the financial position of the Town.

Effective January 1, 2002, the Town's Miner Lane landfill was closed. The cost of the ongoing maintenance of the cap and the Department of Energy and Environmental Protection requirement for water quality testing over a 30-year period is estimated to be approximately \$23,000 a year. Accordingly, the Town has recorded a liability in the government-wide financial statements of \$368,000.

Note 13. Major Taxpayer

For the fiscal year ended June 30, 2017, 34.5 percent of the Town's property tax revenues were derived from its largest taxpayer, Dominion Nuclear Connecticut, Inc., an electrical power facility.

Town of Waterford, Connecticut

Notes to Financial Statements

Note 14. Governmental Funds - Fund Balance

The Town follows the accounting guidance of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established accounting and financial reporting standards for governmental funds. Below is a table of fund balance categories and classifications at June 30, 2017 for the Town's governmental funds:

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds
Fund balances:				
Non-spendable:				
Prepays	\$ 45,154	\$ -	\$ -	\$ 100
Inventory	-	-	-	5,262
Non-spendable trust	-	-	-	139,480
Total nonspendable	45,154	-	-	144,842
Restricted:				
General government	-	-	-	44,865
Public safety	-	-	-	251,704
Sewer maintenance	-	-	-	534,404
Social services	-	-	-	71,622
School cafeteria and other	-	-	-	98,486
Recreation	-	-	-	31,824
Total restricted	-	-	-	1,032,905
Committed:				
Public Works	-	-	-	575,642
Other capital projects	-	6,473,966	-	2,387,726
Total committed	-	6,473,966	-	2,963,368
Assigned:				
General government	88,366	-	-	-
Public Safety	63,764	-	-	-
Public Works	12,897	-	-	-
Recreation	6,517	-	-	-
Social services	-	-	-	-
Capital outlay	-	-	-	620,072
Education- supplies and maintenance	194,671	-	-	-
Total assigned	366,215	-	-	620,072
Unassigned:				
General government	13,182,757	-	-	-
Operational grants	-	-	-	(13,500)
Capital projects	-	-	(2,941,688)	(743,111)
Total unassigned (deficit)	13,182,757	-	(2,941,688)	(756,611)
Total fund balance (deficit)	\$ 13,594,126	\$ 6,473,966	\$ (2,941,688)	\$ 4,004,576

The Town has no significant encumbrances.

Notes to Financial Statements

Note 15. Governmental Accounting Standards Board (GASB) Statements

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements, except for GASB 75, which will have a material impact.

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.
- GASB 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.
- GASB 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 a 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 are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Note 15. Governmental Accounting Standards Board (GASB) Statements (Continued)

- GASB Statement No. 85, *Omnibus 2017*. 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 reporting periods beginning after June 15, 2017. Earlier application is encouraged.
- GASB 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 reporting periods beginning after June 15, 2017. Earlier application is encouraged.
- GASB 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 reporting periods beginning after December 15, 2019. Earlier application is encouraged.

**Required Supplementary
Information - unaudited**

Required Supplementary Information - unaudited
Schedule of Investment Returns - Defined Benefit and OPEB Plans
Last Four Fiscal Years

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - Defined Benefit	9.89%	1.75%	2.57%	11.89%
Annual money-weighted rate of return, net of investment expense - OPEB Plan	2.09%	n/a	n/a	n/a

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the Town will present information for those years on which information is available.

Required Supplementary Information – unaudited
Schedule of Employer Contributions – Pension Trust Fund
Last Ten Fiscal Years

	Schedule of Contributions - Pension Trust Fund									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 81,493	\$ 83,367	\$ 83,367	\$ 78,744	\$ 78,744	\$ 82,885	\$ 82,885	\$ 63,081	\$ 63,081	\$ 44,961
Contributions in relation to the actuarially determined contribution	84,000	83,367	83,367	78,744	78,744	82,885	82,885	63,081	63,081	44,961
Contribution deficiency (excess)	\$ (2,507)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Required Supplementary Information - Unaudited
Schedule of Changes in the Town's Net Pension Liability and Related Ratios
Last Five Fiscal Years

Changes in net pension liability	2017	2016	2015	2014	2013
Total pension liability:					
Interest on total pension liability	\$ 66,103	\$ 82,588	\$ 87,820	\$ 93,351	\$ 98,557
Differences between expected and actual experience	-	(83,403)	-	-	-
Effect of assumption changes or inputs	-	65,285	-	-	-
Benefit payments	(139,838)	(151,557)	(168,133)	(171,078)	(169,686)
Net change in total pension liability	(73,735)	(87,087)	(80,313)	(77,727)	(71,129)
Total pension liability, beginning	1,126,510	1,213,597	1,293,910	1,371,637	1,442,766
Total pension liability, ending (a)	1,052,775	1,126,510	1,213,597	1,293,910	1,371,637
Fiduciary net position:					
Employer contributions	\$ 84,000	\$ 83,367	\$ 83,367	\$ 78,744	\$ 78,744
Member contributions	-	-	-	-	-
Investment income net of investment expenses	54,239	11,137	19,200	84,249	55,520
Benefit payments	(139,838)	(151,557)	(168,133)	(171,078)	(169,686)
Administrative expenses	(9,315)	(6,948)	(8,511)	(6,522)	(5,693)
Net change in plan fiduciary net position	(10,914)	(64,001)	(74,077)	(14,607)	(41,115)
Fiduciary net position, beginning	575,470	639,471	713,548	728,155	769,270
Fiduciary net position, ending (b)	564,556	575,470	639,471	713,548	728,155
Net pension liability, ending = (a) - (b)	\$ 488,219	\$ 551,040	\$ 574,126	\$ 580,362	\$ 643,482
Fiduciary net position as a % of total pension liability	53.63%	51.08%	52.69%	55.15%	53.09%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the Town will present information for those years on which information is available.

Required Supplementary Information - unaudited
Schedule of the Town's Proportionate Share of the Net Pension Liability -
Municipal Employees' Retirement System
Last Three Fiscal Years

	2017	2016	2015 *
Town's proportion of the net pension liability	6.09%	4.88%	5.21%
Town's proportionate share of the net pension liability	\$ 16,236,237	\$ 12,496,017	\$ 12,413,899
Town's covered-employee payroll	\$ 18,584,955	\$ 17,944,522	\$ 17,944,522
Town's proportionate share of the net pension liability as a percentage of its covered payroll	87.36%	69.64%	69.18%
Plan fiduciary net position as a percentage of the total pension liability	88.29%	92.72%	90.48%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the Town will present information for those years on which information is available.

* As restated.

Required Supplementary Information - unaudited
Schedule of the Town's Proportionate Share of the Net Pension
Liability - Teachers' Retirement System
Last Three Fiscal Years

	2017	2016	2015
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	79,425,593	60,790,928	56,189,042
Town's covered-employee payroll	\$ 21,020,000	\$ 20,407,000	\$ 21,623,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
System fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.56%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the Town will present information for those years on which information is available.

Required Supplementary Information - unaudited
Schedule of Funding Progress and Employer Contributions - OPEB Fund
Last Nine Fiscal Years

Schedule of Funding Progress - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll (Total)	UAAL as a Percentage of Payroll Covered
7/1/2016	\$ 1,160,000	\$ 23,690,000	\$ 22,530,000	5.00%	\$ 28,822,400	78.2%
7/1/2014	-	27,244,800	27,244,800	0.00%	29,073,500	93.7%
7/1/2012	-	28,551,800	28,551,800	0.00%	31,002,400	92.1%
7/1/2010	-	31,511,700	31,511,700	0.00%	28,227,100	111.6%
7/1/2008	-	40,636,400	40,636,400	0.00%	26,292,100	154.6%
7/1/2006	-	40,780,200	40,780,200	0.00%	25,246,800	161.5%

Schedule of Employer Contributions - OPEB

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
06/30/2017	\$ 2,607,000	141.9%
06/30/2016	2,755,300	29.0%
06/30/2015	2,720,300	21.5%
06/30/2014	2,747,000	22.1%
06/30/2013	2,718,100	46.6%
06/30/2012	2,690,600	52.4%
06/30/2011	3,644,900	43.2%
06/30/2010	3,694,400	36.7%
06/30/2009	3,649,500	20.4%

Required Supplementary Information – unaudited
Schedule of Employer Contributions – OPEB
Last Ten Fiscal Years

	Schedule of Contributions - OPEB									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 2,607,000	\$ 2,755,300	\$ 2,720,300	\$ 2,747,000	\$ 2,718,100	\$ 2,690,600	\$ 3,644,900	\$ 3,694,400	\$ 3,649,500	n/a
Contributions in relation to the actuarially determined contribution	3,698,337	798,000	584,100	608,000	1,266,500	1,409,100	1,575,600	1,357,300	745,813	n/a
Contribution deficiency (excess)	\$ (1,091,337)	\$ 1,957,300	\$ 2,136,200	\$ 2,139,000	\$ 1,451,600	\$ 1,281,500	\$ 2,069,300	\$ 2,337,100	\$ 2,903,687	n/a
Covered-employee payroll	\$ 29,615,001	\$ 29,073,500	\$ 29,073,500	\$ 31,032,400	\$ 31,032,400	\$ 28,277,100	\$ 28,277,100	n/a	n/a	n/a
Contributions as a percentage of covered-employee payroll	12.49%	3%	2%	2%	4%	5%	6%	n/a	n/a	n/a

Required Supplementary Information - Unaudited
Schedule of Changes in the Town's Net OPEB Liability and Related Ratios
Last Fiscal Year

Changes in net OPEB liability	2017
Total OPEB liability:	
Service cost	\$ 257,290
Interest on total OPEB liability	1,622,163
Differences between expected and actual experience	(76,479)
Effect of assumption changes or inputs	-
Benefit payments	(1,497,102)
Net change in total OPEB liability	305,872
Total OPEB liability, beginning	23,689,955
Total OPEB liability, ending (a)	23,995,827
Fiduciary net position:	
Employer contributions	\$ 3,698,337
TRB subsidy - contributions	113,609
Investment income net of investment expenses	48,287
Benefit payments	(1,497,102)
Administrative expenses	-
Net change in plan fiduciary net position	2,363,131
Fiduciary net position, beginning	-
Fiduciary net position, ending (b)	2,363,131
Net OPEB liability, ending = (a) - (b)	\$ 21,632,696
Fiduciary net position as a % of total OPEB liability	9.85%
Covered payroll	29,615,001
Net OPEB liability as a percentage of covered payroll	73.05%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is completed, the Town will present information for those years on which information is available.

Required Supplementary Information - Unaudited
General Fund Revenues and Other Financing Sources - Budgetary Basis -
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Property taxes:				
Revenues from current year	\$ 84,772,785	\$ 84,772,785	\$ 85,129,406	\$ 356,621
Prior year taxes	250,000	250,000	558,030	308,030
Interest and lien fees	250,000	250,000	480,861	230,861
Total property taxes	85,272,785	85,272,785	86,168,297	895,512
Intergovernmental:				
State of Connecticut:				
General:				
Equalized cost sharing	488,299	488,299	312,916	(175,383)
Health and Welfare	6,070	6,070	5,771	(299)
General government:				
Tax relief:				
Tax relief - state-owned property	122,408	122,408	122,408	-
Elderly	179,000	179,000	155,763	(23,237)
Disabled	2,300	2,300	2,397	97
Private tax exempt property	61,523	61,523	61,523	-
Veterans	12,450	12,450	11,605	(845)
Court fines	14,000	14,000	10,447	(3,553)
Civil preparedness	44,292	44,292	15,023	(29,269)
Telecommunication	87,000	87,000	80,942	(6,058)
Town aid road	321,363	321,363	320,698	(665)
SDE state grant	14,000	14,000	14,000	-
Willets Avenue STP Grant	-	-	3,450	3,450
Mashantucket Pequot grant	42,602	42,602	42,601	(1)
Enhancement 911	22,981	22,981	22,916	(65)
Municipal Revenue Share	129,546	129,546	259,091	129,545
Grants for Municipal Projects	34,255	34,255	34,255	-
Total intergovernmental	1,582,089	1,582,089	1,475,806	(106,283)

(Continued)

Required Supplementary Information - Unaudited
General Fund Revenues and Other Financing Sources - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Assessments and connections:				
Water main assessments	\$ -	\$ -	\$ 4,409	\$ 4,409
Sewer assessments	32,000	32,000	29,038	(2,962)
Total assessments and connections	32,000	32,000	33,447	1,447
Licenses and permits:				
Recreation and Parks Commission	190,000	190,000	216,862	26,862
Building Inspector	325,000	325,000	390,016	65,016
License, fees, permits and fines	25,000	25,000	25,604	604
Conveyance tax	200,000	200,000	269,688	69,688
Planning and Zoning	40,000	40,000	72,239	32,239
Liens - Utility Commission	15,000	15,000	12,780	(2,220)
Town Clerk fees	175,000	175,000	182,551	7,551
Total licenses and permits	970,000	970,000	1,169,740	199,740
Fines, penalties and charges for services:				
Tuition	30,674	30,674	27,508	(3,166)
Library	18,560	18,560	17,815	(745)
False alarm fines	1,000	1,000	300	(700)
Bulky waste fees	104,446	104,446	95,858	(8,588)
Recycling	23,000	23,000	48,292	25,292
Miscellaneous	35,000	35,000	56,923	21,923
EMS - Reg. Comm Ctr fees	10,000	10,000	37,641	27,641
Tipping fees	250,000	250,000	345,587	95,587
Senior services	29,000	29,000	29,186	186
Total fines, penalties and changes for services	501,680	501,680	659,110	157,430

(Continued)

Required Supplementary Information - Unaudited
General Fund Revenues and Other Financing Sources - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
Other sources:				
Rent and miscellaneous	\$ 4,500	\$ 4,500	\$ 6,234	\$ 1,734
Rental of building	165,600	165,600	176,434	10,834
Sale of equipment	1,000	1,000	6,531	5,531
NL Radio Comm. network use fee	141,941	141,941	102,547	(39,394)
SCRRRA rebate	-	-	10,657	10,657
Eugene O'Neill Lease	-	-	41,407	41,407
Ambulance operating subsidy	198,790	198,790	198,790	-
YSB BOE clerical stipend	5,000	5,000	5,000	-
East Lyme animal control payment	58,800	58,800	-	(58,800)
BOE Human Resources offset	14,347	14,347	14,350	3
Total other sources	589,978	589,978	561,950	(28,028)
Interest and dividends:				
Interest on investments	100,000	100,000	191,887	91,887
Total revenues	89,048,532	89,048,532	90,260,237	1,211,705
Other financing sources:				
Transfers in	-	-	8,698	8,698
Cancellation of prior year encumbrances	100	100	6,972	6,872
Total other financing sources	100	100	15,670	15,570
Total revenues and other financing sources	\$ 89,048,632	\$ 89,048,632	90,275,907	\$ 1,227,275
Budgetary revenues are different than GAAP revenues because				
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			8,661,646	
Encumbrances for purchases and commitments which were subsequently cancelled in the next fiscal year			(6,972)	
Excess cost - student based grant			562,646	
GASB 54 activity of certain Special Revenue Funds now consolidated into the General Fund			29,021	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in			\$ 99,522,248	

Required Supplementary Information - Unaudited
General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
General government:				
Selectman:				
Personnel costs	\$ 179,360	\$ 179,717	\$ 179,715	\$ 2
Services	43,130	65,837	65,650	187
Materials and supplies	925	832	660	172
Total Selectman	223,415	246,386	246,025	361
Registrar of Voters:				
Personnel costs	51,240	61,254	61,246	8
Services	7,777	8,104	7,785	319
Materials and supplies	6,511	5,107	4,999	108
Equipment	1	1	-	1
Total Registrar of Voters	65,529	74,466	74,030	436
Board of finance:				
Personnel costs	4,689	4,452	3,348	1,104
Services	48,825	49,062	49,061	1
Materials and supplies	30	30	30	-
Total Board of Finance	53,544	53,544	52,439	1,105
Assessor:				
Personnel costs	296,980	388,880	388,879	1
Services	26,776	26,239	26,239	-
Materials and supplies	1,094	831	711	120
Total Assessor	324,850	415,950	415,829	121
Board of Assessment Appeals:				
Personnel costs	730	828	827	1
Services	736	638	326	312
Total Board of Assessment Appeals	1,466	1,466	1,153	313
Tax Collector:				
Personnel costs	164,854	164,854	155,595	9,259
Services	38,094	38,094	35,348	2,746
Materials and supplies	80	80	24	56
Equipment	200	200	200	-
Total Tax Collector	203,228	203,228	191,167	12,061

(Continued)

Required Supplementary Information - Unaudited
General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
General government (continued):				
Finance:				
Personnel costs	\$ 519,349	\$ 562,417	\$ 562,414	\$ 3
Services	347,478	322,558	321,363	1,195
Materials and supplies	35,000	33,284	32,276	1,008
Equipment	34,729	39,549	35,580	3,969
Total Finance	936,556	957,808	951,633	6,175
Legal Department:				
Services	289,000	289,000	282,648	6,352
Town Clerk:				
Personnel costs	215,620	219,232	219,229	3
Services	31,455	29,965	29,547	418
Materials and supplies	1,004	1,101	1,097	4
Equipment	1	1	-	1
Total Town Clerk	248,080	250,299	249,873	426
Planning and Zoning Commission:				
Personnel costs	533,126	540,103	539,178	925
Services	46,264	52,300	51,388	912
Materials and supplies	1,310	1,210	952	258
Equipment	487	390	390	-
Total Planning and Zoning Commission	581,187	594,003	591,908	2,095
Building Maintenance:				
Personnel costs	26,283	26,283	13,972	12,311
Services	113,864	108,864	104,772	4,092
Materials and supplies	10,000	10,000	6,091	3,909
Capital Improvements	18,000	28,000	23,919	4,081
Total Building Maintenance	168,147	173,147	148,754	24,393
Insurance:				
Services	4,316,949	4,347,569	4,346,713	856
Economic Development Commission:				
Services	10,809	10,809	8,255	2,554
Conservation Commission:				
Services	17,750	17,750	11,517	6,233
Materials and supplies	500	500	265	235
Total Conservation Commission	18,250	18,250	11,782	6,468

Required Supplementary Information - Unaudited
General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
General government (continued):				
Zoning Board of Appeals:				
Services	\$ 3,590	\$ 3,590	\$ 2,151	\$ 1,439
Materials and supplies	50	50	-	50
Total Zoning Board of Appeals	3,640	3,640	2,151	1,489
Retirement Commission:				
Personnel costs	4,904,047	4,856,945	4,809,544	47,401
Representative Town Meeting:				
Personnel costs	54	54	-	54
Services	19,802	19,802	18,025	1,777
Total Representative Town Meeting	19,856	19,856	18,025	1,831
Building Department:				
Personnel costs	280,005	284,594	284,591	3
Services	12,397	10,213	9,872	341
Materials and supplies	1,300	1,037	853	184
Equipment	2,712	2,637	2,637	-
Total Building Department	296,414	298,481	297,953	528
Social Service Grants:				
Services	77,618	77,618	77,333	285
Contracts out to agencies	13,000	13,000	13,000	-
Total Social Service Grants	90,618	90,618	90,333	285
Contingency:				
Miscellaneous	265,000	31,502	-	31,502
Flood and Erosion Control Board:				
Personnel costs	775	775	518	257
Services	4,885	4,885	4,802	83
Materials and supplies	25	25	7	18
Total Flood and Erosion Control Board	5,685	5,685	5,327	358

(Continued)

Required Supplementary Information - Unaudited
General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Ethics Commission:				
Personnel costs	\$ 323	\$ 323	\$ 176	\$ 147
Services	375	375	-	375
Materials and supplies	25	25	-	25
Total Ethics Commission	723	723	176	547
Human Resources:				
Personnel costs	179,934	180,524	180,510	14
Services	29,331	31,742	30,758	984
Materials and supplies	1,395	458	454	4
Total Human Resources	210,660	212,724	211,722	1,002
Total General Government	13,237,653	13,156,099	13,007,440	148,659
Public Safety:				
Emergency Management				
Personnel costs	871,972	886,998	886,997	1
Services	420,127	418,968	415,555	3,413
Materials and supplies	3,650	2,224	2,215	9
Equipment	3	3	-	3
Total Emergency Management	1,295,752	1,308,193	1,304,767	3,426
Fire Services:				
Personnel costs	1,767,079	1,750,985	1,750,982	3
Services	924,094	932,441	928,762	3,679
Materials and supplies	224,800	273,934	273,923	11
Equipment	73,333	46,587	46,583	4
Total Fire Services	2,989,306	3,003,947	3,000,250	3,697

(Continued)

Required Supplementary Information - Unaudited
General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary	Final Budget
Police Department:				
Personnel costs	\$ 5,192,163	\$ 5,152,463	\$ 5,005,271	\$ 147,192
Services	391,452	376,632	357,887	18,745
Materials and supplies	196,926	251,446	249,785	1,661
Equipment	10,000	10,000	9,907	93
Total Police Department	5,790,541	5,790,541	5,622,850	167,691
Total Public Safety	10,075,599	10,102,681	9,927,867	174,814
Public Works:				
Personnel costs	2,259,127	2,259,127	2,247,263	11,864
Services	1,355,625	1,370,625	1,341,816	28,809
Materials and supplies	720,800	705,800	609,470	96,330
Equipment	13,500	13,500	12,486	1,014
Capital improvements	321,800	321,800	310,741	11,059
Total Public Works	4,670,852	4,670,852	4,521,776	149,076
Social Services:				
Youth Service Bureau:				
Personnel costs	179,502	184,452	183,890	562
Services	58,324	53,374	46,046	7,328
Total Social Services	237,826	237,826	229,936	7,890
Conservation of Health:				
Services	141,623	141,623	141,623	-
Total Conservation of Health	141,623	141,623	141,623	-
Waterford Public Health Nursing Service:				
Contracts out to agencies	37,016	37,016	33,097	3,919
Senior Citizen Commission:				
Personnel costs	390,195	433,953	433,949	4
Services	135,250	121,824	120,440	1,384
Materials and supplies	11,960	11,590	11,102	488
Equipment	4,543	4,389	4,388	1
Total Senior Citizen Commission	541,948	571,756	569,879	1,877
Total Social Services	958,413	988,221	974,535	13,686

(Continued)

Required Supplementary Information - Unaudited
General Fund Expenditures and Other Financing Uses - Budgetary Basis -
Budget and Actual (Continued)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	Budgetary Basis	Final Budget
Library:				
Personnel costs	\$ 930,003	\$ 939,503	\$ 927,171	\$ 12,332
Services	69,247	59,747	57,251	2,496
Materials and supplies	8,000	8,000	7,993	7
Equipment	45,000	45,000	44,999	1
Total Library	1,052,250	1,052,250	1,037,414	14,836
Recreation and Parks:				
Personnel costs	975,199	1,009,416	981,709	27,707
Services	320,242	306,025	302,662	3,363
Materials and supplies	63,885	63,885	62,641	1,244
Equipment	11,833	11,833	11,713	120
Total Recreation and Parks	1,371,159	1,391,159	1,358,725	32,434
Community Use of School	356,705	356,705	356,705	-
Debt Service:				
Principal	4,585,000	4,585,000	4,585,000	-
Interest	2,798,808	2,798,808	2,798,808	-
Total Debt Service	7,383,808	7,383,808	7,383,808	-
Board of Education	45,892,257	45,892,257	45,834,598	57,659
Total Expenditures	84,998,696	84,994,032	84,402,868	591,164
Other Financing Uses:				
Transfers out	4,049,935	4,054,599	4,054,599	-
Total Expenditures and Other Financing Uses	\$ 89,048,631	\$ 89,048,631	88,457,467	\$ 591,164

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	8,661,646
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the order is received for financial reporting purposes	128,126
Excess cost - student based grant	562,646
Bond issue cost	138,304
GASB 54 activity of certain Special Revenue Funds now consolidated into the General Fund	41,398

Total Expenditures and Other Financing Uses as Reported in the
Statement of Revenues, Expenditures and Changes in
Fund Balances - General Fund

\$ 97,989,587

Note to Required Supplementary Information - Unaudited

Note 1. Budgets and Budgetary Accounting

Formal legally adopted annual budgets are employed as a management control device in the General Fund. Project-length budgets are employed in the Capital Projects Funds. All unencumbered appropriations lapse at year-end.

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Those Departments, Boards, Commissions and Agencies seeking appropriations, with the exception of the Board of Education, make their budgetary requests to the Board of Selectmen by a date designated by that Board, generally no later than the last working day in November. During the month of January and February, the Board of Selectmen conducts budget hearings with the requesting agencies. The Board of Selectmen will take final action on these requests no later than the second week in February and forward the budgets and its recommendation for funding to the Board of Finance. During the month of March, the Board of Finance conducts budget hearings with the requesting Departments, Boards, Commissions and Agencies including the Board of Education. The Board of Finance then conducts a Public Hearing to determine the budget it will recommend to the Representative Town Meeting. This recommendation cannot exceed the recommended level of appropriation by the Board of Selectman unless a departmental appeal is made to them based upon the action of the Board of Selectmen in a timeframe approved by Ordinance. The Representative Town Meeting holds its annual budget meeting the first Monday in May and acts upon the recommended budget as submitted by the Board of Finance inclusive of the Board of Education. The Representative Town Meeting cannot increase the level of appropriation recommended by the Board of Finance unless a departmental appeal is made to them from the action of the Board of Finance in a timeframe approved by Ordinance. The annual budget meeting legally appropriates this budget to departmental line items for expenditures and transfers. The Board of Finance then sets a tax mill rate for the ensuing fiscal year based upon this level of budget.

Town management may transfer amounts within the series level within a department with Commission or Board approval, but only the Board of Finance is authorized to transfer the legally budgeted amounts between series within or between departmental accounts. In this function, series within the various departments serve as the level of management control.

The Superintendent of Schools is authorized to make limited line item transfers under emergency circumstances where the urgent need for the transfer prevents the Board of Education from meeting in a timely fashion to consider the transfer. Any such transfer shall be announced at the next regularly scheduled meeting of the Board.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as assigned fund balance.

Summarizations of the amended budget approved by the RTM for the "budgetary" general fund is presented. During the year, there were no supplemental budgetary appropriations.

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in reporting in conformity with generally accepted accounting principles.

Note to Required Supplementary Information – Unaudited (Continued)

Note 1. Budgets and Budgetary Accounting (Continued)

The differences between the budgetary and GAAP basis of accounting are as follows:

- Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year but are shown as an assigned fund balance on a GAAP basis.
- State of Connecticut payments on behalf of Town of Waterford teachers for the State Teachers' Retirement System are reported for GAAP purposes only.
- Excess Cost - Student based grant is credited against the Board of Education's operating budget.
- Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

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**Combining and Individual
Fund Financial Statements and Other Schedules**

General Fund

General Fund

The general fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The general fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

Town of Waterford, Connecticut

**Balance Sheet
General Fund
June 30, 2017**

Assets

Cash and cash equivalents	\$ 12,074,754
Investments	3,316,951
Receivables, net	2,688,194
Due from other funds	3,959,418
Prepaid items	<u>45,154</u>
Total assets	<u>\$ 22,084,471</u>

Liabilities, Deferred Inflows of Resources and Fund Balance

Liabilities:

Accounts payable	\$ 1,164,916
Accrued liabilities	3,203,485
Due to other funds	1,828,150
Unearned revenues	<u>84,921</u>
Total liabilities	<u>6,281,472</u>

Deferred inflows of resources:

Unavailable revenues	<u>2,208,873</u>
Total deferred inflows of resources	<u>2,208,873</u>

Fund balance:

Nonspendable	45,154
Assigned	366,215
Unassigned	<u>13,182,757</u>
Total fund balance	<u>13,594,126</u>

Total liabilities, deferred inflows of resources and fund balance	<u>\$ 22,084,471</u>
--	-----------------------------

Town of Waterford, Connecticut

**Board of Education
Schedule of Expenditures and Encumbrances
Compared with Appropriations
For the Year Ended June 30, 2017**

	Final Appropriation	Expenditures and Encumbrances	Unexpended Balance
Salaries - certified	\$ 22,339,078	\$ 22,172,925	\$ 166,153
Salaries - support	5,440,778	5,341,082	99,696
Salaries - other	41,768	19,049	22,719
Temporary pay - certified	1,021,094	995,296	25,798
Temporary pay - support	146,971	171,946	(24,975)
Overtime - support	111,667	99,549	12,118
Health and dental insurance	5,451,793	5,440,967	10,826
Life and major medical insurance	72,194	73,150	(956)
Long term disability	2,538	2,726	(188)
Social Security contribution	844,589	816,189	28,400
Reimbursements	78,400	74,667	3,733
Unemployment compensation	10,000	22,514	(12,514)
Workers' compensation	358,960	356,968	1,992
Sick pay	182,000	188,421	(6,421)
Retirement incentive	24,000	24,000	-
Instructional services	162,615	155,202	7,413
Staff and curriculum development	91,050	90,209	841
Other professional and technical services	1,101,211	987,241	113,970
Legal services	99,769	71,022	28,747
Public utilities	62,259	73,348	(11,089)
Maintenance and repairs	320,418	389,746	(69,328)
Rentals	1,557	1,405	152
Pupil transportation	1,993,840	2,141,657	(147,817)
Insurance - property	125,400	117,106	8,294
Insurance - liability	115,535	112,788	2,747
Other insurance	25,250	24,273	977
Communications	57,502	72,610	(15,108)
Postage	21,573	20,148	1,425
Advertising	2,000	2,802	(802)
Tuition	2,451,559	2,373,465	78,094
Travel and conference	140,956	138,270	2,686
Other purchased services	59,620	82,565	(22,945)
Instructional supplies	383,213	387,374	(4,161)
Software	264,555	286,229	(21,674)
Maintenance and custodial	248,793	283,287	(34,494)
Heat and energy	1,176,273	1,232,649	(56,376)
Transportation supplies	127,398	136,647	(9,249)
Textbooks	186,300	217,339	(31,039)
Library and professional books	30,088	29,339	749
Other supplies	172,096	184,155	(12,059)
Equipment	302,194	383,410	(81,216)
Membership dues and fees	43,403	40,863	2,540
Total	\$ 45,892,257	\$ 45,834,598	\$ 57,659

Town of Waterford, Connecticut

Report of Tax Collector

For the Year Ended June 30, 2017

Grand List	Uncollected Taxes July 1, 2016	Current Levy	Lawful Corrections		Transfers to Suspense	Net Amount Collectible	Collections				Uncollected Taxes June 30, 2017
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2015	-	\$ 85,757,019	\$ 73,787	\$ 184,509	12,367	\$ 85,633,930	\$ 85,024,687	\$ 125,384	\$ 1,418	\$ 85,151,489	\$ 609,243
2014	629,725	-	657	16,773	32,833	580,776	269,949	53,895	2,160	326,004	310,827
2013	345,872	-	752	6,984	32,271	307,369	77,543	39,537	912	117,992	229,826
2012	249,922	-	-	2,793	18,347	228,782	62,199	37,022	600	99,821	166,583
2011	178,790	-	-	-	2,803	175,987	52,346	40,289	524	93,159	123,641
2010	151,932	-	-	-	1,942	149,990	42,337	41,555	490	84,382	107,653
2009	94,036	-	-	-	1,768	92,268	36,966	40,142	456	77,564	55,302
2008	57,185	-	-	-	1,652	55,533	27,178	34,032	216	61,426	28,355
2007	34,132	-	-	-	1,829	32,303	16,062	23,320	120	39,502	16,241
2006	18,549	-	-	-	1,226	17,323	6,470	9,272	72	15,814	10,853
2005	7,620	-	-	-	1,158	6,462	4,147	7,948	48	12,143	2,315
2004	7,207	-	-	-	1,097	6,110	3,929	8,056	48	12,033	2,181
2003	4,162	-	-	-	1,042	3,120	1,448	3,357	24	4,829	1,672
2002	3,846	-	-	-	988	2,858	1,374	3,362	24	4,760	1,484
2001	2,871	-	-	-	532	2,339	2,550	6,506	72	9,128	(211)
<u>\$ 1,785,849 \$ 85,757,019 \$ 75,196 \$ 211,059 \$ 111,855 \$ 87,295,150</u>							<u>\$ 85,629,185</u>	<u>\$ 473,677</u>	<u>\$ 7,184</u>	<u>\$ 86,110,046</u>	<u>\$ 1,665,965</u>
Suspense collections							6,158	-	-	6,158	
Total collections							<u>\$ 85,635,343</u>	<u>\$ 473,677</u>	<u>\$ 7,184</u>	86,116,204	
Property taxes receivable - considered available:											
June 30, 2016										(128,022)	
June 30, 2017										180,114	
Total										<u>\$ 86,168,296</u>	

Town of Waterford, Connecticut

Schedule of Water Main Assessments Receivable
For the Year Ended June 30, 2017

Contract Number	Principal Uncollected July 1, 2016	Interest and Liens Uncollected July 1, 2016	New Contracts	Interest and Liens Billed	Lawful Corrections				Collections				Principal Balance Uncollected Taxes June 30, 2017	Interest and Lien Fees Uncollected June 30, 2017	Balance Uncollected June 30, 2017
					Principal Additions	Principal Deductions	Interest and Liens Additions	Interest and Liens Deductions	Assessments	Interest and Lien Fees	Transferred to Town Clerk	Total			
75	\$ 620	\$ 758	\$ -	\$ 112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 620	\$ 870	\$ 1,490
76	14,845	(229)	-	2,113	-	-	-	-	-	-	-	-	14,845	1,884	16,729
	<u>\$ 15,465</u>	<u>\$ 529</u>	<u>\$ -</u>	<u>\$ 2,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 15,465</u>	<u>\$ 2,754</u>	<u>\$ 18,219</u>
Water assessment receivable considered available:															
June 30, 2016													-		
June 30, 2017													4,409		
Total													<u><u>\$ 4,409</u></u>		

Town of Waterford, Connecticut

Schedule of Sewer Assessments Receivable
For the Year Ended June 30, 2017

Contract Number	Principal Uncollected July 1, 2016	Interest and Lien Fees Uncollected July 1, 2016	New Contracts	Interest and Liens Billed	Lawful Corrections				Assessments	Collections		Total	Principal Balance Uncollected Taxes June 30, 2017	Interest and Lien Fees Uncollected June 30, 2017	Balance Uncollected June 30, 2017
					Additions	Deductions	Interest and Lien Additions	Interest and Lien Deletions		Interest and Lien Fees	Transferred to Town Clerk				
51/52A	\$ 412	\$ 400	\$ -	\$ 62	\$ -	\$ -	\$ -	\$ -	\$ 412	\$ 462	\$ -	\$ 874	\$ -	\$ -	\$ -
60	2,154	1,863	-	258	-	-	-	33	2,154	2,088	-	4,242	-	-	-
74	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
75	1,887	2,423	-	339	-	-	-	-	-	-	-	-	1,887	2,762	4,649
76	107,973	483	-	10,092	-	-	-	572	43,092	3,323	-	46,415	64,881	6,680	71,561
	<u>\$ 112,426</u>	<u>\$ 5,169</u>	<u>\$ -</u>	<u>\$ 10,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 45,658</u>	<u>\$ 5,873</u>	<u>\$ -</u>	<u>51,531</u>	<u>\$ 66,768</u>	<u>\$ 9,442</u>	<u>\$ 76,210</u>
Sewer assessment receivable considered available:															
June 30, 2016												(28,957)			
June 30, 2017												6,464			
Total												<u>\$ 29,038</u>			

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Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The nature and purpose of each Special Revenue Fund is as follows:

Fund	Funding Source	Function
Special Education Grants	State and federal grant	School related programs
School Cafeteria	Sale of food and grants	School Lunch Program
Drug Enforcement Grant	Federal and State forfeited property	Drug enforcement and education
Youth Services	Donations/admission fees	Youth Program
Water	Rentals received from telephone companies for antennas on water towers	Maintenance of water towers and infrastructure
Contributed Gifts	Donations	Expenditure of donations for various purposes
Senior Citizens	Charges for services/donations	Senior citizen activities
Youth Services DMHAS Grant	Local Prevention Council Program Grant	Youth Services Alcohol & Drug Abuse Prevention Program
Police Seatbelt Check Grant	State grant	Click It or Ticket Seat Belt Enforcement
Historic Document Preservation	U.S. Department of the Interior grant passed through the State of Connecticut Department of Economic & Community Development	Preparation of a National Register Nomination for the Oil Mill Historic District
Nuclear Safety Emergency Preparedness	State grant	Nuclear Safety Preparedness Program
Comprehensive DUI Enforcement Program Grant	State grant	Regional Check Points to Enforce Drinking Under the Influence Laws
Historic Properties	Donations	Donations to the Historic Properties Commission
Jordan Mill Pond Fishway Grant	State and other agency grants	Construct a Fishway to promote spawning
Harbor Management Grant	Docking and mooring fees	Harbor Management
Youth Services Enhancement Grant	State grant	To promote youth developmental activities
New London County Cold Case Unit Grant Fund	State Stipend	Police Officers participating in County effort to solve Cold Cases
C-Pace Grant	Funding through the Connecticut Property Assessed Clean Energy (C-PACE)	Program for businesses to upgrade to promote energy efficiency and clean energy projects
Small Cities Grant II	State Community Development Block Grant (CDBG) funds and loan payments	Waterford Housing Rehabilitation Program
Wal-Mart Grant	Grant from Wal-Mart	Senior Services Program to conduct in-home fall assessment risks for local seniors
Nutmeg Network Grant	State of Connecticut Grant	Grant for reimbursing the Town for connecting to the Nutmeg Network
Mago Point Park STEAP Grant	CT Department of Economic and Community Development Small Town Economic Assistance Program	Improvements to Mago Point Park

Nonmajor Governmental Funds

Special Revenue Funds, Continued

Fund	Funding Source	Function
CT State Library Targeted Grant	CT State Library Grant funded through the Historic Documents Preservation Program	Storage of public records
DEMAHS 2014 Port Security Grant	Department of Homeland Security and Emergency Management Grant	Training and equipment for a regional dive team
Distracted Driving Enforcement Grant	Department of Transportation Federal Grant	Enforcement of distracted driving laws
Neglected Cemetery Account Grant Program	State of Connecticut Grant	Expenses for clean-up of Wheeler Cemetery
USTA New England Grant	Grant from USTA New England	Recreation tennis program for mentally and/or physically challenged participants
UConn Grant	University of Connecticut	Assessment of the Town's Sewer Pump Stations' vulnerability to flooding
Reeve Foundation Grant	Christopher Reeve Foundation Grant	Purchase of recreation equipment to make Waterford Beach accessible to individuals in wheelchairs
Senior Services Title IIIB Open Doors Grant	Federal funding under Title III B	Senior Services Open Doors Program for local seniors
Community Development Block Grant	State Community Development Block Grant (CDBG) funds and loan payments	Waterford Housing Rehabilitation Program

Capital Projects Funds

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlay.

Fund	Funding Source	Function
Fleet Management	Transfers, sales and rental of vehicles and equipment	Program for equipment and vehicle replacement
Sewer Maintenance and Development	Sewer connection fees	Maintenance of existing sewer system assets of Utility Commission
Animal Control Facility	Donations	Construction of a new animal shelter
Capital Improvement	General Fund	Various capital projects
Early Childhood Learning Center	State Grants	Construction of a District Magnet School
Oswegatchie Elementary School Project Fund	Capital and Nonrecurring Fund and State Grants	School renovation
Great Neck Elementary School	Capital and Nonrecurring Bond Proceeds and State Grants	School renovation
Quaker Hill Elementary School Bldg. Project	Capital and Nonrecurring Fund and State Grants	School construction

Permanent Funds

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Hammond Memorial Trust - To account for funds established for maintenance of the family grave plot.

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Town of Waterford, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Special Revenue				
	Special Education Grants	School Cafeteria	Drug Enforcement Grant	Youth Services	Water
Assets					
Cash and cash equivalents	\$ 122,278	\$ 2,323	\$ -	\$ -	\$ -
Investments	-	49,488	-	-	-
Receivables, net of allowances for uncollectibles:					
Accounts receivable	-	-	-	-	3,186
Intergovernmental	82,483	46,023	-	1,546	-
Due from other funds	-	6,872	23,433	108,504	575,660
Prepaid Expenses	-	-	-	-	-
Inventories	-	5,262	-	-	-
Total assets	\$ 204,761	\$ 109,968	\$ 23,433	\$ 110,050	\$ 578,846
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ 7,046	\$ 14	\$ 51	\$ 4,000	\$ 2,500
Accrued liabilities	44,419	11,630	-	13,979	704
Due to other funds	90,652	-	-	-	-
Unearned revenue	57,220	-	-	56,260	-
Total liabilities	199,337	11,644	51	74,239	3,204
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits):					
Nonspendable	-	5,262	-	-	-
Restricted	5,424	93,062	23,382	35,811	-
Committed	-	-	-	-	575,642
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	5,424	98,324	23,382	35,811	575,642
Total liabilities and fund balances (deficits)	\$ 204,761	\$ 109,968	\$ 23,433	\$ 110,050	\$ 578,846

Special Revenue												
Contributed Gifts			Senior Citizens		Youth Services DMHAS Grant		Police Seatbelt Check Grant		Historic Document Preservation		Nuclear Safety Emergency Preparedness	
\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	
	-		-		-		-		-		-	
	-		1,288		-		-		-		-	
	-		-		-		-		-		51,682	
	46,282		43,288		450		-		-		-	
	-		100		-		-		-		-	
	-		-		-		-		-		-	
\$	46,282	\$	44,676	\$	450	\$	-	\$	-	\$	51,682	
\$	318	\$	3,150	\$	450	\$	-	\$	-	\$	26,632	
	-		131		-		-		-		-	
	-		-		-		-		-		25,050	
	-		6,175		-		-		-		-	
	318		9,456		450		-		-		51,682	
	-		-		-		-		-		13,500	
	-		-		-		-		-		13,500	
	-		100		-		-		-		-	
	45,964		35,120		-		-		-		-	
	-		-		-		-		-		-	
	-		-		-		-		-		-	
	-		-		-		-		-		(13,500)	
	45,964		35,220		-		-		-		(13,500)	
\$	46,282	\$	44,676	\$	450	\$	-	\$	-	\$	51,682	

(Continued)

Town of Waterford, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2017

	Special Revenue Funds				
	Comprehensive DUI Enforcement Program Grant	Historic Properties	Jordan Mill Pond Fishway Grant	Harbor Management Fund	Youth Services Enhancement Grant
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables, net of allowances for uncollectibles:					
Accounts receivable	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	849	777	38,643	380
Prepaid Expenses	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	\$ -	\$ 849	\$ 777	\$ 38,643	\$ 380
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 50	\$ 380
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	50	380
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits):					
Nonspendable	-	-	-	-	-
Restricted	-	849	777	38,593	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	-	849	777	38,593	-
Total liabilities and fund balances (deficits)	\$ -	\$ 849	\$ 777	\$ 38,643	\$ 380

Special Revenue Funds

NL County Cold Case Unit Grant Fund	C-Pace Grant	Small Cities Grant II	Nutmeg Network Grant	Mago Point Park STEAP Grant	CT State Library Targeted Grant	DEMAHS 2014 Port Security Grant
\$ -	\$ -	\$ 242	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	35,912	-	-
2	2,322	-	1,162	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ 2	\$ 2,322	\$ 242	\$ 1,162	\$ 35,912	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ 31,671	\$ -	\$ -
-	-	-	-	14,178	-	-
-	-	50	-	4,241	-	-
-	-	-	-	-	-	-
-	-	50	-	50,090	-	-
-	-	-	-	35,912	-	-
-	-	-	-	35,912	-	-
-	-	-	-	-	-	-
2	2,322	192	1,162	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	(50,090)	-	-
2	2,322	192	1,162	(50,090)	-	-
\$ 2	\$ 2,322	\$ 242	\$ 1,162	\$ 35,912	\$ -	\$ -

(Continued)

Town of Waterford, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2017

	Special Revenue Funds				
	Neglected Cemetery Grant	USTA New England Grant	Distracted Driving Enforcement Grant	Community Development Block Grant	UConn Grant
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables, net of allowances for uncollectibles:					
Accounts receivable	-	-	-	-	-
Intergovernmental	-	-	-	38,734	-
Due from other funds	1,011	-	-	-	-
Prepaid Expenses	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	\$ 1,011	\$ -	\$ -	\$ 38,734	\$ -
Liabilities and Fund Balances (Deficits)					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	38,734	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	38,734	-
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances (deficits):					
Nonspendable	-	-	-	-	-
Restricted	1,011	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances (deficits)	1,011	-	-	-	-
Total liabilities and fund balances (deficits)	\$ 1,011	\$ -	\$ -	\$ 38,734	\$ -

Special Revenue Funds			Capital Projects Funds			
Reeve Foundation Grant	Senior Services Title IIIB Open Doors Grant	Senior Services Wal Mart Grant	Fleet Management	Sewer Maintenance & Development	Animal Control Facility	Capital Improvement
\$ -	\$ -	\$ -	\$ 1,849,996	\$ 506,685	\$ -	\$ 646,236
-	-	-	-	-	-	-
-	-	-	24,636	27,155	-	-
-	1,749	-	-	-	-	-
1,530	-	500	-	5,991	212,801	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,530</u>	<u>\$ 1,749</u>	<u>\$ 500</u>	<u>\$ 1,874,632</u>	<u>\$ 539,831</u>	<u>\$ 212,801</u>	<u>\$ 646,236</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	1,749	-	36,690	-	-	26,164
-	-	-	-	-	-	-
<u>-</u>	<u>1,749</u>	<u>-</u>	<u>36,690</u>	<u>-</u>	<u>-</u>	<u>26,164</u>
-	-	-	-	5,428	-	-
-	-	-	-	5,428	-	-
-	-	-	-	-	-	-
1,530	-	500	-	534,403	212,801	-
-	-	-	1,837,942	-	-	-
-	-	-	-	-	-	620,072
-	-	-	-	-	-	-
<u>1,530</u>	<u>-</u>	<u>500</u>	<u>1,837,942</u>	<u>534,403</u>	<u>212,801</u>	<u>620,072</u>
<u>\$ 1,530</u>	<u>\$ 1,749</u>	<u>\$ 500</u>	<u>\$ 1,874,632</u>	<u>\$ 539,831</u>	<u>\$ 212,801</u>	<u>\$ 646,236</u>

(Continued)

Town of Waterford, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2017

	Capital Projects Funds				Permanent Fund	
	Early Childhood Learning Center	Oswegatchie Elementary School Project Fund	Great Neck Elementary School Project	Quaker Hill Elementary School Bldg. Project	Hammond Memorial Trust	Total Nonmajor Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 674	\$ 242	\$ 435	\$ 51	\$ 3,129,162
Investments	-	-	-	-	165,629	215,117
Receivables, net of allowances for uncollectibles:						
Accounts receivable	-	-	-	-	-	56,265
Intergovernmental	-	-	-	-	-	258,129
Due from other funds	549,784	-	-	-	-	1,620,241
Prepaid Expenses	-	-	-	-	-	100
Inventories	-	-	-	-	-	5,262
Total assets	<u>\$ 549,784</u>	<u>\$ 674</u>	<u>\$ 242</u>	<u>\$ 435</u>	<u>\$ 165,680</u>	<u>\$ 5,284,276</u>
Liabilities and Fund Balances (Deficits)						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 25,507	\$ -	\$ -	\$ 101,769
Accrued liabilities	-	-	-	-	-	85,041
Due to other funds	-	291,423	353,562	23,880	26,200	918,395
Unearned revenue	-	-	-	-	-	119,655
Total liabilities	<u>-</u>	<u>291,423</u>	<u>379,069</u>	<u>23,880</u>	<u>26,200</u>	<u>1,224,860</u>
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	-	-	54,840
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,840</u>
Fund Balances (Deficits)						
Nonspendable	-	-	-	-	139,480	144,842
Restricted	-	-	-	-	-	1,032,905
Committed	549,784	-	-	-	-	2,963,368
Assigned	-	-	-	-	-	620,072
Unassigned	-	(290,749)	(378,827)	(23,445)	-	(756,611)
Total fund balances (deficits)	<u>549,784</u>	<u>(290,749)</u>	<u>(378,827)</u>	<u>(23,445)</u>	<u>139,480</u>	<u>4,004,576</u>
Total liabilities and fund balances (deficits)	<u>\$ 549,784</u>	<u>\$ 674</u>	<u>\$ 242</u>	<u>\$ 435</u>	<u>\$ 165,680</u>	<u>\$ 5,284,276</u>

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Town of Waterford, Connecticut

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

	Special Revenue Funds				
	Special Education Grants	School Cafeteria	Drug Enforcement Grant	Youth Services	Water
Revenues:					
Intergovernmental	\$ 1,012,853	\$ 332,117	\$ 7,703	\$ -	\$ -
Charges for goods and services	-	532,149	-	161,541	73,284
Income on investments	-	325	-	-	-
Miscellaneous	6,974	-	-	26,102	-
Total revenues	1,019,827	864,591	7,703	187,643	73,284
Expenditures:					
Current:					
General government	-	-	-	-	-
Public Safety	-	-	8,434	-	-
Public Works	-	-	-	-	50,685
Recreation	-	-	-	-	-
Social Services	-	-	-	183,594	-
Education	1,019,825	927,768	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	1,019,825	927,768	8,434	183,594	50,685
Excess (deficiency) of revenues over expenditures	2	(63,177)	(731)	4,049	22,599
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances (deficits)	2	(63,177)	(731)	4,049	22,599
Fund balance (deficit), beginning of year	5,422	161,501	24,113	31,762	553,043
Fund balance (deficit), end of year	<u>\$ 5,424</u>	<u>\$ 98,324</u>	<u>\$ 23,382</u>	<u>\$ 35,811</u>	<u>\$ 575,642</u>

Special Revenue Funds						
Contributed Gifts	Senior Citizens	Youth Services DMHAS Grant	Police Seatbelt Check Grant	Historic Document Preservation	Nuclear Safety Emergency Preparedness	
\$ -	\$ -	\$ 4,152	\$ 6,870	\$ 7,000	\$ 84,224	
-	64,236	-	-	-	-	
-	-	-	-	-	-	
10,407	8,551	-	-	-	-	
10,407	72,787	4,152	6,870	7,000	84,224	
-	-	-	-	-	-	
6,595	-	-	6,870	-	55,141	
-	-	-	-	-	-	
1,470	-	-	-	-	-	
-	67,241	4,152	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
8,065	67,241	4,152	6,870	-	55,141	
2,342	5,546	-	-	7,000	29,083	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
2,342	5,546	-	-	7,000	29,083	
43,622	29,674	-	-	(7,000)	(42,583)	
\$ 45,964	\$ 35,220	\$ -	\$ -	\$ -	\$ (13,500)	

(Continued)

Town of Waterford, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Comprehensive DUI Enforcement Program Grant	Historic Properties	Jordan Mill Pond Fishway Grant	Harbor Management Fund	Youth Services Enhancement Grant
Revenues:					
Intergovernmental	\$ 9,954	\$ -	\$ -	\$ -	\$ 6,250
Charges for goods and services	-	-	-	9,100	-
Income on investments	-	-	-	-	-
Miscellaneous	-	-	-	12,000	-
Total revenues	9,954	-	-	21,100	6,250
Expenditures:					
Current:					
General government	-	-	-	9,413	-
Public Safety	9,954	-	-	-	-
Public Works	-	-	-	-	-
Recreation	-	-	-	-	-
Social Services	-	-	-	-	6,250
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	9,954	-	-	9,413	6,250
Excess (deficiency) of revenues over expenditures	-	-	-	11,687	-
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances (deficits)	-	-	-	11,687	-
Fund balance (deficit), beginning of year	-	849	777	26,906	-
Fund balance (deficit), end of year	\$ -	\$ 849	\$ 777	\$ 38,593	\$ -

Special Revenue Funds

NL County Cold Case Unit Grant Fund	C-Pace Grant	Small Cities Grant II	Nutmeg Network Grant	Mago Point Park STEAP Grant	CT State Library Targeted Grant	DEMAHS 2014 Port Security Grant
\$ -	\$ -	\$ -	\$ -	\$ 260,039	\$ 4,000	\$ 80,522
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	260,039	4,000	80,522
-	-	-	-	-	-	-
511	-	-	-	305,895	4,000	-
-	-	-	-	-	-	21,500
-	-	-	-	-	-	-
-	-	998	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
511	-	998	-	305,895	4,000	21,500
(511)	-	(998)	-	(45,856)	-	59,022
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(511)	-	(998)	-	(45,856)	-	59,022
513	2,322	1,190	1,162	(4,234)	-	(59,022)
\$ 2	\$ 2,322	\$ 192	\$ 1,162	\$ (50,090)	\$ -	\$ -

(Continued)

Town of Waterford, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2017

	Special Revenue Funds				
	Neglected Cemetery Grant	USTA New England Grant	Distracted Driving Enforcement Grant	Community Development Block Grant	UConn Grant
Revenues:					
Intergovernmental	\$ -	\$ -	\$ 6,920	\$ 116,917	\$ -
Charges for goods and services	-	-	-	-	-
Income on investments	-	-	-	-	-
Miscellaneous	-	-	-	-	5,678
Total revenues	-	-	6,920	116,917	5,678
Expenditures:					
Current:					
General government	-	-	-	116,917	5,678
Public Safety	-	-	6,920	-	-
Public Works	-	-	-	-	-
Recreation	-	500	-	-	-
Social Services	-	-	-	-	-
Education	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	500	6,920	116,917	5,678
Excess (deficiency) of revenues over expenditures	-	(500)	-	-	-
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances (deficits)	-	(500)	-	-	-
Fund balance (deficit), beginning of year	1,011	500	-	-	-
Fund balance (deficit), end of year	\$ 1,011	\$ -	\$ -	\$ -	\$ -

Special Revenue Funds			Capital Projects Funds			
Reeve Foundation Grant	Senior Services Title IIIB Open Doors Grant	Senior Services Wal Mart Grant	Fleet Management	Sewer Maintenance & Development	Animal Control Facility	Capital Improvement
\$ -	\$ 4,183	\$ -	\$ 49,600	\$ -	\$ -	\$ -
-	-	-	102,200	186,298	-	-
-	-	-	12,859	2,198	-	-
5,350	3,013	-	63,091	-	297	-
5,350	7,196	-	227,750	188,496	297	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,449	-	-
3,820	-	-	-	-	-	-
-	7,196	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,479,445	-	-	637,326
3,820	7,196	-	1,479,445	3,449	-	637,326
1,530	-	-	(1,251,695)	185,047	297	(637,326)
-	-	-	1,250,000	-	-	2,152,164
-	-	-	-	-	-	(1,258,698)
-	-	-	1,250,000	-	-	893,466
1,530	-	-	(1,695)	185,047	297	256,140
-	-	500	1,839,637	349,356	212,504	363,932
\$ 1,530	\$ -	\$ 500	\$ 1,837,942	\$ 534,403	\$ 212,801	\$ 620,072

(Continued)

Town of Waterford, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2017

	Capital Projects Funds				Permanent Fund	
	Early Childhood Learning Center	Oswegatchie Elementary School Project Fund	Great Neck Elementary School Project	Quaker Hill Elementary School Project	Hammond Memorial Trust	Total Nonmajor Governmental Funds
Revenues:						
Intergovernmental	\$ -	\$ 75,479	\$ -	\$ 46,503	\$ -	\$ 2,115,286
Charges for goods and services	-	-	-	-	-	1,128,808
Income on investments	-	4	1	3	31,439	46,829
Miscellaneous	-	-	-	-	-	141,463
Total revenues	-	75,483	1	46,506	31,439	3,432,386
Expenditures:						
Current:						
General government	-	-	-	-	14,999	456,902
Public Safety	-	-	-	-	-	115,925
Public Works	-	-	-	-	-	54,134
Recreation	-	-	-	-	-	5,790
Social Services	-	-	-	-	-	269,431
Education	-	-	-	-	-	1,947,593
Capital outlay	-	-	25,507	-	-	2,142,278
Total expenditures	-	-	25,507	-	14,999	4,992,053
Excess (deficiency) of revenues over expenditures	-	75,483	(25,506)	46,506	16,440	(1,559,667)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	3,402,164
Transfers out	-	-	-	-	-	(1,258,698)
Total other financing sources (uses)	-	-	-	-	-	2,143,466
Net change in fund balances (deficits)	-	75,483	(25,506)	46,506	16,440	583,799
Fund balance (deficit), beginning of year	549,784	(366,232)	(353,321)	(69,951)	123,040	3,420,777
Fund balance (deficit), end of year	\$ 549,784	\$ (290,749)	\$ (378,827)	\$ (23,445)	\$ 139,480	\$ 4,004,576

Fiduciary Funds

Fiduciary Funds

Agency Funds

Student Activities Fund - To account for monies from various self-funding school activity programs.

Student Scholarship Fund - To account for financial assistance provided to local residents.

Performance Bonds Fund - To account for cash bonds posted by contractors, developers and others.

Town of Waterford, Connecticut

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

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
School Activity Fund				
Assets:				
Cash and cash equivalents	\$ 151,068	\$ 366,667	\$ 356,482	\$ 161,253
Investments	24,132	109	-	24,241
Total assets	175,200	366,776	356,482	185,494
Liabilities:				
Due to student groups and other	175,200	366,776	356,482	185,494
Total liabilities	175,200	366,776	356,482	185,494
Student Scholarship Fund				
Assets:				
Cash and cash equivalents	73,421	58,198	54,384	77,235
Investments	250,560	935	50	251,445
Total assets	323,981	59,133	54,434	328,680
Liabilities:				
Due to student groups and other	323,981	59,133	54,434	328,680
Total liabilities	323,981	59,133	54,434	328,680
Performance Bonds				
Assets:				
Cash and cash equivalents	444,767	77,729	94,477	428,019
Total assets	444,767	77,729	94,477	428,019
Liabilities:				
Due to contractors	444,767	77,729	94,477	428,019
Total liabilities	444,767	77,729	94,477	428,019
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 669,256	\$ 502,594	\$ 505,343	\$ 666,507
Investments	274,692	1,044	50	275,686
Total assets	\$ 943,948	\$ 503,638	\$ 505,393	\$ 942,193
Liabilities:				
Due to student groups and others	\$ 499,181	\$ 425,909	\$ 410,916	\$ 514,174
Due to contractors	444,767	77,729	94,477	428,019
Total liabilities	\$ 943,948	\$ 503,638	\$ 505,393	\$ 942,193

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**Capital Assets Used in the
Operation of Governmental Funds**

Capital Assets Used in the Operation of Governmental Funds

The following schedules present only the capital asset balances related to governmental funds. The assets are reported at historical cost or estimated historical cost.

The Town's capitalization policy requires the recording of capital assets with original cost of \$5,000 or more. Infrastructure assets are recorded based on a threshold of \$5,000. Provision for depreciation is not included in the schedules.

Town of Waterford, Connecticut

**Capital Assets Used in the Operation of Governmental Funds -
By Category and Source
June 30, 2017**

Capital assets:	
Land	\$ 8,017,930
Land improvements	2,392,999
Buildings and improvements	240,851,845
Machinery, furniture and equipment	15,055,116
Vehicles	15,445,033
Infrastructure	101,826,647
Software	610,339
Permanent easements	5,000
Construction work in progress	1,258,699
Total capital assets	\$ 385,463,608
Investment in capital assets by source:	
General fund	\$ 133,670,662
Special revenue	52,069,428
Capital projects	192,863,914
Donated	6,859,604
Total capital assets by source	\$ 385,463,608

Town of Waterford, Connecticut

**Capital Assets Used in the Operations of Governmental Funds -
Schedule by Function and Activity - Gross
June 30, 2017**

	Land	Land Improvements	Buildings and Improvements	Machinery, Furniture and Equipment	Vehicles	Infrastructure	Software	Permanent Leases	Construction In Progress	Total
General										
government	\$ 3,540,472	\$ 227,358	\$ 4,220,918	\$ 685,633	\$ 491,751	\$ -	\$ 136,202	\$ -	\$ -	\$ 9,302,334
Public Safety	50,000	132,820	6,645,506	6,033,510	8,445,564	-	345,862	-	-	21,653,262
Public Works	691,023	242,277	5,103,818	1,242,844	5,559,386	101,517,564	63,988	5,000	955,171	115,381,071
Recreation	2,063,320	740,006	8,577,136	678,947	354,831	309,083	11,397	-	303,528	13,038,248
Library	30,000	102,861	2,304,387	222,263	-	-	-	-	-	2,659,511
Social Services	246,606	49,717	3,668,076	53,582	174,031	-	-	-	-	4,192,012
Education	1,396,509	897,960	210,332,004	6,138,337	419,470	-	52,890	-	-	219,237,170
Total	\$ 8,017,930	\$ 2,392,999	\$ 240,851,845	\$ 15,055,116	\$ 15,445,033	\$ 101,826,647	\$ 610,339	\$ 5,000	\$ 1,258,699	\$ 385,463,608

Town of Waterford, Connecticut

**Capital Assets Used in the Operation of Governmental Funds -
Schedule of Changes by Function and Activity - Gross
For the Year Ended June 30, 2017**

	Balance July 1, 2016	Additions and Transfers	Retirements and Transfers	Balance June 30, 2017
General government	\$ 9,161,403	\$ 843,829	\$ 702,898	\$ 9,302,334
Public Safety	21,443,713	365,149	155,600	21,653,262
Public Works	115,379,875	1,965,315	1,964,119	115,381,071
Recreation	12,609,866	452,382	24,000	13,038,248
Library	2,659,511	-	-	2,659,511
Social Services	4,175,904	63,020	46,912	4,192,012
Education	219,087,876	149,294	-	219,237,170
Total	\$ 384,518,148	\$ 3,838,989	\$ 2,893,529	\$ 385,463,608

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