

Fairfield Public Schools

2015 – 2016

Quarterly Financial Report as of September 30, 2015

Summary

Financial reports for the first quarter of the fiscal year (July, August, and September) are always preliminary. The beginning of the school year is typically when expenditures fluctuate as school staff assignments are finalized and salary/benefit costs stabilize. Additional certified staff were hired based on the distribution of elementary students and class size requirements, in addition to course enrollment patterns at the high schools. An additional 8 retirees and staff turnover will just about offset the additional staffing so we will not have any significant balance in this account at year end.

Nearly 90% of our \$161,215,640 budget appropriation has been expended or encumbered in this first quarter. A sizable amount of contractual and/or fixed costs are not encumbered i.e., utilities, general repairs and maintenance, student activity salaries, part-time salaries, some benefits, and instructional materials. A description of each major expense category and its dynamics is provided below along with the key factors that impact account balances.

Personnel Services

Personnel services is the single largest budget classification at 64% of the budget or approximately \$102.7 million. This category includes contracted salaries, hourly wages, extra-curricular stipends and substitute pay. The largest balance in personnel services is part-time employment, primarily for substitutes and overtime which are paid as incurred and therefore are not encumbered. Extra-curricular stipends are encumbered when staff are hired for the season. There is an increase of 13.3 FTE's in staffing from 1464.4 FTE's to 1477.7 FTE's. An additional 10.9 FTE's were hired in certified positions and 2.4 FTE's in non-certified positions. The FTE increase in certified staff is net of various staffing adjustments across the district. The additional non-certified positions, 2.0 FTE's Special Education Trainers and .4 FTE Paraprofessional, are the result of changes in special education student needs.

Fixed Charges

17 % of the budget is allotted for employee benefits which are categorized as fixed charges. This report reflects our contribution to the medical retention fund and the majority of the contribution to the town pension. The total contribution to the town pension for the year will be \$78,000 more than budgeted because of a change in the mortality tables used by the Town's consultant following Board of Education budget approval. Social security and life insurance are paid as incurred throughout the year.

Pupil Personnel Expenses

Special education costs, with the exception of salaries, transportation and capital, are included in this category. This classification of expenditures is the most volatile, as expenses are determined by the special needs of individual students and state excess cost reimbursement for qualifying expenses. The initial excess cost reimbursement, received in February, is based on anticipated costs filed by Pupil Services in December. The first quarter financial report indicates a negative balance of approximately \$1.4 million in pupil personnel expenses; however, excess cost reimbursement is expected to offset a large portion, if not all, of these costs. We will not have a more definitive number for excess cost reimbursement until December. The final status of this category is impossible to determine until much later in the fiscal year.

In an effort to provide increased services to special education and non-special education students with significant emotional, psychiatric and behavioral difficulties at the high school level, Pupil Services contracted with Effective School Solutions. The increased services allow us to retain students in district who would otherwise be outplaced, and has allowed us to start returning outplaced students to the district. Accordingly, there is a budget transfer from the out-of-district tuition account to the Pupil Personnel Services professional consultant account.

School Expenses

These expenditures support instruction and activities at the building level and include supplies, materials, textbooks, copying, sports and other activities. There is a balance of approximately 54 % in this category which is reasonable with only one month of school activity in this quarter.

Support Expenses

Program implementation, centrally funded instructional programs, non-special education tuition and central support operations are included here. Program implementation and instructional supplies/materials expenses are incurred in the same manner as school expenses. Professional / Technical, maintenance services (software/network maintenance), security and postage indirectly support school operations and are expended on a contractual or as-needed basis. Security expenses appear to be over budget currently but the account will be offset with high school parking revenue later in the year.

Maintenance/Operation/Transportation

Maintenance, operations and transportation account for 10 % of the total budget. Preliminary encumbrances for transportation are included in this report except for special education transportation.

Approximately 27 % of the budget in this category is designated for utilities. Total utility costs are difficult to project accurately. Consequently, they are paid as incurred rather than encumbered. Electric and heating rates were budgeted at contractual rates for the entire fiscal year as they were available early in the budget process. Distribution and transportation charges for these utilities are not contracted, and remain variable as is usage.

The budget of \$ 3.7 million for maintenance services is for preventative maintenance, repairs and major maintenance projects. Maintenance projects are scheduled based on priority and accessibility to the buildings and/or grounds. Whenever possible, certain projects are held in abeyance as a budgetary precaution. Other contractual services have been encumbered but general repair and maintenance accounts are expended as needed.

Capital

The capital budget totals approximately \$1.8 million and approximately 75% of the funding has been expended or encumbered. Equipment purchases are processed throughout the year as needed but the majority are purchased in the spring.

Submitted: November 12, 2015

Doreen T. Munsell

September 30, 2015

Town of Fairfield



**Investment Measurement Service
Monthly Review**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. Callan does not provide advice regarding, nor shall Callan be responsible for, the purchase, sale, hedge or holding of individual securities, including, without limitation securities of the client (i.e., company stock) or derivatives in the client's accounts. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the conformity of individual security holdings with the client's investment policies and guidelines, nor has it assumed any responsibility to do so. Advice pertaining to the merits of individual securities and derivatives should be discussed with a third party securities expert. Copyright 2015 by Callan Associates Inc.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2015, with the distribution as of August 31, 2015. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2015					August 31, 2015		
	Market Value	Percent	Target	Net New Inv.	Inv. Return	Market Value	Percent	Target
Domestic Equity	\$98,722,637	29.39%	25.00%	\$(3,564)	\$(4,148,778)	\$102,874,979	29.96%	25.00%
BlackRock S&P 500 Index	58,168,081	17.32%	-	0	(1,475,379)	59,643,460	17.37%	-
The Boston Company	27,745,987	8.26%	-	(3,564)	(1,913,462)	29,663,013	8.64%	-
Jennison Small Cap Core	12,808,569	3.81%	-	0	(759,937)	13,568,506	3.95%	-
International Equity	\$66,005,645	19.65%	20.00%	\$0	\$(1,928,794)	\$67,934,439	19.78%	20.00%
Euro Pacific	33,597,979	10.00%	-	0	(1,210,740)	34,808,720	10.14%	-
First State	15,073,818	4.49%	-	0	(15,207)	15,089,025	4.39%	-
Vanguard International Index	17,333,847	5.16%	-	0	(702,847)	18,036,694	5.25%	-
Total Fixed	\$101,349,347	30.18%	30.00%	\$(2,270)	\$434,564	\$100,917,052	29.39%	30.00%
Domestic Fixed	\$67,857,305	20.20%	20.00%	\$(2,270)	\$446,605	\$67,412,969	19.63%	20.00%
Montgomery US Core Fixed Income	34,004,897	10.12%	-	0	217,965	33,786,933	9.84%	-
Seix	33,852,408	10.08%	-	(2,270)	228,641	33,626,037	9.79%	-
Global Fixed	\$33,492,042	9.97%	10.00%	\$0	\$(12,041)	\$33,504,083	9.76%	10.00%
Standish Global Core Plus	33,492,042	9.97%	-	0	(12,041)	33,504,083	9.76%	-
Hedge Funds	\$36,024,996	10.73%	10.00%	\$0	\$(553,443)	\$36,578,439	10.65%	10.00%
Conatus*	6,708,328	2.00%	-	0	(226,219)	6,934,547	2.02%	-
Wellington Archipelago*	12,851,134	3.83%	-	0	(244,483)	13,095,617	3.81%	-
DGAM - Diversified Strategies Fund*	16,465,533	4.90%	-	0	(82,742)	16,548,274	4.82%	-
Private Equity	\$6,443,944	1.92%	5.00%	\$163,460	\$0	\$6,280,484	1.83%	5.00%
Lexington MMI II**	3,117,521	0.93%	-	(61,540)	0	3,179,061	0.93%	-
Lexington MMI III**	1,577,744	0.47%	-	0	0	1,577,744	0.46%	-
Mesirov**	1,748,679	0.52%	-	225,000	0	1,523,679	0.44%	-
Real Estate	\$18,480,506	5.50%	5.00%	\$0	\$0	\$18,480,506	5.38%	5.00%
TA Realty***	4,347,436	1.29%	-	0	0	4,347,436	1.27%	-
Principal Opportunities Fund**	14,133,070	4.21%	-	0	0	14,133,070	4.12%	-
Commodities	\$6,500,687	1.94%	3.00%	\$(4,105)	\$(273,118)	\$6,777,911	1.97%	3.00%
TAP Commoditybuilder Fund LLC	6,500,687	1.94%	-	(4,105)	(273,118)	6,777,911	1.97%	-
Cash	\$2,330,959	0.69%	2.00%	\$(1,237,867)	\$162	\$3,568,664	1.04%	2.00%
Cash	116,379	0.03%	-	(522,304)	23	638,660	0.19%	-
Town Employees	1,110,562	0.33%	-	(407,820)	72	1,518,311	0.44%	-
Fire and Police	1,104,018	0.33%	-	(307,743)	68	1,411,693	0.41%	-
Total Fund	\$335,858,720	100.0%	100.0%	\$(1,084,346)	\$(6,469,408)	\$343,412,473	100.0%	100.0%

* Market values provided by investment manager.

** Current market values are those of two quarters prior, adjusted for capital calls and distributions.

*** Current market values are those of the prior quarter, adjusted for capital calls and distributions of the current quarter.

Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended September 30, 2015. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2015

	Last Month	Fiscal YTD	Last 12 Months	Last 36 Months	Last 60 Months
Domestic Equity	(4.03%)	(8.99%)	(1.46%)	14.29%	13.10%
Russell 3000 Index	(2.91%)	(7.25%)	(0.49%)	12.53%	13.28%
BlackRock S&P 500 Index	(2.47%)	(6.44%)	(0.52%)	-	-
S&P 500 Index	(2.47%)	(6.44%)	(0.61%)	12.40%	13.34%
The Boston Company	(6.45%)	(13.13%)	(4.68%)	13.92%	12.89%
Russell MidCap Index	(3.60%)	(8.01%)	(0.25%)	13.91%	13.40%
Jennison Small Cap Core	(5.60%)	(10.81%)	2.29%	-	-
Russell 2000 Index	(4.91%)	(11.92%)	1.25%	11.02%	11.73%
International Equity	(2.84%)	(9.81%)	(7.62%)	4.06%	3.96%
MSCI ACWI ex-US Index	(4.60%)	(12.10%)	(11.78%)	2.78%	2.27%
Euro Pacific	(3.48%)	(9.81%)	(4.93%)	6.28%	4.36%
MSCI ACWI ex-US Index	(4.60%)	(12.10%)	(11.78%)	2.78%	2.27%
First State	(0.10%)	(7.64%)	(9.70%)	0.68%	4.87%
MSCI Emerging Mkts Idx	(2.97%)	(17.78%)	(18.98%)	(4.93%)	(3.25%)
Vanguard International Index	(3.90%)	(11.59%)	(10.71%)	3.15%	-
Vanguard Int'l Idx BM*	(4.38%)	(11.83%)	(10.87%)	3.30%	2.41%
Domestic Fixed	0.66%	1.06%	3.04%	2.07%	3.81%
Barclays Aggregate Index	0.68%	1.23%	2.94%	1.71%	3.10%
Seix	0.68%	1.05%	2.89%	2.10%	3.84%
Barclays Aggregate Index	0.68%	1.23%	2.94%	1.71%	3.10%
Montgomery US Core Fixed	0.65%	1.07%	3.19%	-	-
Barclays Aggregate Index	0.68%	1.23%	2.94%	1.71%	3.10%
Global Fixed	(0.04%)	0.08%	-	-	-
Standish Global Core Plus	(0.04%)	0.08%	-	-	-
Barclays Global Aggregate Index	0.59%	1.31%	3.13%	3.04%	3.51%

* As of June 1, 2013 the benchmark used is the FTSE Global All Cap exUS Index. Prior benchmark history reflects the MSCI ACWI exUS IMI Index.

Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended September 30, 2015. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2015

	Last Month	Fiscal YTD	Last 12 Months	Last 36 Months	Last 60 Months
Hedge Funds**	(1.51%)	(1.40%)	2.73%	8.74%	44.44%
Conatus	(3.26%)	(1.98%)	6.04%	7.93%	-
Wellington Archipelago	(1.87%)	(1.72%)	3.59%	10.42%	-
DJCS L/S Equity	(1.12%)	(1.54%)	4.24%	8.95%	6.13%
DGAM - Diversified Strategies Fund	(0.50%)	(0.91%)	(1.31%)	-	-
HFRI FOF: Conservative Index	(1.25%)	(1.84%)	0.58%	4.24%	2.82%
Private Equity	0.00%	0.00%	3.99%	10.45%	12.92%
Lexington MMI II***	0.00%	0.00%	5.73%	11.90%	13.81%
Lexington MMI III***	0.00%	0.00%	11.73%	-	-
Mesirow***	0.00%	0.00%	(9.76%)	-	-
Russell 3000 Index + 3%	(2.57%)	(6.32%)	2.56%	15.58%	16.40%
Real Estate	0.00%	0.00%	10.89%	14.45%	12.42%
TA Realty****	0.00%	0.00%	11.09%	13.36%	11.69%
NFI-ODCE Equal Weight Net	0.00%	0.00%	10.08%	10.99%	12.11%
Principal Opportunities Fund***	0.00%	0.00%	10.78%	14.86%	-
NFI-ODCE Equal Weight Net	0.00%	0.00%	10.08%	10.99%	12.11%
Commodities	(4.03%)	(14.69%)	(27.32%)	(15.25%)	-
TAP Commoditybuilder Fund	(4.03%)	(14.69%)	(27.32%)	(15.25%)	-
DJ UBS Commodity Index	(3.42%)	(14.48%)	(26.01%)	(16.06%)	(8.94%)
Cash	0.01%	0.02%	0.05%	0.05%	-
Cash	0.01%	0.02%	0.05%	0.06%	0.09%
Town Employees	0.01%	0.02%	0.05%	0.05%	0.05%
Fire and Police	0.01%	0.02%	0.05%	0.05%	0.05%
ML 3-Month US T-Bill	0.00%	0.01%	0.02%	0.06%	0.08%
Total Fund	(1.89%)	(5.02%)	(0.97%)	6.94%	8.13%
Total Fund Benchmark*	(1.66%)	(4.96%)	(1.93%)	5.52%	6.44%

* Current Month Target = 25.0% Russell 3000 Index, 20.0% Barclays Aggregate Index, 15.0% MSCI ACWI ex US Index, 10.0% Barclays Global Aggregate, 5.0% Russell 3000 Index+3.0%, 5.0% NFI-ODCE Equal Weight Net, 5.0% MSCI Emerging Mkts Idx, 5.0% CS L/S Eq, 5.0% HFRI FOF: Conservative In, 3.0% Blmbrg Commodity Index and 2.0% 3-month Treasury Bill.

** Composite returns include historical income from Madoff settlement.

*** Current market values are those of two quarters prior, adjusted for capital calls and distributions.

**** Current market values are those of the prior, adjusted for capital calls and distributions of the current quarter.

September 30, 2015

Town of Fairfield - OPEB



**Investment Measurement Service
Monthly Review**

The following report was prepared by Callan Associates Inc. ("CAI") using information from sources that include the following: fund trustee(s); fund custodian(s); investment manager(s); CAI computer software; CAI investment manager and fund sponsor database; third party data vendors; and other outside sources as directed by the client. CAI assumes no responsibility for the accuracy or completeness of the information provided, or methodologies employed, by any information providers external to CAI. Reasonable care has been taken to assure the accuracy of the CAI database and computer software. Callan does not provide advice regarding, nor shall Callan be responsible for, the purchase, sale, hedge or holding of individual securities, including, without limitation securities of the client (i.e., company stock) or derivatives in the client's accounts. In preparing the following report, CAI has not reviewed the risks of individual security holdings or the conformity of individual security holdings with the client's investment policies and guidelines, nor has it assumed any responsibility to do so. Advice pertaining to the merits of individual securities and derivatives should be discussed with a third party securities expert. Copyright 2015 by Callan Associates Inc.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of September 30, 2015, with the distribution as of August 31, 2015. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

	September 30, 2015			Net New Inv.	Inv. Return	August 31, 2015		
	Market Value	Percent	Target			Market Value	Percent	Target
Vanguard US Stock Fund	\$8,983,751	40.69%	42.00%	\$(46,152)	\$(273,361)	\$9,303,264	41.27%	42.00%
Vanguard Intl Stock Fund	\$5,748,595	26.03%	28.00%	\$(29,619)	\$(234,538)	\$6,012,753	26.67%	28.00%
Fixed Income	\$7,100,645	32.16%	30.00%	\$0	\$45,514	\$7,055,131	31.29%	30.00%
Cash	\$247,441	1.12%	-	\$74,540	\$14	\$172,886	0.77%	-
OPEB Total	\$22,080,432	100.0%	100.0%	\$(1,231)	\$(462,371)	\$22,544,034	100.0%	100.0%

Investment Manager Returns

The table below details the rates of return for the fund's investment managers over various time periods ended September 30, 2015. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended September 30, 2015

	Last Month	Fiscal YTD	Last 12 Months	Last 36 Months	Last 60 Months
Vanguard US Stock Fund	(2.94%)	(7.26%)	(0.57%)	-	-
Wilshire 5000	(2.71%)	(6.91%)	(0.38%)	12.42%	13.18%
Vanguard Int'l Stock Fund	(3.90%)	(11.59%)	(10.71%)	-	-
Vanguard Int'l Blended Benchmark**	(4.38%)	(11.83%)	(10.87%)	3.30%	2.41%
Fixed Income	0.65%	1.07%	3.18%	-	-
Barclays Aggregate Index	0.68%	1.23%	2.94%	1.71%	3.10%
Cash	0.01%	0.02%	0.05%	-	-
3-month Treasury Bill	0.00%	0.01%	0.02%	0.06%	0.08%
OPEB Total	(2.05%)	(5.92%)	(2.35%)	3.07%	3.70%
OPEB Benchmark*	(2.31%)	(6.13%)	(2.61%)	3.49%	3.66%

* Current Month Target = 42.0% Russell 3000 Index, 30.0% Barclays Aggregate Index and 28.0% MSCI ACWI ex US Index.

** As of June 1, 2013 the benchmark used is the FTSE Global All Cap exUS Index. Prior benchmark history reflects the MSCI ACWI exUS IMI Index.

Projected Net Estimated Variance
For the period Ending September 30, 2015
As of Q1 FY16
Executive Summary
(\$000)

REVENUE	Fav/(Unfav)
State Revenue- Exhibit A	(\$481)
Park and Recreation Revenue	\$45
Subtotal	<u>(\$436)</u>
EXPENSES	
Unemployment Compensation	(\$25)
Heart & Hypertension	\$200
Electricity	(\$251)
Penfield Savings	\$20
FY15 Operations	\$155
Vacancies-\$155	
Subtotal	<u>\$99</u>
Net Estimated Variance	<u><u>(\$337)</u></u>

**Reconciliation of Budgeted Revenue to Estimated State Revenue
For Fiscal year Ending June 30, 2016**

	<u>Budget (1)</u>	<u>Updated State 9/18/2015</u>	<u>Actual 9/30/2015</u>	<u>Estimated 6/30/2016</u>	<u>Bud v Est Fav/(Unfav)</u>
Grant:					
41100 ECS Grant	\$3,590,008	\$3,590,008	\$0	\$3,590,008	\$0
41101 Public School Transportation	7,657	7,178	0	7,178	(\$479)
41145 Pequot-Mohegan Grant	280,618	280,618	0	280,618	\$0
41196 PILOT: Colleges and Hospitals	2,503,408	1,991,101	2,024,123	2,024,123	(\$479,285)
41195 PILOT: State Owned property	33,317	33,317	0	33,317	\$0
41147 Municipal Revenue Sharing Bonus	96,747	96,747	0	96,747	0
Subtotal	\$6,511,755	\$5,998,969	\$2,024,123	\$6,031,991	(\$479,764)
41136 LoCIP	\$370,404	\$370,404	\$0	\$370,404	\$0
41137 Town Aid Road	\$711,140	\$711,140	\$356,234	\$711,140	\$0
Subtotal	\$1,081,544	\$1,081,544	\$356,234	\$1,081,544	\$0
41130 State Grant-Other	\$25,000	\$25,000	\$24,415	\$24,415	(\$585)
41203 Health Grant-Non Public Schools	\$54,725	\$54,725	\$0	\$54,725	\$0
41131 State Grant-911	\$131,062	\$131,062	\$67,610	\$131,062	\$0
42202 Police- Surcharge on MV	\$103,565	\$103,565	\$18,476	\$103,565	\$0
41134 Connecticard-Library	\$31,794	\$31,794	\$0	\$31,794	\$0
41141 Public Library Grant	\$1,293	\$1,293	\$0	\$1,293	\$0
41123 School Building Grants	\$296,812	\$296,812	\$0	\$296,812	\$0
48202 Nitrogen Removal Credit	\$74,500	\$74,500	\$74,405	\$74,405	(\$95)
Subtotal	\$718,751	\$718,751	\$184,906	\$718,071	(\$680)
40031 Elderly Tax Credit	\$492,764	\$492,764	\$0	\$492,764	\$0
40032 Elderly Tax Freeze	\$2,274	\$2,274	\$2,000	\$2,000	(\$274)
40033 Exempt for Totally Disabled	\$4,642	\$4,642	\$0	\$4,642	\$0
41193 In Lieu of Taxes- Veterans	\$155,282	\$155,282	\$0	\$155,282	\$0
Subtotal	\$654,962	\$654,962	\$2,000	\$654,688	(\$274)
TOTAL	\$8,967,012	\$8,454,226	\$2,567,263	\$8,486,294	(\$480,718)

(1) reflects Approved Budget May 4, 2015